RETHINK
REFOCUS
REBUILD

United Motors Lanka PLC

Annual Report 2023/24

RETHINK
REFOCUS
REBUILD

In the dynamic landscape of the automotive industry, adaptability and innovation are paramount. United Motors, a pioneering force in this realm, exemplifies these principles through their steadfast commitment to rethink, refocus, and rebuild.

RETHINK: United Motors embraces the power of forward-thinking, consistently challenging conventional norms, exploring new avenues and technologies to stay ahead of the curve. We approach each endeavor with a fresh perspective, fostering creativity and ingenuity.

REFOCUS: In an industry marked by constant evolution, staying true to core values while adapting to shifting paradigms is essential. United Motors excels in refocusing its efforts, directing resources towards initiatives that align with its long-term objectives.

REBUILD: Adversity often presents opportunities for growth, and United Motors understands the importance of resilience. In times of challenge or setback, we leverage our expertise and determination to rebuild stronger than before.

Furthermore, United Motors recently marked a significant milestone by acquiring full ownership of Dutch Lanka Trailers, a move that amplifies its global footprint and enhances its capabilities in the transportation sector. This strategic acquisition not only expands our portfolio but also reinforces our position as an industry leader, poised for continued innovation and growth.

United Motors' dedication to rethinking, refocusing, and rebuilding serves as a testament to its enduring legacy of excellence in the automotive industry.

ABOUT THIS REPORT

Welcome to the Annual Report of United Motors Lanka PLC (referred to as UML). This report provides stakeholders with a balanced and concise account of how we created value during the year and our strategic direction going forward. This report will also share UML's financial and operational performance for the year ended 31 March 2024 and our collective strategies to overcome the year's challenges.

SCOPE AND BOUNDARIES

The report covers the operations of United Motors Lanka PLC (UML) and its subsidiaries: Unimo Enterprises Limited (UEL), U M L Heavy Equipment Limited (UMLH), U M L Property Developments Limited (UMPDL), Dutch Lanka Trailer Manufacturers Limited (DLT), and Dutch Lanka Engineering Private Limited (DLE), collectively referred to as the DLT Group. These subsidiaries, along with UML, will be referred to as the 'Group' in this report. The report covers the period from 1 April 2023 to 31 March 2024.

The Group adopts an annual reporting cycle for both its financial and other disclosures reporting, and this report builds on our previous Annual Report for the financial year ended 31 March 2023. Both the financial and non-financial disclosures pertain to the Group, unless specifically mentioned otherwise. The Group acquired Dutch Lanka Trailer Manufacturers Limited, and its' subsidiary company Dutch Lanka Engineering Private Limited. During the year ended 31 March 2024, and there were no other material changes to the Group. There were also no material restatements of information published in last year's report.

REPORTING FRAMEWORKS

We are committed to aligning our reporting with global best practices in corporate reporting and comply with a range of internationally accepted reporting frameworks as listed below:

- Companies Act No.7 of 2007
- Sri Lanka Financial Reporting Standards (SLFRS) /Sri Lanka Accounting Standards (LKAS)
- Listing requirements of the Colombo Stock Exchange
- Guidelines issued by the Securities and Exchange Commission of Sri Lanka
- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

INDEPENDENT ASSURANCE

Independent Assurance has been obtained from Group Auditors Messrs. Deloitte Partners on the Consolidated Financial Statements.

FEEDBACK

We are committed to consistently enhancing the quality and readability of our Annual Report and welcome your feedback, suggestions and other comments. Please direct your feedback to,

info@unitedmotors.lk

To view this report online, or for any other information please log on to
www.unitedmotors.lk

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OVERVIEW

ABOUT US

Established in 1945, United Motors Lanka PLC is one of Sri Lanka's oldest and most esteemed automobile companies. Over the decades, we have earned our place among the island's top-tier business entities, consistently recognised in the LMD 100 and Most Respected Entities by LMD. Our commitment to good governance practices is reflected in our annual reports, which have been consistently acknowledged as the Best in the Automotive Sector by the Institute of Chartered Accountants of Sri Lanka.

United Motors Lanka PLC is honored to represent a diversified portfolio of esteemed automotive brands from across the globe. Our offerings include Mitsubishi passenger and Fuso commercial vehicles from Japan, Perodua compact cars from Malaysia, JMC commercial vehicles from and DFSK SUVs from China. Additionally, we are proud to represent JCB heavy equipment and generators from India along with the full product range of LiuGong heavy equipment in the Maldives and their forklifts in Sri Lanka. Furthermore, we distribute premium products such as Yokohama tyres from Japan, Valvoline lubricants, Prestone and Simoniz car care products from the USA.

With a commitment to serving our customers across the island, United Motors maintains a comprehensive branch network in Orugodawatte, Ratmalana, Panchikawatta, Anuradhapura, Kandy, Kurunegala, Matara, Nugegoda, Ratnapura, and Jaffna. This network ensures seamless sales and after-sale services that are customer-centric and reliable. We boast a robust dealer network of over 2,500 outlets nationwide, covering both urban and rural areas for the distribution of tyres, genuine parts, and lubricants.

Additionally, United Motors Lanka PLC has expanded its operations into export activities with the recent acquisition of Dutch Lanka Trailers, marking a strategic move towards broader international market engagement. This development underscores our commitment to growth and diversification, enhancing our position as a leading player in Sri Lanka's automotive and industrial sectors.

We look forward to building on our legacy of excellence and innovation, continuing to exceed expectations and deliver value to our stakeholders in the years ahead.

GROUP STRUCTURE

PARENT COMPANY

United Motors Lanka PLC

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

AUTOMOBILES

Vehicle
- Sales
- After-sale services
- Spare parts

POWER & ENERGY

Solar power

LUBRICANTS

Lubricants and car care

MANUFACTURING & TECHNOLOGY

3D Printing equipment/material
- Sales
- After-sales services
- Certification courses

- Hydrophobic surface protection products (Nano-coating products)

DIRECTORS

Mr. Devaka Cooray
Chairman

Mr. Chanaka Yatawara
Group Chief Executive Officer/ Executive Director

Mr. Ananda Atukorala

Mr. Ramesh Yaseen
Executive Director-After-Sale Services

Ms. Hiroshini Fernando

Prof. Malik Ranasinghe
(Resigned w.e.f. 31 March 2024)

Mr. Stuart Chapman

Ms. Coralie Pietersz

Mr. Junya Takami

Mr. Thushara Jayasekara
Executive Director-Finance

Mr. V. Govindasamy
(Appointed w.e.f. 15 May 2024)

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)

DUTCH LANKA TRAILER MANUFACTURERS LIMITED

100% Subsidiary
Reg. No. PB 175
(Incorporated on 13 March 1992)

DUTCH LANKA ENGINEERING (PVT) LIMITED

100% Subsidiary
Reg No PB 7006
(Incorporated on 16 May 1997)

Automobile
- Assembly
- Sales
- After-sales services

Equipment and machinery
- Sales

Tyres
- Sales

Equipment, Generators and machinery
- Sales
- After-sales services

Property
- Renting of warehouses

Port and road trailers
- Terminal Trailers
- Design and Manufacture
- Export/ Local sales
- Fabrication
- Spare part export sales

Road Trailers
- Design & manufacture
- Local Sale
- Heavy Steel Fabrication
- Services
- Bodybuilding Applications
- Spare part sales

DIRECTORS

Mr. Devaka Cooray -
Chairman

Mr. Chanaka Yatawara -
Group Chief Executive Officer/ Executive Director

Mr. Ananda Atukorala

Mr. Ramesh Yaseen

Ms. Hiroshini Fernando

Mr. Thushara Jayasekara

Mr. Mahesh Gunathilake -
Chief Executive Officer/ Executive Director (Resigned w.e.f. 20 May 2023)

Mr. Raveendra Siriwardene
(Resigned w.e.f. 06 July 2023)

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

DIRECTORS

Mr. Devaka Cooray -
Chairman

Mr. Chanaka Yatawara -
Group Chief Executive Officer/ Executive Director

Mr. Prasanna Haturusinghe -
Chief Executive Officer/ Executive Director

Corporate Services (Pvt) Ltd -
Company Secretaries

MILESTONES

1945

Commencement of United Motors Limited, marking the beginning of its corporate journey as a private limited liability company, laying the foundation for decades of automotive excellence.

1972

United Motors Limited vested with the Government and commences operations as a Government Owned Business, solidifying its role as a key player in the automotive industry.

1985

Exclusive distributor agreement with Mitsubishi Motors Corporation for sales of the flagship brand "Mitsubishi," establishing UML as a trusted partner of a renowned automotive brand.

1989

Incorporation of United Motors Lanka Limited as a public limited liability company with Stated Capital of LKR 100,000,000

1993

Expansion with the incorporation of U M L Property Developments Limited to construct a warehouse complex at Orugodawatta, demonstrating UML's commitment to infrastructure development.

1994

Strengthening its stronghold with the incorporation of Unimo Enterprises Limited (UEL) to import and sell vehicles, enhancing UML Group's market presence and product offerings.

2007

Re-registration as United Motors Lanka PLC, reflecting UML's continued growth and transformation into a leading automotive entity.

2009

Opening of a local vehicle assembly facility within the Orugodawatte workshop complex by UEL, showcasing UML Group's commitment to local assembly and operational efficiency.

2014

Relocation of Unimo Enterprises Limited's vehicle assembly facility to Ranala to expand its local vehicle assembly business, furthering UML Group's investment in domestic manufacturing capabilities.

2016

A dedicated workshop for Mitsubishi and Perodua passenger vehicles, Fuso truck and bus, and a logistics center was established at a 10-acre property at Ratmalana.

2017

Expanding into new territory, UML incorporated its subsidiary U M L Heavy Equipment Limited to import and distribute earth-moving equipment and power generators, as well as provide after-sales services

R I L Property PLC acquired 51% of UML, thereby making UML into a subsidiary of R I L.

2018

Diversification into 3D printing technology by United Motors Lanka PLC, showcasing UML's commitment to innovation and technological advancement.

2019

Installation of a 2MW solar power plant on the roof of the Orugodawatte workshop to meet the expected growth in demand for renewable energy sources, demonstrating UML's commitment to sustainability and environmental responsibility.

2021

Addition of Nano surface coating products to UML's portfolio, providing customers with cutting-edge technology and further enhancing UML's product offerings.

2022

Securing the Maldivian distributorship for LiuGong heavy machinery and equipment by U M L Heavy Equipment Limited, expanding UML's presence in the construction industry.

2024

Acquisition of Dutch Lanka Trailers Manufacturing Limited by United Motors Lanka PLC, marking a strategic move to enter the export market.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

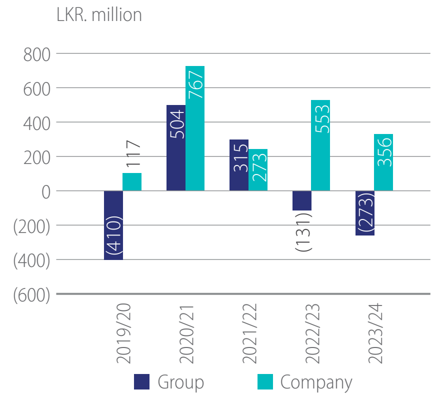
	Group			Company		
	2023/24	2022/23	Change %	2023/24	2022/23	Change %
Profitability (LKR '000)						
Turnover	11,577,471	10,736,341	7.83	6,129,073	4,940,801	24.05
Profit/(loss) before tax	(244,212)	(312,436)	21.84	487,451	789,333	(38.25)
Profit/(loss) attributable to equity holders of the company	(272,947)	(131,091)	(108.21)	355,875	552,516	(35.59)
Financial position (LKR '000)						
Investment in PPE and intangible assets	120,472	44,980	167.83	46,131	30,769	49.93
Non-current assets	11,070,504	10,007,635	10.62	10,228,258	9,282,321	10.19
Current assets	9,453,053	9,150,304	3.31	6,105,608	6,598,924	(7.48)
Current liabilities	5,654,039	4,319,483	30.90	436,519	551,877	(20.90)
Non-current liabilities	1,444,270	1,210,085	19.35	1,272,144	1,089,844	16.73
Shareholders' funds	13,425,248	13,628,371	(1.49)	14,625,203	14,239,524	2.71
Ratio						
Interest cover (times)	0.57	0.53	7.55	11.52	23.13	(50.19)
Profit before tax to revenue (%)	(2.11)	(2.91)	27.49	7.95	15.98	(50.25)
Return on capital employed (%)	(2.03)	(0.96)	(111.46)	2.43	3.88	(37.37)
Dividend cover (times)	-	-	-	2.82	3.65	(22.74)
Borrowings to equity (%)	31.05	21.95	41.46	0.07	0.40	(82.50)
Current ratio	1.67	2.12	(21.23)	13.99	11.96	16.97
Quick asset ratio	0.94	0.84	11.90	9.81	7.89	24.33
Share Performance						
Number of shares ('000)	100,901	100,901	-	100,901	100,901	-
Earnings per share (LKR)*	-	-	-	3.53	5.48	(35.59)
Dividend per share (LKR)**	-	-	-	1.25	1.50	(16.67)
Dividend yield (%)	-	-	-	2.16	2.50	(13.60)
Dividend payout (%)	-	-	-	35.44	27.39	29.39
Net assets per share (LKR)*	133.05	135.07	(1.49)	144.95	141.12	2.71
Market value per share as at 31 March (LKR)	-	-	-	58.00	59.90	(3.17)
Price earnings ratio	-	-	-	16.44	10.94	50.27
Market capitalization as at 31 March (LKR '000)	-	-	-	5,852,236	6,043,947	(3.17)
Highest recorded share price (LKR.)	-	-	-	80.00	67.50	18.52

* *Net assets per share and earnings per share have been calculated for all periods based on the number of shares in issue as at year end.*

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

The Group figures for 2023/24 includes post acquisition results, assets, liabilities and headcount acquired from Dutch Lanka Group.

TURNOVER



PROFIT AFTER TAX

Spare Parts

Spare parts division reported a marginal increase in turnover

LKR2.3Bn

REVENUE

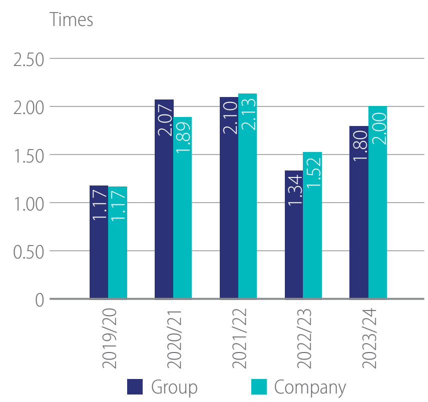
Lubricants

Lubricants division achieved volume of 1.4 Mn liters

LKR2Bn

REVENUE

NO. OF EMPLOYEES



INVENTORY TURNOVER

Heavy Equipment

The Heavy Equipment Export Sales business has successfully exported

11

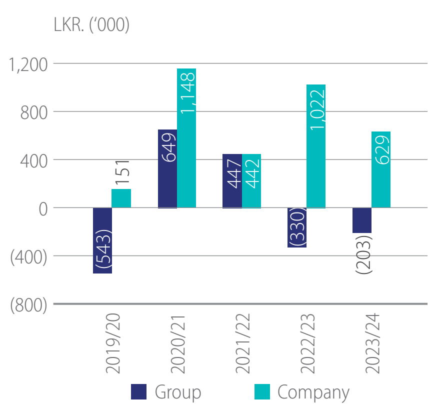
UNITS

Vehicles Registrations

UML Group accounted for over 21% of new vehicle registration in 2023/24.

431

UNITS



PBT PER EMPLOYEE

DEBTORS COLLECTION PERIOD

Solar Power

2 MW solar power plant generated 2,640 MW

41Mn

REVENUE

Finance Income

Group Finance income reported an increase

LKR166Mn

FINANCE INCOME

STEWARDSHIP

CHAIRMAN'S REVIEW

> "Amidst challenging conditions, your company managed to attain a commendable bottom line of four hundred eighty seven million rupees in profit before tax. This success is a testament to the dedication of the entire team, the strategic leadership of the experienced and proficient Group CEO, Senior Management, the Staff and the unwavering commitment of the Board members."

Dear Shareholders

On behalf of the Board of Directors, it is my distinct honour and privilege to welcome you to the 35th Annual General Meeting of United Motors Lanka PLC. This gathering marks another significant milestone in our company's history, and I am pleased to share with you the comprehensive annual report and audited financial statements for the fiscal year ended 31 March 2024.

Over the past year, we have faced numerous challenges and celebrated many successes. Our commitment to excellence and innovation has driven us to achieve remarkable growth and development. This year's report details our financial performance, strategic initiatives, and the impactful projects we have undertaken. It also highlights our unwavering dedication to delivering value to our shareholders, customers, and the communities we serve.

CHAIRMAN'S REVIEW

Amidst challenging conditions, your company managed to attain a commendable bottom line of four hundred eighty seven million rupees in profit before tax. This success is a testament to the dedication of the entire team, the strategic leadership of the experienced and proficient Group CEO, Senior Management and the Staff and the unwavering commitment of the Board members. During the reporting period, the Group faced significant challenges, resulting in a financial loss primarily due to government policies. These policies included stringent import regulations and incentives designed to promote local manufacturing. Further, record low foreign exchange reserves and credit rating downgrades significantly limited Sri Lanka's access to international financial markets. This situation forced the country to suspend external debt servicing to safeguard its dwindling forex reserves. Consequently, restrictions on the import of non-essential products, including motor vehicles, remained in place to conserve foreign reserves, substantially impacting our Group operations.

PROGRESS AND CHALLENGES OF SRI LANKA'S ECONOMY

Sri Lanka showed signs of recovery following the 2022 debt default crisis, with the economy experiencing growth despite rising taxes. Exchange rate stability, achieved through deflationary policies, and renewed confidence led to an easing of interest rates. To boost revenue, the government has raised indirect taxes, such as VAT, instead of direct taxes.

However, challenges remain. The reliance on indirect taxes has burdened consumers and businesses, and despite the rupee's appreciation, foreign exchange shortages persist, complicating imports of some critical goods. Sri Lanka's economic journey in 2023 highlights both progress and the ongoing need for innovative solutions to ensure sustainable recovery.

ADDRESSING KEY CHALLENGES

Addition to the restrictions of importing motor vehicles, the lingering effects of the pandemic, soaring input costs, and rising energy prices, exerted significant pressure on our profitability. The tightening of monetary and fiscal policies to combat these economic challenges squeezed disposable incomes and further constrained our profitability. These combined factors created a challenging environment for our business operations, necessitating strategic adjustments to navigate the volatile economic landscape and Rethink, Refocus and Rebuild our business model. The restrictions on imports necessitated a thorough reassessment of our strategic approach to inventory management and encouraged the formation of local partnerships to mitigate the impact.

The import restrictions had a profound effect on the broader automotive industry, leading to a substantial decline in vehicle registrations. This downturn created a ripple effect, influencing market dynamics and consumer behaviour. United Motors Group had to navigate these turbulent conditions, adjusting our operations and strategic initiatives to align with the new regulatory landscape. Despite these obstacles, our focus remained on leveraging local manufacturing capabilities and fostering partnerships that could support sustainable growth in the face of ongoing policy challenges.

In 2023/24, we observed that economic pressures significantly shifted consumer preferences towards more affordable and locally assembled vehicles. This change in market dynamics necessitated a strategic realignment of our product portfolio, to effectively address this evolving demand, we oversaw the expansion of our offerings to include a broader range of budget-friendly and locally sourced vehicle options. This strategic move ensured that we remained competitive and met the needs of our cost-conscious customers.

PERFORMANCE

The transport and construction industries, which serve as the primary sectors for our operations, were notably affected by prevailing market conditions. Our subsidiaries, particularly Unimo Enterprises Limited, specializing in vehicle assembly, encountered significant challenges stemming from a reduction in customer demand. This decline in demand was primarily attributed to several factors, including the imposition of higher personal income taxes, which eroded disposable incomes, and a steep rise in interest rates, leading to a substantial increase in leasing costs.

Despite these challenges, we remained focused on identifying opportunities for growth and innovation to mitigate the effects of the downturn and position ourselves for future success.

In our continuous endeavour to drive growth and enhance operational efficiency, we directed our focus towards expanding our repairs and maintenance services while capitalising on the favourable market conditions facilitated by the lifting of import restrictions. This strategic emphasis allowed us to not only improve the quality of our service offerings but also to establish stronger relationships with our customers by addressing their evolving needs comprehensively.

Furthermore, recognising the importance of market diversification in sustaining long-term growth, we proactively explored new avenues for expansion. As part of this initiative, we successfully penetrated the Maldives market for heavy machinery sales, tapping into previously untapped segments and geographical regions. This strategic move not only bolstered our market presence but also diversified our revenue streams, thereby reducing dependency on any single market.

Additionally, our commitment to strategic acquisitions as a means of augmenting our capabilities and expanding our market footprint remained unwavering. The acquisition of Dutch Lanka Trailers Manufactures Limited represented a significant milestone in this regard, allowing us to further strengthen our position in the industry and broaden our portfolio of offerings to cater to a wider range of customer requirements. This strategic integration is expected to drive synergies and unlock new growth opportunities, thereby enhancing shareholder value in the long run.

Moreover, our disciplined approach to financial management played a pivotal role in optimising the utilisation of our cash reserves. By making efficient investments in short and mid-term funds, we not only maximised returns on our capital but also ensured its prudent allocation across various investment avenues. This prudent financial strategy not only bolstered our financial resilience but also positioned us favourably to navigate any potential market volatilities in the future, thereby safeguarding the interests of our shareholders and stakeholders alike.

OPERATIONAL EFFICIENCIES

We have prioritised cost management and capitalising on emerging market prospects as core strategies at United Motors Group. Through the implementation of innovative sales enhancement tactics and efficient operational cost reduction measures, we have sought to optimise our financial performance while maintaining competitiveness.

Our competitive position remains robust, sustained by strategic adaptations to market dynamics and diversification into new business sectors. Proactively managing regulatory challenges has been integral to preserving our market standing, ensuring compliance while seizing growth opportunities.

In fostering a culture of talent development and leadership, we have focused on nurturing employee resilience and adaptability through strategic guidance. Recognising and appreciating employee contributions during challenging periods has been paramount, supported by ongoing training programmes aimed at fostering skill enhancement and professional growth.

WAY FORWARD

In alignment with our long-term vision, United Motors Group has pursued a strategic trajectory focused on diversification and reduced dependence on sectors vulnerable to regulatory shifts. Our aim is to cultivate sustainable and innovative business practices, driving progress and resilience across our operations.

Strategic partnerships and collaborations have played a pivotal role in our expansion efforts. Through targeted alliances, especially in foreign markets, we have expanded our market presence, leveraging synergies and unlocking new growth opportunities. These initiatives are integral to our overarching strategy of fostering strategic alliances to enhance competitiveness and fuel long-term growth.

Concurrently, we are steadfast in our efforts to enhance operational efficiencies and pursue sustainable business practices, driving productivity gains and minimising environmental impact. Through these initiatives, we aim to strengthen our competitive position, foster long-term growth, and deliver value to our stakeholders while remaining agile in the face of evolving market dynamics.

CHAIRMAN'S REVIEW

ACKNOWLEDGMENTS

I extend my sincere gratitude to the Board of Directors for their visionary leadership and strategic decisions that guided us through a challenging environment and ensured our continued progress. Special appreciation goes to our Group CEO/ Executive Director Mr. Chanaka Yatawara, for his forward-thinking strategies that enhanced our operational efficiencies.

The past year presented numerous trials, particularly for our dedicated employees, whose resilience and dedication enabled us to navigate through uncertainty successfully. I extend my heartfelt thanks to each member of our team for their unwavering commitment.

I would like to extend my sincere appreciation to Prof. Malik Ranasinghe, who resigned from the Board as an Independent Non-Executive Director on 31 March 2024, for his immense contribution and guidance during his tenure. I wish him well with his future endeavours.

In conclusion, I express my deepest appreciation to our shareholders, business partners, and all stakeholders for their ongoing trust and loyalty. Your steadfast support has been instrumental in our stability and growth over the years, and we remain grateful for your continued collaboration.

Devaka Cooray
Chairman

28 May 2024

GROUP CEO'S REVIEW OF OPERATIONS

"Going forward, there is a strong chance that we will see the vehicle market being opened up in the new financial year. If and when this happens, we should be able to get back to our normal operations of import and sales of the key Japanese, Chinese, and Malaysian brands we represent. Even though the market opening up for imports will be very good for us, we have prepared ourselves to be less dependent on vehicle imports by depending more on our assembly operation, increasing the sales of our existing products and services, and venturing into overseas markets."

Dear Stakeholders,

The import ban on vehicles, including passenger and commercial vehicles, has continued since 2020. As a group of companies whose primary business is the import and sale of automotive brands, we have been significantly affected without our main source of income. As shown in the table in the following page, the number of brand new vehicles imported as an industry was around 50,000 vehicles in the year 2016/17; this has decreased to a mere average of 2,500 units a year since the import ban. The only vehicles currently being sold are from licensed assembly operators that turn out very few and limited models. The UML group has a 21% share in this operation and a 75% market share in the SUV category in which we produce a product in. Even though assembly operation is allowed under the import ban, it has faced many other policy issues and challenges in the last few years.

GROUP CEO'S REVIEW OF OPERATIONS

UML made a PAT of LKR 356 million during the year, mainly from our aftersales operation, Valvoline lubricant sales, and from our investments. However, the other group companies, which are more dependent on vehicle sales and construction machine sales, were affected badly with Unimo Enterprises Ltd incurring a loss of LKR 494 million and UML Heavy Equipment Limited incurring a loss of LKR 321 million, resulting in the Group PAT being a loss of LKR 273 million.

ACQUISITION OF DUTCH LANKA TRAILER MANUFACTURERS LIMITED

Under these conditions, the appetite to strategically diversify out of the automotive industry has been high at UML. We have been looking for an acquisition in areas of local manufacturing and export for the last few years. Finding the right business at the right valuation with scalability was challenging. After negotiations for 2 years, we finally acquired 100% of Dutch Lanka Trailers from TATA Singapore during the financial year. This company has been in operation for 30 years and exports Port and Road trailers to over 60 countries in Asia, the Middle East, and Africa. However, we believe the potential to scale in the US, South America, and Europe remains high. We also believe that the valuation at which we acquired the company has been very healthy, with UML purchasing the company at around net asset value for the business.

GOING FORWARD

Going forward, there is a strong chance that we will see the vehicle market being opened up in the new financial year. If and when this happens, we should be able to get back to our normal operations of import and sales of the key Japanese, Chinese, and Malaysian brands we represent. Even though the market opening up for imports will be very good for us, we have prepared ourselves to be less dependent on vehicle imports by depending more on our assembly operation, increasing the sales of our existing products and services, and venturing into overseas markets.

I am providing below a short description of each company in the Group, the challenges faced during the year, and the outlook for the New Year.

United Motors Lanka PLC (UML)

The Company was faced with many challenges, especially the lower affordability of the consumer to pay for brand new parts and imported lubricants. In addition, UML also had to make almost LKR 161 million provision against their non-performing subsidiary.

As the company that operates the workshops for the Group and also the lubricant business, UML was able to have a good year after apply numerous strategies to be competitive. This worked well with us being able to retain a majority of our customers from going to cheaper garages. We also significantly strengthened our after-sales service levels and brought in a lot of talent to manage the operation better by improving our levels of customer interactions.

The Valvoline operation was challenged with 15 new global and regional players getting licenses to operate in a market that declined over 25%. Even in this scenario, the division did well to maintain 7th position and to grow market share and deliver healthy profits.

Going forward, even with 30 other players in the market, we are keen to grow. With better pricing and branding support from the principal, we plan to expand our reach through a further extended network and launch several other products to support our strategy. We will also focus more on the B2B business with several new expected large projects in the country.

VEHICLE REGISTRATIONS AND MARKET SHARE (M/S)

PRODUCT	2016/17	M/S	%	2017/18	M/S	%	2018/19	M/S	%	2019/20	M/S	%	2020/21	M/S	%	2021/22	M/S	%	2022/23	M/S	%	2023/24	M/S	%
Cars	19,580	2,097	11	10,400	1,502	14	8,286	1,363	16	3,408	818	24	2,028	769	38	858	160	19	364	49	13	355	24	7
SUV	1,410	208	15	1,422	141	10	3,662	455	12	2,657	508	19	1,558	647	42	913	801	88	993	408	41	515	388	75
D/Cab	1,247	197	16	758	175	23	752	69	9	541	158	29	642	192	30	119	44	37	16	5	31	4	0	0
S/Cab	3,325	6	0	910	3	0	909	2	0	632	2	0	126	1	1	85	0	0	421	0	0	368	0	0
Vans	595	93	16	424	9	2	349	6	2	96	0	0	62	0	0	13	1	8	7	4	57	12	0	0
Ambulance	106	0	0	23	0	0	539	0	0	53	0	0	1	0	0	99	0	0	64	0	0	1	0	0
Truck	22,537	1,518	7	12,660	968	8	10,635	728	7	6,383	271	4	2,828	393	14	532	73	14	409	5	1	403	19	5
Bus	1,610	112	7	2,323	105	5	1,547	84	5	1,029	11	1	239	12	5	184	21	11	411	0	0	434	0	0
Total	**50,410**	**4,231**	**8**	**28,920**	**2,903**	**10**	**26,679**	**2,707**	**10**	**14,799**	**1,768**	**12**	**7,484**	**2,014**	**27**	**2,803**	**1,100**	**39**	**2,685**	**471**	**18**	**2,092**	**431**	**21**

Unimo Enterprises Limited (UEL)

As the company that holds a license to assemble vehicles, UEL assembled and sold nearly 400 units during the year. However, due to inventory buildup from the previous year when the operation was temporally on hold due to a local component supplier issue, the company had to incur high finance cost even during this year. Even though having a product to sell during the import ban was an advantage, the inventory buildup happened at several different exchange rates. A combination of the higher rates and the imposing of the 18% VAT in January pushed the prices of the vehicles up by about 60%. This resulted in the product being less affordable in the market.

The Yokohama tyre business too had lower volumes due to several parallel importers bringing product through other channels at cheaper prices. However, most of these issue were sorted by the end of third quarter and we had a better forth quarter in the segment.

We are excited about the New Year. This is attributed to the fact that we plan to add three new vehicle brands to our production line for assembly at different price points. This is what we were unable to do previously due to the lack of right hand drive (RHD) vehicles brands. We made significant progress in early 2024, signing up with new suppliers for both Petrol, Diesel and EV RHD. We believe that several of these vehicles could be produced and sold by second half this year.

We have already commenced the assembly of commercial trucks in 2023 and expect the products to have a higher demand in the New Year considering most commercial operations normalized compared to the challenges the overall economy faced in the previous year.

We have also been able to restrict most of the parallel importers and have got better pricing commitments from the principal. In addition, we will also be adding a lower priced new brand to our portfolio in first quarter in the New Year.

U M L Heavy Equipment Limited (UMLH)

This company is mainly involved in supplying JCB construction equipment to the Sri Lankan market and more recently LiuGong Equipment to the Maldives. The local market has been at a standstill for the last 3 years with negative growth. Over 700 machines from construction sites have been exported by their owners in 2023 as projects came to a halt for several years. In this landscape, there are negligible number of new machines required by construction companies or the Government. As a result the Company continues to suffer in sales. In addition, when projects are not operating due to the lack of investment, there is no requirement for parts and services of old machines. As a result, even the after-sale operations, unlike the vehicle industry was extremely subdued.

In the New Year, we have strengthened our operation in the Maldives with a new partner being appointed to facilitate our operations. We have already quoted for several big projects that have commenced under the new Maldivian government and hope that we will see a significant increase in sales in this market.

In addition UMLH will support Unimo to sell assembled commercial vehicles to the construction sector which will give them an additional source of income. While we don't expect a complete turnaround for the company without the Sri Lankan construction sector showing major signs of recovery, we feel the bottom line losses will still reduce significantly during the year.

Dutch Lanka Trailer Manufacturers Limited (DLT)

As mentioned above, this acquisition will add significant value to the UML Group. For the first time, we will have a business of significant size involved in exports. DLT already exports to over 60 countries. Our focus will be to grow in those markets by being more aggressive in marketing and also by entering other markets such as the US, Australia, Japan, and Europe.

The management has already made progress in the US, and they are now negotiating JV's in Europe under the DLT brand. We are very excited about the potential and possibilities for this business and for the Group as a result.

FUTURE FOCUS

I believe that 2024/25 will be a much better year. Our inventories at higher exchange rates have reduced significantly, bringing the finance costs down. Overall exchange rates have decreased, and the borrowing rates have also come down to single digit. the economy seems more stable, and we don't expect disruptions to general operations. This itself will support the existing business model to deliver better results as experienced in the last few years.

GROUP CEO'S REVIEW OF OPERATIONS

In addition, the new products we plan to launch, support from principals who are showing more confidence in Sri Lanka, and the DLT acquisitions are all expected to help the Group turnaround from a negative PAT situation to a profitable PAT situation in the year.

I believe that our theme of Rethink, Refocus, and Rebuild is a good reflection of what we have done during the year and what we plan to do in the coming year.

SHARED SUCCESS

We are confident that our proactive approach, combined with the dedication of our team, will enable us to navigate challenges and seize emerging opportunities. Our unwavering commitment to transparency, good governance, and sustainable practices will pave the way for a prosperous future for our organisation and our stakeholders.

I extend my sincere gratitude to the Chairman Mr. Devaka Cooray, Board of Directors, Senior Management, and all our employees for their invaluable contributions. To our customers, business partners, shareholders, and other stakeholders, I express my heartfelt appreciation for your continued support and look forward to creating sustained value for all of you.

Chanaka Yatawara
Group Chief Executive Officer/
Executive Director

28 May 2024

RETHINK

and explore new avenues with creativity and ingenuity.

BOARD OF DIRECTORS

Mr. Devaka Cooray
Chairman/Non-Executive Director (Independent)

Memberships in Board Sub Committees	Member of the following Committees: Remuneration Committee Nomination and Governance Committee Strategy Review Committee
% of Company shares held	0.050
Number of Directorships in other companies	12

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, U M L Heavy Equipment Limited, Dutch Lanka Trailer Manufacturers Limited and Dutch Lanka Engineering (Private) Limited.

Mr. Cooray is the Senior Independent Non-Executive Director of Hatton National Bank PLC, Independent Non-Executive Director of JAT Holdings PLC and HVA Foods PLC. He also serves on the Board of George Stuart & Company Limited and Colombo Medical & General 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.

Mr. Chanaka Yatawara
Group Chief Executive Officer/Executive Director

Memberships in Board Sub Committees	Strategy Review Committee
% of Company shares held	1.681
Number of Directorships in other companies	06

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 an Executive Director of Unimo Enterprises Limited, U M L Property Developments Limited, U M L Heavy Equipment Limited, Dutch Lanka Trailer Manufacturers Limited, Dutch Lanka Engineering (Private) Limited and a Non-Executive Director of Wall Art (Pvt) Limited.

Previous appointments

Mr. Yatawara is a former Director of Orient Finance PLC, TVS Lanka Private Limited, TVS Automotives Private Limited and Orient Motor Company Limited.

BOARD OF DIRECTORS

Mr. Ananda Atukorala
Non-Executive Director (Independent)

Memberships in Board Sub Committees	Related Party Transactions Review Committee
% of Company shares held	0.003
Number of Directorships in other companies	10

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

He has a B.Sc. (University of Leeds UK), MTT (North Carolina State University, USA), and a MBA.

Mr. Atukorala possesses extensive experience in banking extending for 40 years in Sri Lanka and overseas.

Expertise: Banking

Other current appointments

Mr. Atukorala serves as an Independent Non-Executive Director of Colombo City Holdings PLC, Sri Lankan Airlines Ltd, Sri Lankan Catering Ltd, 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 is a former Deputy General Manager of ANZ Grindlays Bank Sri Lanka, Country Manager of Sri Lanka-Mashreq Bank PSC, and Advisor to the Ministry of Policy Development & Implementation.

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

Mr. Ramesh Yaseen
Executive Director - (After-sale services)

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

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 is a former Director of Readywear Industries Limited.

BOARD OF DIRECTORS

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

Memberships in Board Sub Committees	Remuneration Committee Nomination and Governance Committee Board Audit and Risk Committee Strategy Review Committee
% of Company shares held	NIL
Number of Directorships in other companies	15

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, Institute of Certified Management Accountants of Sri Lanka and a Member of the Association of Chartered Certified Accountants (UK), and has over 30 years of experience in the field of auditing, management consultancy, finance and administration. Ms. Fernando brings significant operational, administrative and strategic exposure to the Board in a broad commercial portfolio including banking, renewable energy and automobile sectors.

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 and U M L Heavy Equipment Limited.

She also serves on the Board of some of the Subsidiaries of Panasian Power PLC.

Previous appointments

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

Mr. Stuart Chapman
Non-Executive Director (Independent)

Chairman	Remuneration Committee Nomination and Governance Committee Related Party Transactions Review Committee Strategy Review Committee
Memberships in Board Sub Committees	Board Audit and Risk Committee
% of Company shares held	Nil
Number of Directorships in other companies	03

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 the * Chairman/ Independent Non-Executive Director of HNB Assurance PLC and HNB General Insurance Limited. He is a Non-Executive Director of Hemas Pharmaceuticals (Pvt) Limited.
* Appointed w.e.f. 24 May 2024

Previous appointments

Mr. Chapman is 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 and Cosmetics Steering Committee of the Ceylon Chamber of Commerce.

BOARD OF DIRECTORS

Ms. Coralie Pietersz
Non-Executive Director (Independent)

Chairman	Board Audit and Risk Committee
Member of the Sub Committees	Remuneration Committee Related Party Transactions Review Committee
% of Company shares held	NIL
Number of Directorships in other companies	08

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 an Independent/Non-Executive Director in a number of entities including, R I L Property PLC, Panasian Power PLC, CT CLSA Asset Management (Pvt) Ltd, CT CLSA Capital (Pvt) Ltd and Hemas Pharmaceuticals (Pvt) Ltd.

Previous appointments

Ms. Pietersz is the former Finance Director of Hapugastenne Plantations PLC and Udapussellawa 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 nine years.

(Not Pictured)

Mr. Junya Takami
Non-Executive Director (Independent)

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

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

Expertise: Automobile

BOARD OF DIRECTORS

Mr. Thushara Jayasekara
Executive Director - Finance

Memberships in Board Sub Committees	Strategy Review Committee
% of Company shares held	NIL
Number of Directorships in other companies	03

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 25 years of post-qualifying experience as a Chartered Accountant.

Expertise: Finance

Other current appointments
Mr. Jayasekara is also an Executive Director at Unimo Enterprises Limited, U M L Property Developments Limited, and U M L Heavy Equipment Limited.

Mr. V. Govindasamy
Non-Executive Director (Independent)

Memberships in Board Sub Committees	NIL
% of Company shares held	NIL
Number of Directorships in other companies	11

Mr. V. Govindasamy was appointed to the Board on 15 May 2024.

Mr. Govindasamy holds an MBA and a BSc in Electrical Engineering from the University of Hartford, USA. He is a Fellow Member of the Institute of Certified Professional Managers in Sri Lanka. With over 26 years at its helm, Mr. Govindasamy is the Deputy Chairman/ Executive Director of Sunshine Holdings PLC. He also serves as an appointed Member of the Governing Board of the Central Bank of Sri Lanka.

Expertise : General Management

Other current appointment

Mr. Govindasamy is a Non-Independent Non-Executive Director of Watawala Plantation PLC and an Independent Non-Executive Director of TAL Lanka Hotels PLC and Softlogic Life Insurance PLC. He is also a Director for Sunshine Healthcare Lanka Ltd, Sunshine Consumer Lanka Ltd, Sunshine Tea (Pvt) Ltd, Sunshine Wilmar (Pvt) Ltd, Healthguard Pharmacy Ltd, Watawala Dairy Limited and Ceylon Property Development Limited.
Mr. Govindasamy also holds directorship positions in 1990 Suwa Seriya Foundation and Sunshine Foundation for Good.

Previous appointments

Mr. Govindasamy is a Past Chairman of the Ceylon Chamber of Commerce and the Employers Federation of Ceylon.

BOARD OF DIRECTORS

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 (CGI-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.

REFOCUS

on the core values whiles adapting
to shifting paradigms.

SENIOR MANAGEMENT TEAM

GENERAL MANAGERS

Mr. Gihan Pilapitiya
General Manager
(New Vehicle Sales)

Mr. Buddhika Singhage
General Manager
(Technical/Parts and Accessories)

Mr. Raveendra Siriwardene
General Manager
(Human Resources and Administration)

Mr. Priyantha Ellepola
General Manager
(Car Care and Lubricants)

HEAD OF DEPARTMENTS/DEPUTY GENERAL MANAGERS

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

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

SENIOR MANAGEMENT TEAM

DEPUTY GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS

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

Mr. Indike Manthilake
Deputy General Manager
(Information Technology)

Mr. Sajith Gunasena
Deputy General Manager
(Finance)

Mr. Saman Kumara
Assistant General Manager
(Technical)

Mr. Torrel Hopwood
Assistant General Manager
(Special projects)

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

ASSISTANT GENERAL MANAGERS AND HEADS OF BUSINESS UNIT

Mr. Thusitha Gunathilaka
Assistant General Manager
(Branch Operations)

Mr. Rohana Senaratne
Assistant General Manager
(Car Care and Lubricants)

Mr. Kumara Abeywardana
Assistant General Manager
(Branches)

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

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

Mr. Wijaya Pathirana
Assistant General Manager
(Engineering)

SENIOR MANAGEMENT TEAM

ASSISTANT GENERAL MANAGERS AND HEADS OF BUSINESS UNIT

Mr. Buddhi Dissanayake
Assistant General Manager
(Special Projects)

Mr. Derrick Silva
Assistant General Manager
(Information Technology)

Mr. Tharindu Rajapaksha
Assistant General Manager
(Technical)

Mr. Laurance Emmanuel
Assistant General Manager
(Marketing)

Mr. Paveena Senevirathna
Assistant General Manager
(Technical)

Mr. Tremon Van Gramberg
Assistant General Manager
(Valvoline)

ASSISTANT GENERAL MANAGERS AND HEAD OF BUSINESS UNIT

Mr. Ramesh Dharmaratne
Assistant General Manager
(Logistics)

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

SENIOR MANAGEMENT TEAM

SUBSIDIARIES CEO/GM

Mr. Prasanna Hathurusinghe
Chief Executive Officer/
Executive Director
(Dutch Lanka Trailer Manufactures Limited and Dutch Lanka Engineering Private Limited)

Mr. Shalain De Silva
General Manager
(Unimo Enterprises Limited)

SUBSIDIARIES DCEO

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

SENIOR MANAGEMENT TEAM/HEADS OF BUSINESS UNITS - 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
(Tyres)

Ms. Nishani Palihena
Assistant General Manager
(Finance)

Mr. Lionel Wijeratne
Assistant General Manager
(Perodua)

SENIOR MANAGEMENT TEAM

SENIOR MANAGEMENT TEAM/HEADS OF BUSINESS UNIT - UNIMO ENTERPRISES LIMITED

Mr. Auranga Dissanayake
Assistant General Manager
(JMC)

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
(Construction Machine Sales and Spare Parts)

SENIOR MANAGEMENT TEAM - DUTCH LANKA TRAILER MANUFACTURES LIMITED AND DUTCH LANKA ENGINEERING PRIVATE LIMITED

Ms. Ayomi Karunanayake
Assistant General Manager
(Engineering)

Mr. Hilary Fernando
Assistant General Manager
(Sales and Marketing)

Mr. Nelum Premadasa
Assistant General Manager
(Engineering)

Mr. Lakmal Manathunga
Assistant General Manager
(Finance)

MANAGEMENT REVIEWS

MANAGEMENT DISCUSSION AND ANALYSIS

OUR VALUE CREATION MODEL

Our comprehensive value creation model serves as a blueprint outlining the systematic approach through which we cultivate value throughout the organisation to actualise our Vision and Mission. At the core of this model lies the strategic utilisation of resources stemming from six fundamental capitals, including financial, human, intellectual, natural, social, and manufactured capital. Through the adept application of our strategies within a robust Corporate Governance Framework and meticulous Risk Management practices, we navigate the complexities of the business landscape with precision and prudence.

Each capital is meticulously harnessed and transformed through a series of identified activities, meticulously aligned with our overarching objectives. These activities are carefully orchestrated to yield optimal outcomes, not only for our shareholders but also for our broader ecosystem of stakeholders. By integrating sustainability principles and ethical considerations into our decision-making processes, we ensure that our value creation endeavours are not only financially sound but also socially responsible and environmentally sustainable.

Moreover, our commitment to transparency and accountability underpins every facet of our operations, ensuring that all stakeholders have a clear understanding of how value is generated and distributed within the organisation. Through regular evaluations and continuous improvement initiatives, we strive to refine and enhance our value creation model, adapting to evolving market dynamics and stakeholder expectations.

In essence, our value creation model serves as a dynamic framework that enables us to effectively leverage our resources, manage risks, and navigate the intricacies of the business landscape, ultimately driving sustainable growth and delivering enduring value to all stakeholders involved.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUR VALUE CREATION MODEL

INPUTS

FINANCIAL CAPITAL

Pool of funds consisting of shareholders' funds and borrowed funds

Shareholders' funds	LKR 13,425 Mn
Borrowings	LKR 3,997 Mn

SOCIAL AND RELATIONSHIP CAPITAL

The reciprocally beneficial relationships we have with our stakeholders

HUMAN CAPITAL

UML family and their competencies

No. of Employees 1,201

MANUFACTURED CAPITAL

Physical, material & technological objects

Total PPE	LKR 9,013 Mn
Buildings	LKR 723 Mn
Machinery and equipment	LKR 151 Mn

NATURAL CAPITAL

Natural resources that are contributing to our business activity

Our investment in 2Mw solar power generation

INTELLECTUAL CAPITAL

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

STRATEGIES

CORPORATE GOVERNANCE

GROWTH

SUSTAINABILITY

SERVICE EXCELLENCE

PEOPLE DEVELOPMENT

USE OF TECHNOLOGY

ENVIRONMENT FRIENDLY

RISK MANAGEMENT

ACTIVITIES

- 3D Printers
- Workshop and Spare Parts
- New Vehicle Sales
- Lubricant and Car Care
- Equipment and Machinery
- Vehicle Assembly
- Property
- Tyre
- Port and Road-trailers
- Export and Local Business

OUTPUTS

FINANCIAL CAPITAL

Profit/(Loss)	LKR (273) Mn
EPS	LKR (2.71)
NAV per share	LKR 133.05
Interest expense	LKR 563 Mn

SOCIAL & RELATIONSHIP CAPITAL

Customer Satisfaction Index 97%

HUMAN CAPITAL

Remuneration and rewards	LKR 1,679 Mn
Training hours	10,465

MANUFACTURED CAPITAL

Revaluation surplus	LKR 323 Mn

NATURAL CAPITAL

Electricity generated through solar power	2,640 MWh

INTELLECTUAL CAPITAL

Won the Gold Award for the 14th Consecutive year for its Annual Report in the Automobile Category in the TAGS Awards awarded by CA Sri Lanka

MANAGEMENT DISCUSSION AND ANALYSIS

ENGAGING WITH OUR STAKEHOLDERS

Effective stakeholder engagement is a cornerstone of our Group's strategy for sustainable and resilient business operations. The necessity for continuous dialogue has been amplified by the recent pandemic and significant shifts in the external environment.

To facilitate this engagement, we employ a variety of formal and transparent mechanisms designed to ensure consistent communication, dialogue, and feedback from our diverse stakeholder groups. These processes not only help us understand stakeholder concerns and expectations but also enhance awareness about the importance of sustainable resource consumption and practices.

We are also dedicated to innovating our communication strategies to gather deeper insights from our stakeholders. By fostering open and continuous dialogue, we aim to build and maintain robust relationships based on trust and mutual understanding, thereby ensuring that we remain responsive and aligned with stakeholder needs.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMY

As of the conclusion of 2023, the global economic landscape has largely followed the anticipated trajectory as outlined in projections. Growth rates have exhibited the expected pattern, with a decrease from 3.4 percent in 2022 to 3.1 percent in 2023. Projections indicate that growth will remain steady at 3.1 percent in 2024 before edging up slightly to 3.2 percent in 2025. However, advanced economies experienced a more pronounced slowdown, declining from 2.6 percent in 2022 to 1.5 percent in 2023, and are forecasted to further decrease to 1.4 percent in 2024 as policy tightening measures take effect.

This sluggish global economic growth can be attributed to a variety of factors, including geopolitical tensions, supply chain disruptions, and lingering effects of the COVID-19 pandemic. These challenges have weighed on consumer confidence, business investment, and trade activity, dampening overall economic performance. Additionally, policy tightening measures in advanced economies have contributed to the subdued growth outlook, as central banks seek to address inflationary pressures and financial stability concerns.

According to statistics from the IMF, global headline inflation saw a decline, dropping from 8.7 percent in 2022 to 7.0 percent in 2023. Projections suggest a continued decrease to 5.8 percent in 2024 and further to 4.4 percent in 2025, with a downward revision in the 2025 forecast. This downward trend can be attributed to several key factors affecting pricing dynamics across industries. One significant contributor has been the decrease in commodity prices witnessed across various sectors, driven by factors such as heightened supply levels and weakened demand amidst prevailing economic uncertainties. Additionally, advancements in technology and automation have played a role in enhancing operational efficiency and lowering production costs for numerous goods and services, thereby exerting downward pressure on prices. Moreover, sluggish global economic growth, alongside persistent underemployment and labour market slack, has curtailed firms' ability to transfer cost increases to consumers, thereby limiting inflationary pressures.

It remains unlikely that inflation will return to target levels before 2025 across various scenarios. This underscores the persistent challenges and complexities influencing global economic conditions, underscoring the need for stakeholders to maintain vigilance and employ adaptive strategies.

GLOBAL AUTO INDUSTRY

In 2023, the global automotive industry faced a mix of challenges and opportunities that shaped its trajectory over the year. One of the primary challenges was the disruption to supply chains, which impacted production schedules and constrained vehicle inventories for many manufacturers. Semiconductor shortages, logistics bottlenecks, and fluctuating raw material prices all contributed to these disruptions, underscoring the industry's vulnerability to external shocks.

On the bright side, the year marked a significant acceleration in the transition to electric vehicles (EVs). Regulatory pressures to reduce emissions, coupled with advancements in EV technology and increasing consumer interest in sustainability, drove this shift. Major automakers responded by unveiling new electric models and expanding EV production capacities, signalling a long-term commitment to electrification.

Additionally, the development and testing of autonomous vehicles (AVs) continued, albeit at a slower pace than initially anticipated. Collaborations between automakers and tech companies aimed to enhance AV technology, focusing on safety, regulatory compliance, and public acceptance. However, significant hurdles remained, including regulatory frameworks, technical challenges, and establishing trust among consumers.

Market trends and consumer preferences also evolved throughout the year, with a growing demand for crossover SUVs, electric vehicles, and vehicles equipped with advanced driver-assistance systems (ADAS). Automakers adjusted their product portfolios and marketing strategies to align with these changing preferences, emphasising innovation and sustainability.

Despite the challenges, global automotive sales exhibited mixed trends across different regions. While some markets showed signs of recovery from pandemic-induced downturns, others faced economic slowdowns and shifting consumer behaviors. Emerging markets, particularly in Asia, continued to demonstrate strong sales growth, outpacing mature markets.

Moreover, the industry saw increased consolidation and partnerships as automakers, technology companies, and suppliers collaborated to leverage complementary strengths and accelerate innovation. These strategic alliances aimed to address shared challenges such as electrification, connectivity, and autonomous driving, reflecting the industry's collective effort to navigate a rapidly changing landscape.

In summary, 2023 was a transformative year for the global automotive industry, marked by the continued push towards electrification, advancements in autonomous technology, and adaptation to evolving consumer preferences and market dynamics amidst supply chain disruptions and regulatory pressures.

PASSENGER CAR REGISTRATIONS

In the domain of passenger car registrations, the global scenario in 2023 exhibited a resurgence, reclaiming levels akin to those of 2021, totalling 66.2 million units for the full year. This resurgence was underpinned by notable improvements in semiconductor supplies, coupled with a late-year sales renaissance. However, despite this evident recovery, global demand remains notably below pre-pandemic levels, indicating lingering challenges within the automotive sector.

Within the European market, registrations faced a significant decline, plummeting by 10.4% to a total of 12.8 million units. This sharp downturn can be primarily attributed to persistent semiconductor shortages, which disrupted production schedules and constrained vehicle inventories. Additionally, the ongoing conflict in Ukraine introduced further complexities, contributing to supply chain disruptions and dampening consumer confidence across the region.

Similarly, North America witnessed a notable downturn in registrations, with a decline of 8.7% to 12.7 million units. Within this region, the United States experienced a contraction of 9.2%, reflecting both supply chain challenges and broader economic uncertainties impacting consumer spending patterns. These challenges underscored the vulnerability of the automotive industry to external shocks and geopolitical tensions.

Conversely, South America experienced a modest uptick in demand, with registrations increasing by 1.8% during the year. This growth was primarily fuelled by a recovery in Brazil, where improving economic conditions and government stimulus measures bolstered consumer confidence and purchasing activity, albeit modestly.

In the dynamic Asian market, divergent trends emerged. China, the world's largest automotive market, witnessed a notable uptick of 7.6%, reaching 21.7 million units in registrations. This growth was driven by factors such as sustained economic expansion, increasing urbanisation, and robust consumer demand. Meanwhile, India experienced a remarkable surge of 23.1%, totalling 3.8 million units in registrations. This significant growth in India was propelled by evolving consumer preferences, particularly towards personal mobility solutions, amidst changing socioeconomic dynamics and increasing urbanisation.

Overall, the global landscape of passenger car registrations in 2023 reflected a nuanced picture, characterised by varying regional performances influenced by a myriad of factors, including semiconductor supplies, geopolitical tensions, economic conditions, and shifting consumer preferences. As the industry navigates through these challenges, adaptation and resilience remain paramount for sustained growth and stability.

PASSENGER CAR PRODUCTION

The global passenger car production witnessed a series of contrasting performances across different regions, highlighting the diverse dynamics shaping the global automotive landscape:

Within Europe, production encountered a marginal decline of 1.6%. While the European Union (EU) witnessed some gains, particularly driven by sustained demand in key markets, this growth was offset by declines in Eastern Europe. These discrepancies underscored the nuanced nature of automotive manufacturing within the European region, influenced by factors such as market conditions, regulatory frameworks, and supply chain dynamics.

Conversely, North America experienced a notable upsurge in production, rising by 10.3% during the year. This growth trajectory was predominantly fuelled by robust demand within the United States, reflecting favourable economic conditions, consumer confidence, and government stimulus measures. The surge in production highlighted the resilience of the North American automotive industry amidst evolving market dynamics and shifting consumer preferences.

Similarly, South America witnessed a noteworthy expansion in production, growing by 9.1% overall. Brazil, a key automotive manufacturing hub within the region, saw a commendable increase of 6.1%, driven by improving economic conditions, government incentives, and rising consumer demand. This growth trajectory signaled a resurgence in South America's automotive sector, albeit amidst lingering challenges and uncertainties.

MANAGEMENT DISCUSSION AND ANALYSIS

In the dynamic Asian market, China emerged as a frontrunner in passenger car production, leading with a remarkable increase of 11.7% to reach 23.2 million units. This surge in production reaffirmed China's position as a global automotive powerhouse, with its robust domestic market and expanding export capabilities driving growth. Notably, China accounted for approximately 34% of global production, underscoring its pivotal role in shaping the industry's trajectory.

Furthermore, India showcased strong growth momentum in passenger car production, with a notable increase of 21.6% to 4.3 million units. This surge was fueled by various factors, including increasing urbanisation, rising disposable incomes, and government initiatives promoting domestic manufacturing. India's expanding automotive sector reflected a burgeoning market ripe with opportunities for industry stakeholders.

Overall, the global landscape of passenger car production in 2023 depicted a tapestry of regional performances, shaped by a myriad of factors ranging from economic conditions and consumer preferences to regulatory frameworks and technological advancements. As the automotive industry continues to evolve, adaptation, innovation, and strategic planning remain imperative for sustained growth and competitiveness across diverse markets.

SRI LANKAN AUTO INDUSTRY

The Sri Lankan auto industry grapples with persistent challenges stemming from an enduring import ban on motor vehicles, casting a shadow over its performance in recent years. This regulatory constraint has exerted significant pressure on the sector, culminating in a stark decline in vehicle registrations from a robust 50,000 units recorded in 2016/17 to a mere 2,092 units in the fiscal year 2023/24. Notably, this downturn represents a slight worsening from the previous year's figures, where registrations stood at 2,685 units, painting a bleak picture of the industry's struggle for recovery.

Amidst these challenging circumstances, the market landscape has been predominantly shaped by assembled vehicles, underscoring the limited avenues available for vehicle acquisition within the country. This reliance on assembled vehicles further underscores the industry's vulnerability to external regulatory interventions and underscores the pressing need for policy reforms to stimulate domestic production and innovation.

Within this constrained market environment, the sport utility vehicle (SUV) category emerges as a notable outlier, registering the highest volume of vehicles with a total of 515 units. This trend reflects shifting consumer preferences towards versatile and spacious vehicle options, amidst evolving lifestyle demands and urbanization trends.

In this challenging climate, UML Group emerges as a prominent player, registering 431 units during the period under review. This figure represents a significant share of the brand new vehicle registrations, accounting for approximately 21% of the market. UML's resilience amidst adversity underscores its strategic positioning and ability to navigate turbulent market conditions, positioning it as a key player in the Sri Lankan automotive landscape.

SRI LANKAN ECONOMY

In the first half of 2023, the Sri Lankan economy displayed early signs of stabilisation, albeit at a relatively modest equilibrium level. This stabilisation was facilitated by the implementation of several critical reforms, including the adoption of cost-reflective utility pricing, the introduction of new revenue measures, the transition to a floating currency regime, and monetary tightening measures coupled with the phase-out of monetary financing.

Notably, inflation returned to single-digit levels in July 2023 for the first time in 19 months. Positive developments such as an improved trade balance, a promising recovery in tourism and remittances, continued external debt service suspension, and increased inflows from development partners have contributed to bolstering usable official reserves, which reached approximately 5 to 6 weeks of imports, amounting to USD 2.4 billion by the end of July 2023 compared to USD 500 million in December 2022.

Despite a decline in the primary deficit during the first four months of 2023 compared to the same period in 2022, a significant increase in interest payments resulted in a high overall deficit. Moreover, macroeconomic adjustments and subdued demand led to a contraction of real GDP by 7.9 percent year-on-year in the initial half of 2023, with external trade activity remaining subdued. The endorsement of the IMF's Extended Fund Facility (EFF) programme in March 2023 established objectives focused on enhancing debt sustainability.

REVIEW OF OPERATIONS

UNITED MOTORS LANKA PLC

Group Performance

	2023/24 (LKR'000)	2022/23 (LKR'000)
Revenue	11,577,471	10,736,341
Profit/(loss) after tax	(272,947)	(131,091)

The Group primarily engages in importing and selling motor vehicles. However, the vehicle import ban in recent years significantly impacted the Group's performance during the current fiscal year. Regulatory changes, such as the imposition of 18% VAT on sale of Vehicles, also affected local market prices in the final quarter.

Despite these challenges, the Group achieved a commendable revenue of LKR 11.57 billion, representing an 8% increase compared to the LKR 10.73 billion recorded in the 2022/23 financial year. This revenue growth underscores the Group's resilience and strategic efforts to navigate a highly challenging economic environment. However, the Group reported a loss after tax of LKR 273 million for the year under review, which is higher than the previous year. This increased loss highlights significant obstacles, including high operating costs & distribution costs reduced consumer spending, and higher tax rates.

The Group tried to mitigate the impacts of these challenges by capitalizing on vehicle assembly operations, as the Government banned the import of vehicles but allowed the continuation of local vehicle assembly. Additionally, the Group focused on used vehicle sales operations, after-sales services, lubricant and car care sales. All costs were reviewed, and non-value-adding expenses were removed wherever possible.

The Group has been continuously pursuing multiple investment opportunities that generate stable profits due to changing economic condition which has impacted the automotive industry in Sri Lanka. As a result, Group acquired 100% stake in Dutch Lanka Trailer Manufacturers Limited along with Dutch Lanka Engineering Private Limited, a 100% subsidiary of DLT on 11 December 2023. DLT is a BOI registered company incorporated in 1992 and is engaged in the design, engineering and manufacture of a range of port and road trailers for both domestic and export markets. DLT Group contributed LKR 46.76 million to the Group's bottom line.

UNITED MOTORS LANKA PLC

Company Performance

	2023/24 (LKR'000)	2022/23 (LKR'000)
Revenue	6,129,073	4,940,801
Profit/(loss) after tax	355,875	552,516

In the fiscal year 2023/24, UML navigated a challenging operating landscape marked by fluctuations in performance across its key business segments. The company's vehicle sales revenue endured a substantial decline compared to the previous fiscal year. This decline was primarily attributed to a combination of factors, including the persistent continuation of vehicle import restrictions, a notable reduction in vehicle registrations, regulatory inconsistencies such as tax rate changes, and the adverse effects of the economic downturn on consumer purchasing power.

Conversely, the spare parts and workshop segment demonstrated resilience amidst the challenging environment, and contributed 57% of the total company revenue. This growth trajectory was fuelled by several contributing factors, including the sustained ban on new vehicle imports, which drove up repair income from existing vehicles. Moreover, favourable conditions such as the easing of the fuel crisis played a pivotal role in bolstering the segment's performance.

Furthermore, the lubricants and car care segment witnessed a substantial surge in revenue, contributing 33% to the total company revenue. This impressive revenue expansion was primarily driven by heightened sales volumes across the segment's product portfolio. However, despite the revenue growth, the segment faced challenges in maintaining profitability due to reduced gross margins stemming from lower prices and increased trade discounts aimed at countering heightened competition resulting from new entrants after the government relaxed import license limitations, which eroded profit margins.

Nevertheless, a positive shift occurred with the approval of an extended fund facility by the IMF aimed at supporting Sri Lanka's economic policies and reforms, leading to improvements across various fronts. This demonstrates the potential for recovery and growth, and United Motors Lanka PLC remains committed to adapting its strategies

REVIEW OF OPERATIONS

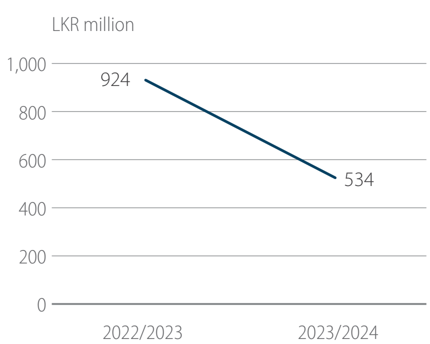
to leverage emerging opportunities and navigate future challenges with resilience and innovation.

Vehicle Sales Segment

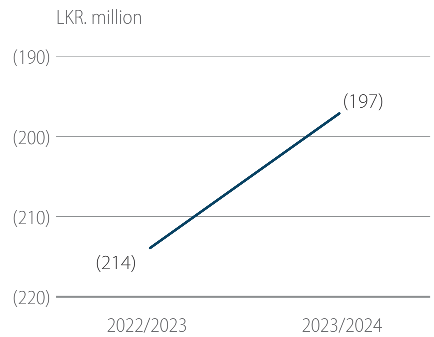
Performance

The import ban that persisted throughout the year had a detrimental effect on the Vehicle Sales segment. With no new vehicles available for sale, both the passenger vehicle sales division and the Truck and Bus division resorted to selling used vehicles in 2023/24, similar to the previous year. During the review period, both divisions sold 122 trade-in vehicles.

The company's vehicle sales revenue suffered a decline, dropping to LKR 533.59 million, marking a decrease compared to the previous fiscal year's figure of LKR 923.59 million. This decline was primarily attributed to a combination of factors, associated with restriction with vehicle imports ban and economic downturn & tax rate increases impact on consumer.



SEGMENT REVENUE - VEHICLE SALES

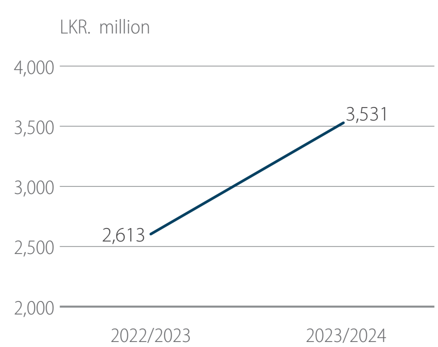


SEGMENT (LOSS)/PROFIT - VEHICLE SALES

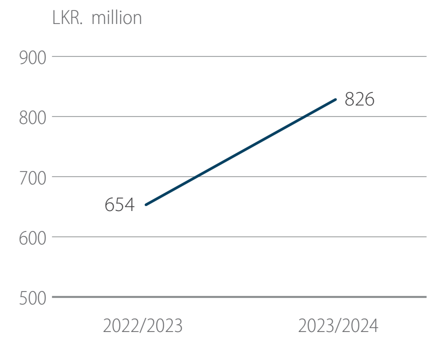
Spare Parts and Workshop

Performance

The spare parts and workshop segment demonstrated resilience amidst the challenging environment, reporting a robust revenue increase of 35% to LKR 3.53 billion up from LKR 2.61 billion in the previous fiscal year. This growth trajectory was fuelled by several contributing factors, including the sustained ban on new vehicle imports, which drove up repair income from existing vehicles. Moreover, favourable conditions such as the easing of the fuel crisis played a pivotal role in bolstering the segment's performance. As a result, the spare parts and workshop segment recorded a commendable profit of LKR 825.80 million reflecting a notable 26% increase from the previous year's figure.



SEGMENT REVENUE - SPARE PARTS & WORK SHOP



SEGMENT (LOSS)/PROFIT - SPARE PARTS & WORK SHOP

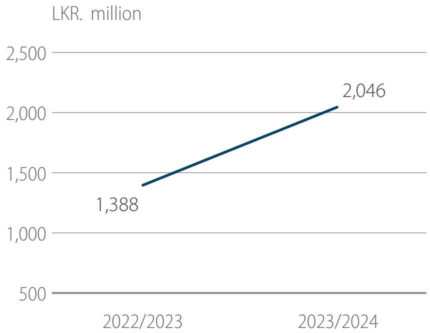
Lubricants and Car Care

Performance

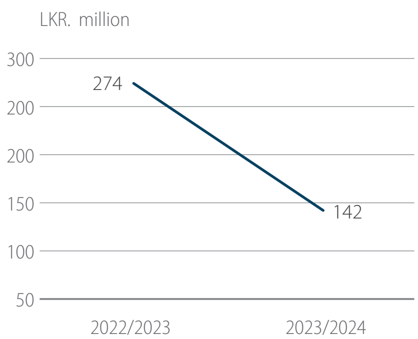
Furthermore, the lubricants and car care segment witnessed a substantial surge in revenue, experiencing a remarkable 47% growth to reach LKR 2.04 billion compared to LKR 1.388 billion in the preceding fiscal year. The segment saw impressive revenue growth due to increased sales volumes. However, lower prices and increased trade discounts to combat competition led to reduced profitability. With new competitors entering after import license relaxation, market competition intensified. As a result, the segment's profit dropped by 48% to LKR 141.76 million from LKR 274.16 million.

UML was recognized as the PCMO star for its outstanding performance in the category

Performance



SEGMENT REVENUE -
LUBRICANTS AND CAR CARE REVENUE



SEGMENT (LOSS)/PROFIT -
LUBRICANTS AND CAR CARE REVENUE

UNIMO Enterprises Limited

Performance

	2023/24 (LKR'000)	2022/23 (LKR'000)
Revenue	4,711,567	5,476,586
Profit/(Loss) after tax	(494,759)	(517,983)

The primary business of UEL now involves vehicle assembly due to the prevailing ban on importing vehicles.

Despite notable improvements in the economic landscape, such as declines in inflation, interest rates, and leasing rates compared to the preceding year, UEL's performance for the financial year 2023/24 was adversely impacted by the imposition of VAT on the sale of motor vehicles, both imported and locally assembled, in the final quarter, as well as the high interest rates that prevailed at the beginning of the year. Consequently, UEL witnessed a reduction in inventories, declining to LKR 1.6 billion this year from LKR 3 billion last year.

During the fiscal year 2023/24, the DFSK division experienced a decline in sales, with 349 i-Auto and DFSK 580 sold, marking a notable decrease from the 456 units sold in the previous year. Despite this decline, DFSK sales still accounted for 20% of brand-new vehicle registrations for the year, representing a 75% market share in the SUV category. The primary challenge faced by the division was affordability, as DFSK prices surged three to six times during the financial year due to high inventory costs and elevated exchange rates at the time of vehicle importation. Additionally, a substantial increase in personal income tax reduced potential customers' disposable income, while frequent reports about potential market openings significantly influenced customer purchasing decisions. On a positive note, leasing interest rates are gradually declining, which were at their peak during the past couple of years.

During the year, the company commenced the JMC assembly operation at the newly leased out Ratmalana premises. However, this was halted midway due to a temporary relaxation of the import ban on trucks, allowed the company to import a limited number of completely built JMC trucks, which arrived in Sri Lanka later in the year. With the re-imposition of the import ban on trucks after a few weeks since its announcement, we have recommenced our truck assembly operations.

In the year under review, the company sold 8 units of Z100 vehicles, 17 units of Glory 330 vehicles, and a number of pre-owned multi-brand vehicles. Unfortunately, these figures were insufficient for these divisions to turn a profit.

The Perodua division primarily focused on buying and selling operations and facilitated DFSK sales. The Yokohama tyre division doubled its forecast but faced stiff competition from parallel importers, resulting in a loss of LKR 1.1 million in the current financial year, compared to LKR 1.4 million recorded last year.

Looking ahead, UNIMO plans to diversify its product portfolio to reduce dependency on a few key products. This strategy includes the assembly of both Electric Vehicles (EV) and Internal Combustion Engine (ICE) vehicles, aiming to offer products catering to every market segment and ensuring a broad and resilient product range. UEL will focus on expanding the JMC business in Sri Lanka by introducing more models, leveraging the brand's established quality and trust built over 15 years in the Sri Lankan market. This strategic expansion aims to better meet the needs of customers and strengthen our market presence.

REVIEW OF OPERATIONS

U M L Heavy Equipment Limited (UMLH)

Performance

	2023/24 (LKR'000)	2022/23 (LKR'000)
Revenue	486,670	406,266
Profit/(Loss)	(321,984)	(197,182)

During the fiscal year 2023/24, UMLH experienced significant challenges due to the broader economic downturn in Sri Lanka. The government's decision to halt most ongoing and planned construction projects severely impacted the construction industry, which is a primary market for UMLH. Contractors faced substantial cash flow difficulties as payments for completed work were delayed, leading to reluctance from commercial banks to extend further funding. Additionally, private sector construction projects were hampered by skyrocketing raw material costs, fuel shortages for machinery operations, and logistical issues in transporting workers to project sites.

Amid these challenges, some heavy equipment owners began exporting their machinery to destinations such as the Maldives, seeking better market opportunities. This exodus further affected UML Heavy Equipment's spare parts and service sales. In response, the company explored alternative avenues, such as providing servicing for all types of heavy equipment, to mitigate the impact of the sluggish local construction market. These adverse conditions directly affected the company's performance, resulting in a challenging year.

Direct and indirect employment from the construction industry were around 1Mn but after this big crash, it's noted that now this amount is around 0.3Mn due to businesses being sized and/or closed.

JCB New Machine Sales Business

Performance

	2023/24	2022/23
No of Units	14	16
Revenue (LKR'000)	173,630	286,434

The Sri Lankan market was severely impacted by the economic recession, leading to a significant drop in the import of new machinery due to decreased demand. Many construction companies downsized their operations or closed down entirely. Despite these challenges, JCB division strategically focused on industrial, agricultural, and select foreign-funded projects, successfully converting a few sales.

The company sold 14 new machines during the year, a decrease from the 16 units sold in the previous year. Primarily due to standstill situation in the construction industry.

The company made a savvy move by venturing into the equipment hiring business, utilizing two high-value excavators from its inventory. To protect these assets, UMLH entered into hiring agreements with a prominent company in Sri Lanka. This decision is likely to secure a steady income stream and establish a solid presence in the market.

During the year the company participated in LiuGong's "Global Customer Day" event held in China, with representatives from the Maldives attending. This kind of participation indicates a commitment to fostering global partnerships and staying updated on industry trends and innovations. It's a strategic move that could lead to fruitful collaborations and expansion opportunities for the company in the future.

Export Market

Performance

	2023/24	2022/23
No of Units (Direct/Facilitation)	11	14
Revenue (LKR'000)	150,736	227,398

In 2023/24, the JCB export sales business faced significant challenges due to a slowdown in the construction industry. Contractors and machine owners turned to reselling and exporting machinery to manage costs. Despite these efforts, total units sold dropped to 11 from 14 the previous year, with 7 units going to the Maldives and 4 to the United Kingdom.

The company maintained its presence in key markets and included the JCB 380, its largest excavator, in the exports.

Maldives JCB Dealership Business

The construction industry in the Maldives plays a significant role in the its' GDP. UMLH has been focusing on this market since 2019, making substantial contributions through dedicated efforts over the past five years. Last year, we appointed LiuGong China as our dealer in the Maldives, anticipating an increased market share with their extensive product range and strategic approach.

Recognizing the slowdown in Sri Lanka's construction industry, our attention is focused on sales growth in the Maldives for the upcoming year. We also managed to secure several Crane Truck sales through SINO trucks from China, further diversifying our portfolio.

We believe the Maldives market will continue to be attractive next year. The company remains committed to exploring sales, spares, and service opportunities in this region, maintaining strong relationships with leading contractors through our dedicated sales teams.

Used Machine Sales Business

Performance

	2023/24	2022/23
No of Unit Exported	1	4
Revenue (LKR'000)	11,600	32,471

In 2023/24, the used machinery sales faced considerable challenges due to the economic downturn, with leading construction companies resorting to exporting their machines at reduced prices.

During the year UMLH has managed to sell one used backhoe loader locally, resulting in a revenue of LKR 11.6 million compared to the previous year's revenue of LKR 32.47 million. This marked a significant decrease in units sold and revenue.

JCB Spare Parts and After Sales Business

Performance

	2023/24 (LKR'000)	2022/23 (LKR'000)
Spare Parts Revenue	24,960	38,132
Workshop Revenue	74,508	39,710

The JCB Spare Parts business stands as a cornerstone in our commitment to delivering unparalleled value to our esteemed JCB customers. With a steadfast focus on supporting our valued JCB Heavy line customers, we ensure their businesses run seamlessly without any interruptions. UMLH's Spare Parts division has played a pivotal role in this endeavor, experiencing significant growth as it extends essential support for warranty replacements, thereby minimising downtime for JCB equipment supplied by UMLH.

Looking ahead, we anticipate that JCB Spare Parts revenue and Workshop revenue will continue to be key drivers of our overall revenue growth. In the fiscal year under review, the Spare Parts division recorded a revenue of LKR 25 million, reflecting a slight decrease from the LKR 38.1 million recorded in the previous financial year. Despite this, the division remains committed to providing top-notch support and service to our customers.

Moreover, we are pleased to note a noteworthy uptick in revenue generated from workshop repairs, which surged to LKR 74.5 million in 2023/24 from LKR 39.7 million in the preceding fiscal year. This increase underscores the growing trust and reliance placed by our customers on our workshop services, further solidifying our position as a preferred partner in the industry.

As we move forward, our Spare Parts division will continue to focus on enhancing its offerings, ensuring a comprehensive range of parts and services to meet the diverse needs of our customers. Through our unwavering dedication to quality and customer satisfaction, we aim to strengthen our position as a leader in the market and a trusted partner for all JCB equipment needs.

JCB Power Generator Sales Business Performance

	2023/24	2022/23
No of Units	1	14
Revenue (LKR'000)	4,130	9,528
Commission Income (LKR'000)	-	2,722

In 2019, UMLH embarked on a venture into the Power Generator Business, introducing JCB-branded generators to the Sri Lankan market. Despite stiff competition from established European, Indian, and Japanese brands, the initiative aimed to carve out a niche for JCB generators. The market witnessed a surge in demand in 2022 due to sudden power cuts triggered by the economic crisis. In response, UMLH facilitated direct imports for local customers through JCB India, tapping into this newfound demand. Looking ahead, UMLH strategizes to capitalise on the momentum gained in the Power Generator Market during the upcoming financial year. To weather the current lull in the local construction industry, the company focuses on cost optimization and efficiency enhancements across its operations. Additionally, UMLH explores opportunities in niche markets, such as power generators and annual service contracts for non-JCB brands. During the review period, this unit generated a revenue of LKR 4.1 million, primarily driven by sales of KVA 100 units, with a strategic emphasis on bolstering operations in the Maldives until Sri Lanka's construction sector revives.

REVIEW OF OPERATIONS

Dutch Lanka Trailer Manufacturers Ltd

Group Performance

	2023/24 LKR'000	2023/24 (Post acquisition results) LKR'000
Revenue	2,825,756	547,870
Profit after tax	281,591	46,768

DLT Group primarily engages in the manufacture, sale, and distribution of port and road-trailers and related accessories for both export and local markets. The fiscal year 2023/24 presented significant challenges, resulting in a sales revenue decline from LKR 3.40 billion to LKR 2.83 billion, largely due to decreased trailer sales. Despite this setback, DLT group implemented strategic measures to mitigate these challenges. The company reduced manufacturing overheads and introduced new designs to enhance payload capacities and cost efficiencies for end users, ensuring reasonable profit before tax (PBT) and profit after tax (PAT) figures. DLT group's contribution to UML revenue was LKR 547.87 million and contribution to PAT was LKR 46.76 million for the period under review.

DLT's marketing efforts were robust, maintaining existing market reach while expanding into new territories such as the Americas, Australia, Mayotte, and Ivory Coast. This expansion allowed DLT to serve over 62 countries and 125 terminals globally. The company's operations were not hindered by local component sourcing issues, thanks to its BOI status, which allowed for unrestricted importation of necessary raw materials. Pre-agreed delivery terms with multiple registered suppliers ensured timely arrivals, supporting seamless manufacturing processes.

Customer satisfaction and after-sales service remained a top priority for DLT group. The company is recognized among the top five global trailer manufacturers for its durability, quality, and superior after-sales service. During the fiscal year, DLT group supplied spare parts worth LKR 227.8 million and addressed warranty issues promptly, minimizing downtime for its clients. Additionally, DLT ensured the availability of critical spare parts for a year post-purchase, free of charge, to prevent operational interruptions.

To navigate the economic downturn and intense competition from Chinese manufacturers, DLT group employed rigorous cost-management strategies. These included re-engineering trailer designs to reduce tare weights, negotiating better material and freight costs, developing new vendor relationships for improved pricing, and cutting internal expenditures. These measures were vital in maintaining profitability despite reduced sales volumes and market pressures.

The market potential for DLT remains strong, with global demand for terminal application trailers expected to grow annually by over 5%. DLT group aims to capture a 35% market share in this growing market. To mitigate risks associated with dependency on trailers, DLT group plans to diversify its product portfolio, leveraging its expertise in steel and alloy manufacturing to venture into new product lines. Looking ahead, DLT is set to expand its JMC business in Sri Lanka by introducing more models, thereby strengthening its market presence.

REBUILD

and expand your expertise whiles sourcing new opportunities for growth.

FINANCIAL CAPITAL

Financial Capital at United Motors Lanka (UML) embodies the robust financial foundation we have built through meticulous management of diverse revenue streams. This capital ensures the optimization of earnings and profits, fostering sustained growth and long-term prosperity. By leveraging shareholders' funds and strategically utilizing borrowed funds, we maintain financial stability and flexibility, enabling us to meet short-term operational needs while investing in long-term strategic initiatives. Our commitment to prudent financial management and strategic investments drives shareholder value and positions UML for continued success in an ever-evolving market landscape.

At United Motors Lanka, our primary objective is to ensure sound and accountable financial management, safeguarding the interests of our shareholders, customers, and stakeholders. Our financial capital, sourced from diverse streams, is meticulously managed to optimize earnings and profits, thereby fostering sustained growth and long-term prosperity.

In the fiscal year 2023/24, the company primarily relied on shareholders' funds and borrowed funds to fuel its financial operations. The company placed a strategic emphasis on minimizing borrowing costs while ensuring that adequate facilities were available to support its operations effectively. Shareholders' funds provided a solid foundation for UML's financial structure, reflecting investors' confidence in the company's long-term prospects. Concurrently, borrowed funds were utilized prudently, with a keen focus on optimizing interest rates and repayment terms to minimize financial risk and enhance overall financial flexibility.

The Group employed its financial capital strategically to achieve a diverse range of short-term and long-term objectives. In the short term, financial resources were allocated towards managing working capital efficiently, ensuring that day-to-day operational needs were met promptly and effectively. Concurrently, in the long term, capital was directed towards funding strategic initiatives aimed at driving growth, innovation, and market expansion. This included investments in research and development, technology upgrades, and strategic partnerships aimed at enhancing United Motors Lanka Group's competitive position and market relevance.

Extracted from Statement of Financial Statement - Group

Year ended 31 March	2024 LKR'000	2023 LKR'000
Non-current assets	11,070,504	10,007,635
Current assets	9,453,053	9,150,304
Total assets	20,523,557	19,157,939
Equity	13,425,248	13,628,371
Non-current liabilities	1,444,270	1,210,085
Current liabilities	5,649,039	4,319,483
Total liabilities	7,093,637	5,529,568
Net Asset	13,425,248	13,628,371
Net Assets per share	133.05	135.07

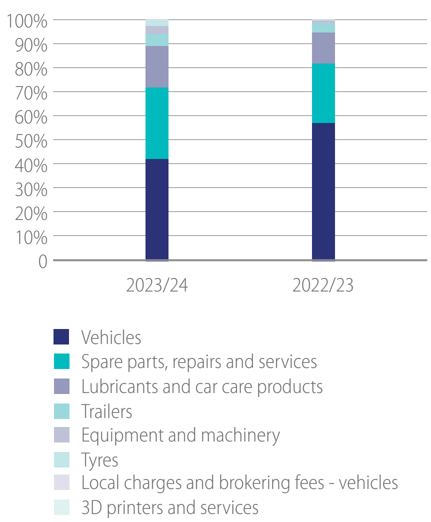
At the end of the review period, The Group's total assets stood at LKR 20.52 billion, reflecting a 7% increase from the previous year LKR 19.15 billion. The Group net assets amounted to LKR 13.4 billion as of 31 March 2024, reflecting a 1.5% marginal decrease. compared to the prior year. The Group's interest-bearing borrowings rose from LKR 2,926 million to LKR 3,997 million largely due to intercompany loans were settled through bank borrowings. These borrowings primarily consisted of short term loans obtained by subsidiary companies to fund working capital.

The Group's net asset per share saw a slight decrease, moving from LKR 135.07 to LKR 133.05. Despite this, the Group maintains a strong liquidity position, evidenced by a current ratio of 1.67 and a quick assets ratio of 0.94 .

REVENUE

In a highly unfavourable environment for the automotive industry, the Group recorded a revenue of LKR LKR 11.57 billion for the year under review, representing a rise of 8% compared to the LKR 10.73 billion revenue recorded last year. The challenging economic conditions in Sri Lanka, characterized by inflation, currency volatility regulatory inconsistencies change in tax policies and restricted import policies, significantly impacted the overall market demand and sales.

Locally assembled vehicles remained the main contributor to the Group's vehicle sales segment. However, due to the prevailing economic challenges, this segment witnessed a revenue drop of 14%, recording a segment revenue of LKR 4.71 billion during the current year at UEL. The economic situation, including limited consumer purchasing power and high inflation, adversely affected vehicle sales.



SEGEMENT REVENUE

Despite these adverse macro-economic conditions, the Spare Parts and Workshop segment, as well as the Lubricants and Car Care segment, delivered steady growth. These segments contributed 47% to the total Group revenue, compared to 37% in the previous financial year. The resilience of these segments can be attributed to the essential nature of vehicle maintenance and the steady demand for aftermarket services.

The Tyres segments also demonstrated robust performance, recording revenue growth of 81% compared to the last financial year. These segments benefited from the ongoing need for industrial equipment and the gradual recovery in the demand for machinery and related services.

Our recently acquired DLT group contributed LKR 547.87 million to the Group revenue which was 5% of the Group revenue.

EBIT AND EBITDA

	2023/24	2022/23
PBT - LKR'000	(244,212)	(312,436)
PAT - LKR'000	(272,947)	(131,091)
EBIT - LKR'000	319,003	350,267
EBITDA - LKR'000	474,193	532,665
Earnings per share - Basic and diluted	(2.71)	(1.30)
Dividend per share	1.25	1.50

The Group's financial performance comparison highlighted key trends and developments that influenced its operating results during the fiscal year. Although revenue growth remained strong, there was a notable decrease in earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation, and amortization (EBITDA). This decline was primarily due to increased distribution expenses in the DFSK Vehicle segment and provisions for advertising costs associated with the easing of certain import restrictions. Despite these challenges, The Group continued to focus on driving sustainable growth and profitability through strategic financial management and operational excellence.

The Group undertook several measures to safeguard its financial stability and resilience, focusing on stringent cost management practices, effective resource utilization strategies, and the maintenance of substantial cash reserves. By proactively identifying and addressing potential risks, such as fluctuations in interest rates or currency exchange rates, the Group aimed to minimize financial vulnerabilities and enhance its overall risk-adjusted returns.

The Group's strategic priorities for financial capital management centred on ensuring liquidity, optimising cost structures, and preparing for potential economic challenges. By maintaining ample liquidity reserves and implementing cost-effective operational strategies, the Group effectively mitigated financial risks. Additionally, the Company closely monitored market trends to capitalise on emerging opportunities.

FINANCIAL CAPITAL

Through prudent financial decision-making and strategic investments in key growth areas, the Group remained committed to driving long-term shareholder value. The Group's comprehensive approach to financial management ensured that it could navigate economic uncertainties while continuing to pursue sustainable growth and profitability.

LIABILITIES

The Group's total liabilities stood at LKR 7,098 million, covering both long-term and short-term obligations. Within this total, interest-bearing borrowings at the group level stood at LKR 3,997 million. In contrast, interest-bearing loans at the company level stayed at zero.

Working capital management practices remained robust, as evidenced by a current ratio of 1.67 and a quick assets ratio of 0.94, UMG maintained a healthy balance between current assets and liabilities, indicating its ability to meet short-term financial obligations promptly.

EXPENDITURE

	2023/24 LKR'000	2022/23 LKR'000
Administrative expenses	2,384,271	2,506,293
Distribution expenses	665,399	380,575
Net finance cost	397,716	574,299

ADMINISTRATIVE EXPENSES

The administrative expenditure has reduced by 4.8% compared to the previous financial year largely due to the decrease in costs incurred by the Subsidiary company UEL compared to it's previous year operations.

DISTRIBUTION EXPENSES

Distribution costs have increased by 74.8%, primarily due to the warranty provision and related expenses, as well as costs associated with free service promotions and advertising for vehicles sold by UNIMO. These factors have significantly contributed to the rise in distribution expenses for the current financial year.

FINANCE EXPENSES

The Average Prime Lending Rate (AWPLR), which was around 22.63% at the beginning of the year, gradually declined to end the year at 10.69%, owing to the continuation of the endorsement of the IMF programme, leading to improvements in the economy. United Motors maintained a substantial cash balance throughout the year, although Unimo Enterprises Ltd and UML Heavy Equipment Ltd held substantial borrowings. Despite the borrowings of the two subsidiaries outweighing the cash balance at United Motors, the reduction in interest rates and effective fund and treasury management at UML has led to an overall decrease in Net Finance Cost to LKR 397.71 million from LKR 574.29 million last year for the year under review.

In terms of the allocation of financial capital, Group undertook several significant investments during the fiscal year, underscoring its commitment to strategic growth and diversification. One notable investment was the acquisition of Dutch Lanka Trailer Manufatures Limited for a sum of LKR 700 million. This acquisition was facilitated by a temporary one-month loan arrangement, which was fully settled by the end of the balance sheet date, demonstrating the Group's proactive approach to managing its financial obligations. Additionally, the Group made substantial investments in Unit Trusts, totalling LKR 1,764 million, and Fixed Deposits, amounting to LKR 501 million, further reinforcing its commitment to optimizing returns on invested capital and enhancing long-term shareholder value.

During the year, UML made a provision of LKR 161 million for its exposure to investments in UMLH, out of which LKR 16 million was for bank borrowings taken by UMLH. As a result, the Group was impacted by LKR 16 million due to the above provisioning for the year 2023/24.

Furthermore, Group continued its shareholder-focused approach by returning value to investors through dividend payments. During the reporting period, the company paid an interim dividend of LKR 1.25 per share, on behalf of 2022/23. Further the Group declared a dividend of LKR 1.50 per share for the current year. reflecting its ongoing commitment to delivering attractive returns.

The Group remained committed to upholding the highest standards of corporate governance and regulatory compliance. This involved strict adherence to International Financial Reporting Standards (IFRS)/Sri Lanka Financial Reporting Standards (SLFRS), Listing Rules, Colombo Stock Exchange (CSE)/Securities and Exchange Commission (SEC) requirements, Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) guidelines, Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, Guidelines, and other industry best practices.

Overall, The Group remained steadfast in its commitment to transparency, accountability, and value creation for all stakeholders. By effectively managing foreign exchange risks, optimising the allocation of financial capital, returning value to shareholders, optimising its cost of capital, maintaining a well-balanced capital structure, managing credit risks, navigating cash flow dynamics, and upholding regulatory compliance standards, the company continued to reinforce its position as a leading player in the automotive industry while delivering sustainable long-term growth and value for its shareholders.

WAY FOWARD

UML Group will continue to optimise its financial structure by balancing shareholders' funds and cost-effective borrowing, focusing on high-performing revenue streams such as Spare Parts, Workshop, Lubricants, and Car Care, while exploring new market opportunities. Cost management, leveraging technology, and strategic investments in R&D and growth areas will drive operational efficiency and innovation. Proactive market trend analysis and strategic partnerships will capitalize on emerging opportunities, and robust liquidity management will mitigate financial risks. By maintaining transparent financial practices and delivering attractive shareholder returns, UML aims to sustain growth and reinforce its competitive position in the automotive industry.

MANUFACTURED CAPITAL

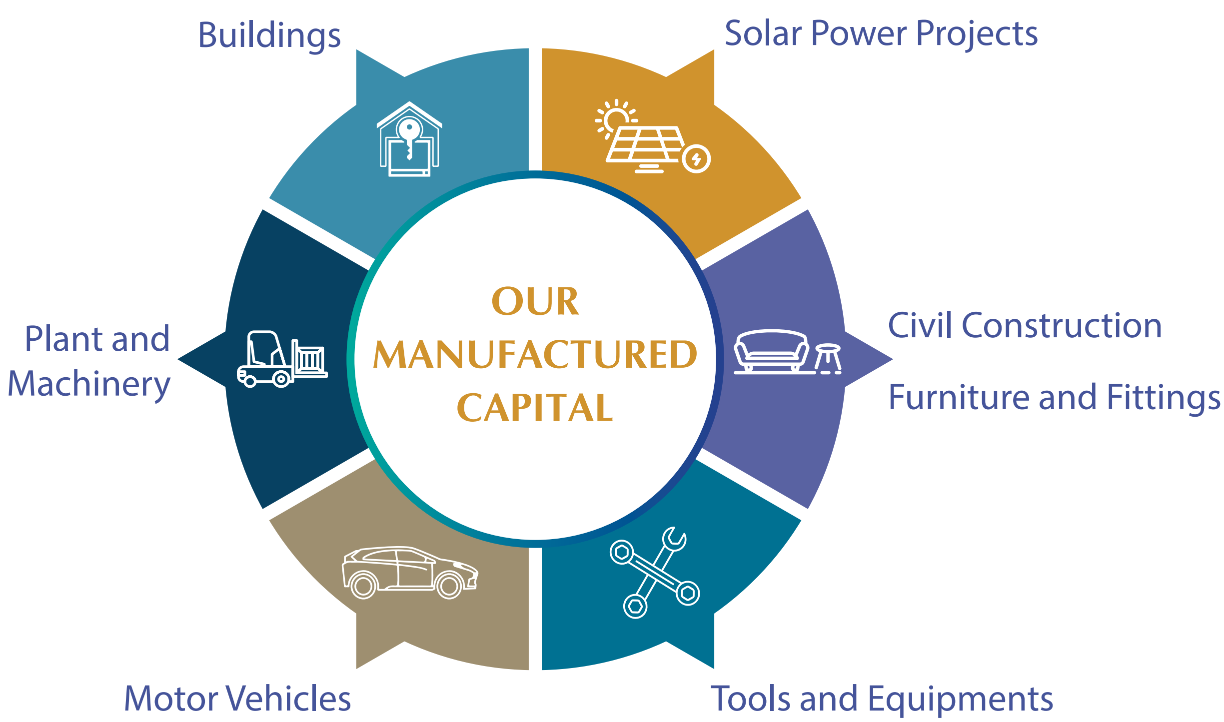
Our manufactured capital serves as a significant strategic advantage. Over the years, we have carefully invested in this capital to drive revenue growth, elevate service standards, boost productivity, and reduce our environmental footprint.

Manufactured capital refers to the comprehensive array of physical, material, and technological assets that a company utilise to meet its immediate and strategic goals. This category encompasses significant investments in property, plant, and equipment, as well as the advanced information and communication technology systems deployed across the organisation. These assets are critical for maintaining operational efficiency, driving innovation, and supporting sustainable growth. The quality and effectiveness of these resources directly impact the company's ability to compete in the market, optimise processes, and achieve long-term success.

VALUE CREATION HIGHLIGHTS

Inputs	Process	Output	Outcomes
• Plant infrastructure • Machinery • Renewable energy plants	• Investment in technology • Capacity expansion • Factory and equipment maintenance • Technology upgrades	• Rs. 120 Mn. increase to PPE	• High-quality products • Improved productivity • Enhanced efficiency • Strong brand reputation

OUR MANUFACTURED CAPITAL



PROPERTY, PLANT AND EQUIPMENT

During the review period, we strategically directed substantial investments towards fortifying our operational capabilities and augmenting the overall customer experience. Specifically, LKR 30.71 million was allocated to construction, renovation, and maintenance projects aimed at modernizing our facilities. This initiative not only fostered an efficient work environment but also elevated the standard of customer service. Additionally, LKR 55.93 million was invested in state-of-the-art workshop equipment to enhance the precision and efficiency of our vehicle repair and maintenance services, ensuring the delivery of high-quality service.

Furthermore, we allocated LKR 7.98 million towards upgrading our IT infrastructure to enhance data management and communication networks. Simultaneously, LKR 8.38 million was spent on essential office equipment to facilitate functional and efficient operations. These investments underscore our unwavering commitment to continuous improvement and operational excellence, positioning us to meet the demands of modern business and exceed customer expectations.

As of 31 March 2024, the Group maintained a robust balance of property, plant, and equipment totaling LKR 9.01 billion, inclusive of a significant investment in freehold land valued at LKR 7.86 billion. Key assets within this investment portfolio include freehold properties at Hyde Park Corner, serving as our head office; Orugodawatte, housing our primary workshop; and Ratmalana, the site of our latest state-of-the-art workshop.

In response to the vehicle import ban, we opted not to expand our branch network but instead focused on optomising and enhancing our existing facilities. Significant investments were channeled into the maintenance and upgrading of workshops, particularly those in Ratmalana and Orugodawatte. These critical upgrades ensure that our workshops remain at the forefront of innovation, capable of meeting both current and future demands, thereby bolstering our ability to deliver premium services and maintain a competitive edge in the market.

Amidst challenging economic conditions, we initiated strategic measures to strengthen our supply chain to withstand disruptions and ensuring rigorous adherence to regulatory standards through investments in sustainability initiatives. Concurrently, we focused on bolstering our infrastructure to maintain competitiveness in the evolving market landscape.

Furthermore, our unwavering commitment to operational excellence and sustainable growth is evident in our multifaceted approach. We prioritise workforce development to equip our employees with the skills needed for organizational success. Additionally, we actively managed risks effectively, and fostered collaborative partnerships to drive innovation and value creation.

We have maintained our 2 MW rooftop solar power plant, ensuring its continuous contribution to our energy needs and sustainability goals. Additionally, we are continuing to expand our solar energy initiatives by installing new solar systems in our workshops located in Kurunegala, Matara, and Ratnapura, building on the progress made last year. These installations are part of our ongoing commitment to reducing our carbon footprint and operational costs through the use of renewable energy sources. To further enhance our sustainability efforts, we have partnered with Infinity Green for the responsible disposal of our electronic waste. This collaboration ensures that our e-waste is managed in an environmentally friendly manner, aligning with our broader commitment to sustainability and corporate responsibility.

Moreover, we have integrated solar energy solutions for our hot water boilers, reflecting our dedication to environmental stewardship. These initiatives not only reduce our operational expenses but also demonstrate our proactive approach to sustainable business practices. By leveraging renewable energy, we promote a greener business model that is increasingly valued by our stakeholders and in line with global environmental trends.

INVESTMENTS IN TECHNOLOGY

Recognizing the indispensable role of cutting-edge technology in our operational landscape, we made a substantial investment in SAP, a globally renowned ERP solution, in 2018. This strategic investment is now yielding significant dividends as we continuously enhance and upgrade the SAP system through our annual maintenance agreement. By doing so, we ensure that it remains aligned with the ever-evolving needs of both our internal stakeholders and external clients.

MANUFACTURED CAPITAL

Furthermore, our commitment to technological excellence is underscored by the development of a comprehensive dashboard tailored to extract actionable insights from the SAP system. This sophisticated tool empowers us with real-time data and analytics, enabling us to make well-informed strategic decisions. Through the utilisation of this advanced technology, we bolster our capacity to respond proactively to shifting market dynamics and propel our strategic initiatives forward with unwavering confidence.

LOOKING AHEAD

Moving forward, our key priorities revolve around strategic initiatives aimed at enhancing our operational efficiency and customer engagement. This includes the timely completion of ongoing solar projects to reinforce our commitment to sustainability. Additionally, we remain dedicated to maintaining and upgrading our workshop facilities to ensure they remain at the forefront of innovation. Furthermore, we are focused on further integrating technology into our operations to drive efficiency gains and enhance our interactions with customers, positioning us for sustained growth and competitiveness in the market.

SOCIAL AND RELATIONSHIP CAPITAL

Social and Relationship Capital encompasses the stakeholder relationships we have cultivated over the years with our customers, suppliers, and communities. The strength of these strategic partnerships is essential for maintaining our social license to operate now and in the future. We consistently create mutual value and promote collaboration to ensure ongoing success.

CUSTOMER ENGAGEMENT

Throughout and beyond the challenges posed during the year the UML Group has remained steadfast in its commitment to a customer-centric business approach. While digital channels have been extensively utilised to engage customers in recent years, we have successfully augmented our outreach by incorporating a diverse mix of digital and traditional mediums, including TV, radio, and outdoor promotions.

In response to ongoing import restrictions, several business units within the Group strategically shifted their focus to pre-owned vehicle sales. This transition necessitated the development of a tailored advertising and promotional strategy to effectively target the appropriate customer segment. Notably, digital channels emerged as a highly effective tool in this endeavour, enabling customers to make informed decisions promptly and conveniently shop for vehicles.

With a presence across 36 different platforms, we have honed our strategy to deliver customized content that resonates deeply with our customers. Our focus on brands like DFSK, Valvoline, and after-sales services has yielded engaging content, fostering stronger connections between our customers and our brands.

Furthermore, in our dealings with trade partners, we have conducted dealer conventions to foster closer relationships. Valvoline organised two dealer conventions with the aim of strengthening ties with its dealers, while Prestone also held a dealer convention in Colombo, further reinforcing our commitment to our partners.

Prestone Dealer Convention

In addition to the previously stated engagements, our brand Valvoline proudly sponsored the CR & FC rugby team, which secured the league championship during the year. This partnership underscores our commitment to supporting local sports and community initiatives.


CR&FC Team Powered by Valvoline

REACHING OUR CUSTOMERS

In addition to our digital initiatives, we have harnessed conventional media channels to broaden our audience reach. Through our digital platforms alone, we engage with over 3 million digital media users, significantly extending our market impact. To further elevate the customer experience, we have intensified our use of WhatsApp marketing, ensuring swift, round-the-clock responses and support for customers both locally and internationally. This proactive approach has been warmly received and has markedly improved our responsiveness to customer queries and concerns.

Remaining within easy reach of customers is critical. UML operates 14 physical locations around the island, providing clients with convenient access to purchase vehicles, spare parts, or obtain after-sales services. Special promotions encourage the use of our state-of-the-art facilities, and customers are educated on the benefits of choosing UML Group for reliable after-sales services. Online service booking facilities via website and mobile app are promoted as a fast and convenient option.

AFTER-SALES SERVICE

We are deeply committed to delivering unparalleled after-sale services that go above and beyond to ensure customer satisfaction and retention. It is in this spirit of commitment that we organised

SOCIAL AND RELATIONSHIP CAPITAL

free inspection campaigns specifically for our valued Perodua and Montero Sport customers.

These inspection campaigns were meticulously planned and executed to provide our customers with professional vehicle inspections conducted by skilled technicians. Each inspection was comprehensive, focusing on identifying any potential issues and ensuring that every aspect of the vehicle was in optimal condition. This proactive approach not only addressed immediate concerns but also aimed to enhance the overall performance and longevity of the vehicles.

Furthermore, as a gesture of appreciation to our loyal customers, we extended exclusive discounts and value-added services during these campaigns. These special offers were designed to provide additional benefits and incentives to our customers, further enhancing their ownership experience with us.

By organising these campaigns, we aimed to demonstrate our unwavering dedication to customer satisfaction and retention. We understand that our customers place their trust in us, not just when they purchase a vehicle, but throughout the entire ownership journey. These initiatives reflect our ongoing commitment to exceed customer expectations and solidify our reputation as a trusted provider of quality after-sales services.

CALL CENTRE

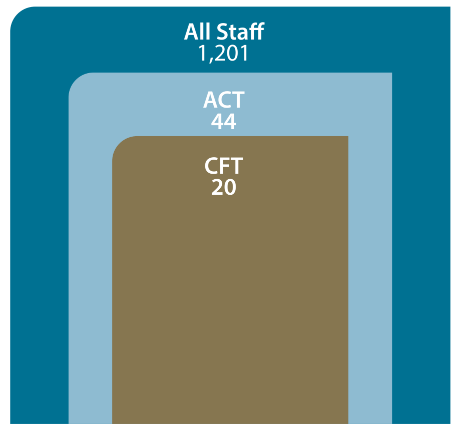
"Our call center has been instrumental in engaging with over 57,000 customers, providing support and assistance whenever needed. Looking ahead, we plan to expand our call center operations to engage with even more customers during the financial year."

අපි UNITED TO SERVE

We continued to nurture "Api United to serve" which is an internal initiative aiming to transform United Motors Group into a customer-centric organisation 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 "Api 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 Members 44 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

WEEKLY CELL MEETINGS

- Code of conduct
- Motivational Videos/audios
- Discussion of customer Survey results
- Communications on monthly HR Initiatives
- Employee engagement activities

CELL MEETINGS

To enhance and maintain service levels across the Group, cell meetings are held in all 44 cells every Tuesday by the respective ACT members. These meetings, in addition to covering the regular agenda of reading the pledge and the Code of Conduct, include Q&A

sessions and playing videos/audios on customer service and motivational themes. Cell members also participate in various activities initiated by the CFT, such as discussing customer survey results, sharing monthly HR initiatives, and engaging in employee activities. Numerous employee engagement initiatives have been conducted through the CFT to motivate staff to achieve high customer satisfaction.

Happy Photo Challenge

EXCEPTIONAL CUSTOMER SERVICE

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

This past year has been marked by outstanding dedication, professionalism, and a relentless commitment to exceeding customer expectations.

15 Staff members were appreciated for excellent customer service.

ACT TRAINING

As a part of the employee engagement in the organization in April of last year, CFT organized an intensive leadership programme for ACT aimed at empowering its members with essential skills and strategies to enhance their effectiveness in community engagement and management roles. The programme focused on fostering leadership qualities, promoting collaboration, and equipping participants with practical tools for addressing challenges within their respective communities. Participants engaged in immersive activities and discussions aimed at honing their leadership skills. Through role-playing exercises and case studies, members learned effective communication techniques, decision-making strategies, and methods for inspiring and motivating their teams.

The leadership programme conducted for ACT members in April of last year served as a testament to the organization's commitment to empowering its members and fostering community development. By investing in leadership development, ACT not only equipped its members with the tools and skills needed to lead effectively but also nurtured a culture of collaboration and innovation within the organization. As we reflect on the success of this program, we look forward to continuing our journey of empowering community leaders and making a meaningful difference in the lives of those we serve.

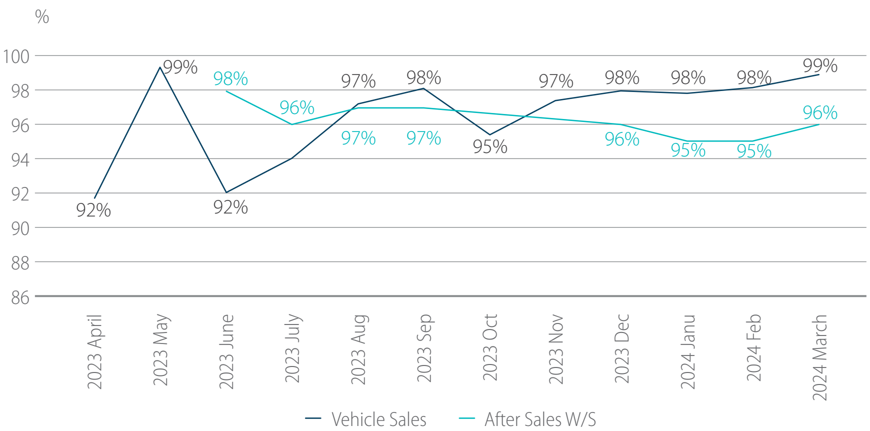
ACT training 2023

EXTERNAL AND INTERNAL CUSTOMER SURVEYS

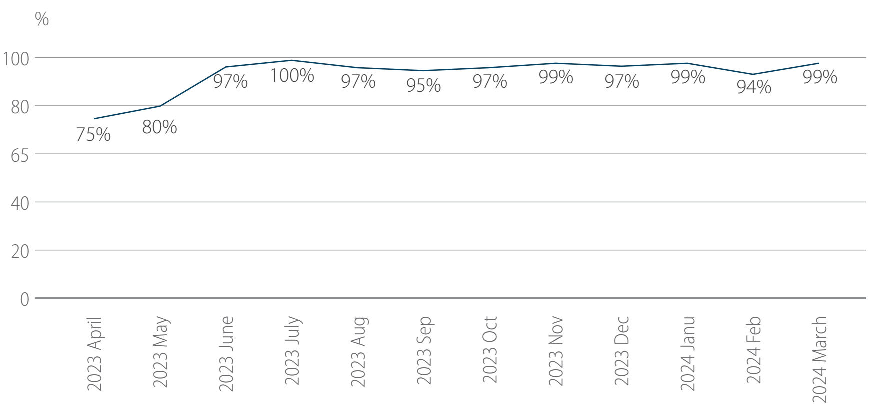
External customer surveys are conducted to evaluate and analyze customer satisfaction as a foundational index across the organization. As a customer-centric company committed to serving and sustaining a loyal customer base, the CFT strives to maintain high customer satisfaction rates. Satisfaction levels are measured through comprehensive

SOCIAL AND RELATIONSHIP CAPITAL

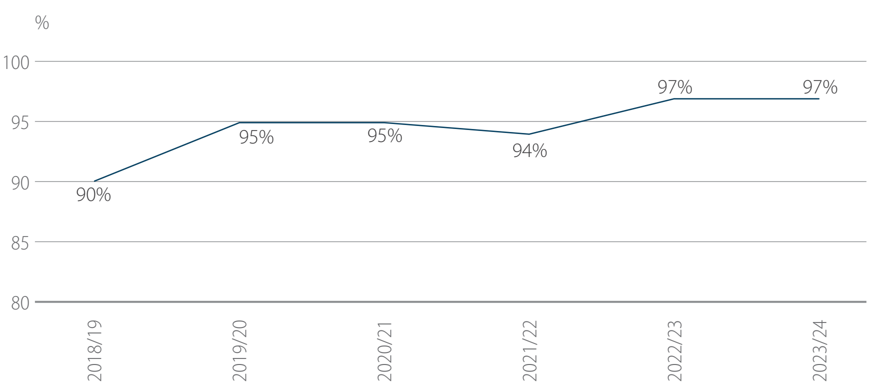
call surveys conducted by a dedicated team, focusing on the products and services offered by the Group.



EXTERNAL SURVEY RESULTS 2023/24



INTERNAL SURVEY RESULTS 2023/24



OVERALL CUSTOMER SATISFACTION INDEX

LOOKING AHEAD

Moving forward, our steadfast commitment lies in conducting comprehensive customer satisfaction surveys to meticulously pinpoint areas for enhancement and refine our services to align more closely with the evolving needs of our valued clientele. Through this proactive approach, we aim to continuously elevate the quality of our offerings and exceed customer expectations, thus fortifying our position as a trusted market leader.

Through our relentless pursuit of excellence in customer satisfaction and relationship management, we are poised to not only maintain but accelerate our growth trajectory, solidifying our position as a preferred choice among consumers and driving sustained success in the competitive marketplace.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

We are committed to promote effective and open communication with all and shareholders Investors at all times. The Company aims to engage with its and investors 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 good Corporate Governance practices 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.

During the year, the Company implemented significant enhancement to our shareholder communication policies, reinforcing the Company's commitment to transparency and engagement.

The shareholder communication policy aims to facilitate shareholders' and Investors access to public information, promote active engagement and exercise their rights through effective communication channels established by the Company. It also includes the process to be followed in case of major issues and concerns of shareholders and investors. Such major issues and concerns of shareholders were communicated to the Board via email.

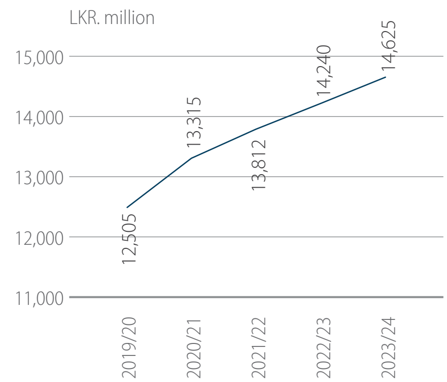
ENHANCED SHAREHOLDER VALUE THROUGH INCREASED RETURN ON INVESTMENT

The entire business is modeled 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.

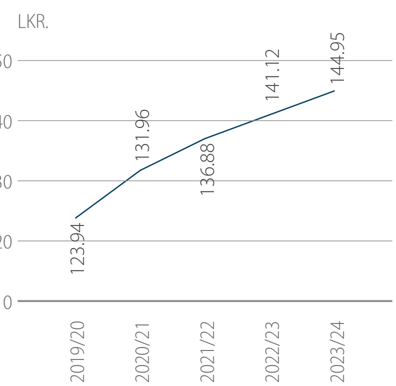
Over the years, UML delivered on its promise to shareholders by ensuring consistent returns on their investments through capital appreciation and dividends.

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.

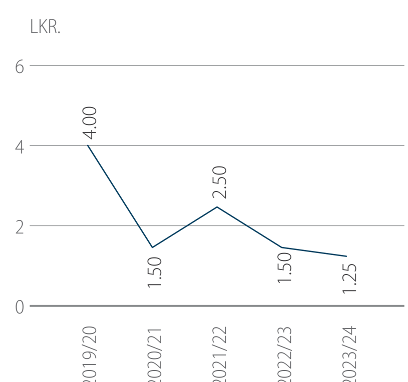
	2019/20	2020/21	2021/22	2022/23	2023/24
Shareholders' funds - Company (LKR million)	12,505	13,315	13,812	14,240	14,625
Dividend per share - Company (LKR)	4.00	1.50	2.50	1.50	1.25
Net assets per share - Company (LKR)	123.94	131.96	136.88	141.12	144.95
Market capitalization - Company (LKR million)	4,581	5,822	5,560	6,044	5,852



SHAREHOLDERS' FUNDS



NET ASSETS PER SHARE



DIVIDEND PER SHARE

SOCIAL AND RELATIONSHIP CAPITAL

OUR PARTNER

The UML Group has capitalized on its extensive experience to enhance operations through strategic partnerships with some of the world's most prestigious brands. Throughout the years, UML has developed and maintained strong alliances with companies that epitomize exceptional core values, unparalleled product quality, and cutting-edge technology.

Collaborating with our partners, we continually introduce new products to the market and conduct research to provide local customers with the most suitable options. Our enduring relationships with partners allow us to strictly adhere to industry best practices on both a local and global scale.

We carefully select our local suppliers, requiring them to meet our stringent requirements and standards while adhering to a rigorous quality policy. This meticulous selection process ensures that the group consistently receives products and services of the highest quality.

Our Valued Brands

MITSUBISHI MOTORS
FUSO
PERODUA
DFSK
JMC
LIUGONG
Valvoline.
Prestone
NASIOL
YOKOHAMA
JCB
DUTCH LANKA TRAILERS
3D Print Studio
SIMONIZ

HUMAN CAPITAL

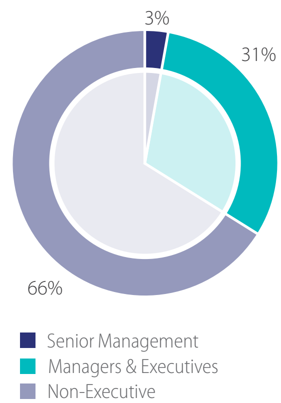
We are committed to positively contributing to the socioeconomic development of our people who are crucial in ensuring the resilience and sustainability of our business during this period of extreme volatility. Our holistic value proposition aligns individual and organisational goals, focusing on empowering employees through skill development.

The success of United Motors Group is fundamentally rooted in our human capital, culture, values, and skills. Our performance is driven by the collective knowledge, abilities, experiences, and positive attitudes of our most valuable asset - human capital. Even in challenging times, our ability to maintain, customer focus and deliver exceptional service relies on the performance of our people.

Human Capital

- Skills and experience
- Competencies
- Creativity
- Committed and loyal employees
- Healthy workforce
- Equal opportunities

We have effectively established a culture that values open communication and knowledge sharing, by fusing our HR strategies, policies, and practices with our vision, purpose, and business goals. Upon recruitment, we enlighten our new talent with comprehensive awareness on our HR policies, guidelines, and best practices in order to ensure that they have all the knowledge they require to perform their jobs in accordance with the Company's expectations.



EMPLOYEE PROFILE

We offer our employees with a variety of valuable opportunities for professional development and career advancement, in addition to attractive financial and non-financial pay, benefits and rewards, that are designed to both recognise and retain our best talent with us in the long run.

OUR TEAM STRENGTH

At the heart of our manifold accomplishments stands a robust and diverse team, comprising 1,201 committed individuals who form the backbone of United Motors Group. Our workforce is a composition of varied backgrounds, skills, and perspectives, united by a shared commitment to excellence.

COMPOSITION OF SENIOR MANAGEMENT

84% **16**%

Our Team Strength		
Male and Female %	% of male employees in the Group	94%
	% of female employees in the Group	6%
Age Categories	Below 19	6
	20-29	394
	30-39	386
	40-49	249
	50-59	144
	60 Above	22
Nature of the Job	Sales	173
	After Sales	746
	Administration	282

MOVEMENTS IN TALENT POOL

Ensuring a competitive edge in our sector amidst current challenges hinges on having the right personnel. At United Motors Group, we place a paramount emphasis on acquiring and retaining highly skilled professionals to sustain our invaluable talent pool. The company hired 350 personnel to our cadre during the year. 65% is between ages of 20-39 which demonstrates our Company's dedication to attract young, ambitious individuals with new potential. Furthermore, the ongoing brain drain in Sri Lanka is impacting recruitment levels, with trained staff, mostly technical staff from after sales often seeking better opportunities abroad. The Group encountered a turnover of 30% during the year under review. This phenomenon poses a challenge for United Motors

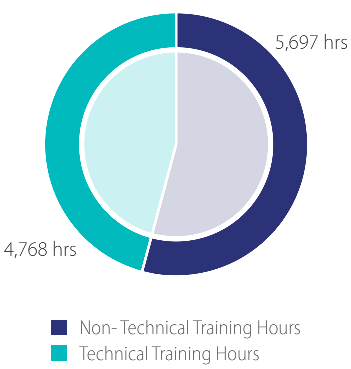
HUMAN CAPITAL

Group as we strive to retain a skilled and diverse workforce amidst increasing competition for talent both locally and internationally.

Permanent Employees
89%

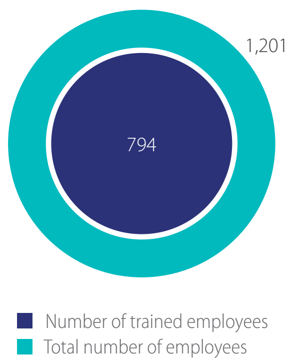
DEVELOPMENT OF HUMAN CAPITAL

The effective management of human capital is paramount as it serves as a primary driver in the Group's value creation process, uniquely capable of fostering innovation, generating impactful ideas, and driving productivity. Ensuring the long-term sustainability of our operations hinges on our ability to attract, nurture, and develop talent while providing avenues for growth.



TRAINING AND DEVELOPMENT TYPES AND TOTAL TRAINING HOURS

To this end, we consistently devise and implement diverse training and development initiatives to uphold employees' productivity and career advancement. Post COVID-19, our focus shifted from online training programmes to in-person settings to facilitate more effective learning experiences. Hence, we have developed the skills and competencies of our staff through a mix of internal and external trainings, coaching, mentoring, and numerous learning initiatives, created to help them succeed in their roles and make valuable contributions to our business.



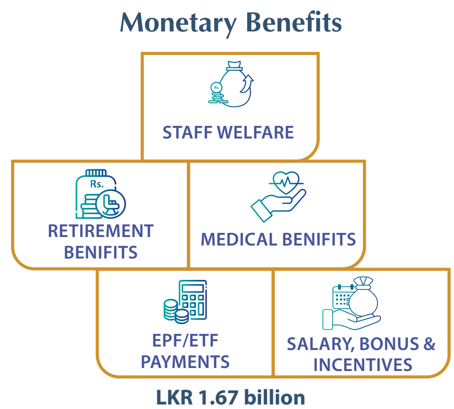
NUMBER OF TRAINED EMPLOYEES

REMUNERATION AND BENEFITS

Monetary benefits and remuneration play a pivotal role in attracting and retaining top talent, driving employee motivation, and fostering a culture of fairness and equity within the Company. At our organisation, we are committed to providing benefits and compensation plans that treat employees equally, fairly, and without discrimination. This approach considers various factors, including job function, level of responsibility, individual abilities and competencies, as well as work history.

Promotions
44

Our remuneration and benefits package encompasses a wide range of offerings aimed at supporting employee wellbeing and satisfaction. This includes attractive monetary incentives and a range of non-monetary benefit and support schemes designed to ensure the sustainment of professional development, health, work-life balance and overall quality of life. Additionally, we recognise and reward the long-term commitment of our employees with various non-financial benefits, alongside the provision of medical insurance coverage for them and their family members.



By prioritising the provision of market-competitive pay and benefits, we demonstrate our ongoing commitment to the holistic well-being and professional development of our valued employees.

EMPLOYEE ENGAGEMENT ACTIVITIES

As we reflect on the past year, we are pleased to present the highlights of the diverse and enriching employee events that took place at UML Group. These events not only fostered a sense of camaraderie but also displayed the talent and commitment of our dedicated workforce. Through our event initiatives, we strive to cultivate a culture where employees feel valued, supported, and empowered to thrive both personally and professionally.

Annual Bhakthi Geetha Ceremony

The year kicked off with a cultural celebration in honor of Vesak 2023, featuring a captivating Bhakthi Geetha Performance that brought employees together in a harmonious celebration of devotion and festivity.

Art Competition Winner
6-9 Age Category

Art Competition Winner
10-13 Age Category

Winners of the Art Competition

In alignment with our commitment to sustainability, the company celebrated World Environmental Day with a children's Art competition themed 'Beat Plastic Pollution', showcasing the creative talents of our employees' children across the UML Group.

June saw the staging of the UML Group Quiz Competition, a knowledge-sharing extravaganza covering a diverse range of topics, sparking intellectual engagement and friendly competition among employees.

UML Cricket Fiesta

October witnessed the UML Cricket Fiesta Tournament, reinforcing teamwork and sportsmanship through spirited competition across divisions in Men's and Women's categories.

Blood Donation Camp

Our commitment to social responsibility was further demonstrated through a successful blood donation campaign, with generous participation from all divisions.

UML ADHYAPANA ATHWELA

We value and support the educational aspirations of our employees' children through recognizing and rewarding their excellence in studies. An award ceremony was held in September 2023 highlighting the following segments; "Tikiri" for children who excel in Grade 5 scholarships, "Nawum" Ordinary Level exams, and "Yovun" for Advanced Levels. Twenty four children from UML family were recognized at this event.

October 2023 also witnessed the UML Kids Talent Show, in celebration of World Children's Day, where the remarkable talents of employees' children were celebrated through singing and dancing performances across various age groups.

HUMAN CAPITAL

The Christmas Carols Team

The year concluded with the Annual Carol Service and Nativity Play at the Head Office, bringing the Group together in festive spirit and marking the culmination of a year filled with vibrant celebrations and shared moments of joy.

International Women's Day on the 8th of March, 2024, was commemorated with a joyful evening dedicated to recognizing and celebrating our female employees, featuring festivities, entertainment, and heartfelt gestures of appreciation.

UML Annual Pirith Ceremony

The Annual Pirith Ceremony, held amidst a large gathering at the United Motors premises at Orugodawatte in March 2024, underscored our commitment to spiritual well-being and cultural heritage.

Additionally, several other staff activities were organized, providing colleagues with opportunities to create closer bonds in a relaxed and informal setting. These gatherings not only strengthened interpersonal relationships but also contributed to a joyful and harmonious work environment within the Group.

In December 2023, the Christmas photo challenge took place, along with the participation from every cell to submit creative photographs capturing the true feeling of the holiday season.

Christmas Photo Challenge

Additionally, to ring in the New Year in January 2024, 'Secret Friend', a heart-warming New Year's card exchange was conducted. Each employee participated by crafting personalised cards and exchanging them anonymously, capturing photographs of their friendly encounters, and spreading joy within our workforce.

Secret Friend Competition Winners

INDUSTRIAL RELATIONS

The Company is deeply committed to the continual improvement and nurturing of relationships with its workforce, recognising their inherent right to be treated with dignity, respect, and fairness in all aspects of their employment. Across the Group, industrial relations are meticulously managed, ensuring compliance with relevant laws, regulations, statutory obligations, awards, agreements, and industry guidelines. Our approach to industrial relations is characterised by a robust two-way communication channel, providing employees with the freedom to engage in open dialogue and express their views and concerns.

The Company has established a comprehensive framework of policies and procedures aimed at promoting and maintaining harmonious working relationships between Management and staff. These policies include the Whistleblowing Policy, Share Trading Policy, Sexual Harassment Policy, Non-Disclosure Agreement, Conflict of Interest Policy, and the Code of Business Conduct and Ethics. By adhering to these guidelines, employees are empowered to perform their duties ethically, professionally, and with minimal disruption to work, thereby upholding the Company's integrity and commitment to excellence in all endeavors.

Employee Training Sessions

HUMAN RIGHTS

At United Motors, we hold the rights of our employees in the highest esteem. In every aspect of our business, we prioritise the preservation of human dignity, fairness, and ethical conduct. Our dedication to these ideals underscores our firm belief that every individual, regardless of background or circumstance, deserves to be treated with respect and fairness. This commitment extends beyond mere compliance with regulations; it is deeply ingrained in our corporate culture and guides our actions each day.

COMPLYING WITH LEGAL REQUIREMENTS AND REGULATIONS

United Motors Group is deeply committed to the development and implementation of comprehensive human resource policies which guarantee that every member of our workforce is treated with dignity and respect, fostering a culture of inclusivity and transparency.

United Motors Group remains unwavering in our pledge to continuously refine and improve our corporate human resource practices to ensure they align with evolving legal mandates, industry standards, and best practices. All employees are bound to comply with the rules and regulations in the Code of Business Conduct and Ethics, the guidelines in the Employee Handbook followed by the best practices stated in the Customer Care Code of Conduct. In this manner, we aim to advocate our staff on prioritising compliance and ethical conduct in all aspects of business.

GRIEVANCE HANDLING

Effective grievance handling is crucial for fostering a positive work environment and maintaining employee morale within the Company. Our HR department and immediate supervisors are designated to receive and handle complaints from employees, ensuring that grievances are addressed in accordance with the Company's established grievance handling procedure. In addition, UML Group has implemented a Whistleblowing Policy, to protect employees who report suspected misconduct within the Company. This proactive approach not only helps to address issues promptly

HUMAN CAPITAL

but also contributes to maintaining trust and confidence among employees, ultimately fostering a harmonious and productive work environment within the UML Group.

CHILD LABOUR

In alignment with our corporate values and global standards, we maintain a steadfast commitment to zero tolerance for child labour across all facets of our operations. Through rigorous monitoring, strict compliance measures, and proactive engagement with stakeholders, we ensure that our supply chain remains free from any form of child exploitation. Upholding this principle underscores our dedication to ethical business practices and the well-being of children worldwide.

WAY FORWARD

As we conclude the financial year 2023/24, our company remains steadfast in its commitment to enhancing our human capital through a strategic focus on mentoring, coaching, leadership development, and succession planning. We believe that by investing in our people, we have laid a strong foundation for the future success of our company. As we look forward to the coming year, we remain dedicated to these principles, confident that our commitment to our employees will continue to drive our collective achievements.

Enthused Employees at Annual Gathering

NATURAL CAPITAL

We have diligently conserved and enhanced our natural capital by protecting vital resources such as geology, soils, air, water, and living organisms. By prioritising ecosystem health and minimising our environmental impact, we aim to support long-term ecological balance and foster biodiversity.

At UML, we are committed to preserving and enhancing the world's natural capital, which includes vital resources such as geology, soils, air, water, and all living organisms. Ecosystems, the intricate networks of these resources and their interactions with the physical environment, are at the heart of our sustainability efforts. Our dedication to minimising our environmental impact is evident in our strategic approach to business operations.

In 2023, we embarked on a multifaceted journey to minimise our environmental footprint and uphold sustainable practices within our operations. This comprehensive effort began with a dedicated focus on energy efficiency measures. Recognizing the importance of conserving energy and reducing environmental impact, we integrated cutting-edge technologies and sustainable practices across our facilities.

Our natural capital strategy is founded on three main pillars: the efficient use of electricity, responsible water management, and effective waste disposal. These initiatives aim to reduce our carbon footprint and promote sustainable practices across all levels of our organization.

During the past fiscal year, we are proud to report that UML incurred no fines or penalties for non-compliance with environmental regulations and laws. This accomplishment highlights our unwavering commitment to environmental stewardship and our proactive approach to sustainability.

Energy Efficiency Measures

In line with our commitment to energy-efficient management and sustainability, we undertook a comprehensive upgrade of our lighting, heating, ventilation, and cooling systems. This initiative entailed the implementation of energy-efficient technologies throughout our facilities. Through these upgrades, we strive not only to diminish our environmental impact but also to underscore our dedication to embracing sustainable practices across all facets of our operations.

One notable investment involved the integration of solar technology to preheat water to approximately 70°C. This preheated water is then further heated to 100°C by our company's boilers, resulting in a significant reduction in overall energy consumption. By harnessing renewable energy sources such as solar power, United Motors Group not only lessens its dependence on conventional energy sources but also curtails its carbon footprint.

Moreover, we took measures to optimise air conditioning systems. Specifically, we replaced traditional 24-hour running air conditioning units with energy-efficient inverter A/C systems. This strategic transition not only reduces energy consumption but also enhances operational efficiency, leading to cost savings and environmental sustainability.

Furthermore, we prioritised the transition to energy-efficient lighting solutions by upgrading all CFL bulbs to LED bulbs across our facilities. This initiative not only lowers energy consumption but also extends the lifespan of lighting fixtures, resulting in long-term savings and environmental benefits. Through these concerted efforts, we are not only advancing our sustainability goals but also setting a precedent for responsible corporate citizenship in the automotive industry.

OUR RENEWABLE ENERGY PORTFOLIO

By investing in solar power projects, we are reducing our carbon footprint and advancing the use of clean, renewable energy sources. These initiatives not only contribute to mitigating climate change but also align with our goal of promoting environmentally friendly practices.

Year	MWh Generated	MWh Consumed	MWh to National Grid
2021/22	2,559	528	2,031
2022/23	2,426	510	1,916
2023/24	2,640	801	1,836

NATURAL CAPITAL

Water Conversation Initiatives

In parallel with our energy efficiency initiatives, we took proactive steps to implement water conservation measures, further advancing our sustainability goals. These efforts have involved the installation of water-saving fixtures and the adoption of landscaping practices that prioritise minimal water usage. By embracing these sustainable practices, we not only contribute to broader water conservation endeavours but also reaffirm our steadfast dedication to environmental stewardship.

Beyond our operational facilities, we have implemented landscaping practices, as well as efficient irrigation systems that deliver water precisely where and when it is needed. By utilising smart irrigation technologies and drought-tolerant landscaping, we can minimise water waste and promote the health and sustainability of local ecosystems.

United Motors Group has taken significant measures to manage water usage and reduce water consumption within its manufacturing processes and facilities. Adhering to local regulatory guidelines establishing a wastewater treatment facility across operations. At these wastewater treatment facilities, the used water utilized in cleaning vehicle bodies undergoes thorough treatment and recycling processes. Once treated, the recycled water is redirected for subsequent use in washing vehicle undercarriages, effectively closing the loop on water usage within the manufacturing process. By implementing this innovative approach, United Motors Group not only reduces its reliance on freshwater sources but also mitigates the environmental impact associated with water consumption in its operations.

Through initiatives such as these, the company aims to set industry benchmarks for environmental excellence while actively contributing to the preservation of natural resources for future generations. By embracing sustainable water management practices, United Motors Group continues to pave the way toward a greener, more sustainable future for generations to come.

Hazardous Material Management

During the year under review, United Motors Group placed significant emphasis on hazardous material management to ensure compliance with environmental regulations and to safeguard the well-being of our surroundings. With an unwavering commitment to best practices, we meticulously managed and disposed of hazardous substances such as used oil, batteries, and electronic waste. Moreover, we established a strategic partnership with Infinity Green, a renowned e-waste management company in Sri Lanka, to responsibly address the challenge of electronic waste disposal. Through this collaboration, we guarantee the safe and environmentally sound handling of electronic waste, reinforcing our dedication to sustainability and environmental stewardship.

Enhancing the Environmental Footprint

Throughout 2023, United Motors Group pursued a range of investments and initiatives aimed at enhancing energy efficiency and reducing greenhouse gas emissions across its operations. With a steadfast dedication to sustainability, the company implemented innovative technologies and adopted sustainable practices to achieve significant reductions in energy consumption and environmental impact.

INTELLECTUAL CAPITAL

We sustain our competitive advantage through our intellectual assets, which encompass our brands, tacit knowledge, quality certifications and standards, research and innovation, as well as technological adoption

Intellectual capital encompasses the intangible assets that significantly impact the Company's financial performance and overall value. These assets extend beyond tangible resources and comprise the collective expertise of employees, proprietary organizational processes, research and innovation and the knowledge embedded within the organization's framework. These intangible assets play a crucial role in driving innovation, fostering competitive advantages, and ultimately contributing to the Company's bottom line. By effectively harnessing and leveraging intellectual capital, organizations can enhance their operational efficiency, optimize decision-making processes, and strengthen their position within the market.

THE EXPERTISE OF OUR PEOPLE

At UML Group, we recognize that human capital is paramount in driving efficiency and gaining a competitive edge in the marketplace. Our HR policies and procedures are meticulously crafted to uphold principles of equity and fairness while prioritizing talent acquisition, development, and retention. We offer a comprehensive array of financial and non-financial benefits aimed at not only enhancing productivity but also fostering long-term commitment among our employees. Through these strategic initiatives, we aim to cultivate a motivated workforce that is well-equipped to contribute to the sustained success of our organization.

The Group prides itself on offering a compelling value proposition, which has proven instrumental in maintaining high retention rates across various organizational levels. Notably, our retention rates stand at an impressive 62.5% for non-executive roles and 37.5% for managerial and executive positions. This underscores the effectiveness of our HR strategies and the attractiveness of our workplace environment.

Our workforce comprises a total of 1,201 employees, reflecting a diverse pool of talent and expertise. At the close of the fiscal year, we welcomed 270 new recruits, demonstrating our commitment to talent acquisition and continuous growth. These new additions bring fresh perspectives and skills to our team, contributing to our overall innovation and adaptability.

In terms of demographic diversity, our workforce spans across different age groups, with 68% falling within the 20-39 years bracket. This distribution ensures a dynamic blend of experience and youthful energy, fostering creativity and agility within our organization.

Furthermore, we are proud to report that female representation within our workforce stands at 6%, with 16% holding positions in senior management. While there is still room for improvement, we are actively working towards enhancing gender diversity and promoting inclusivity across all levels of our organization.

Despite the dynamic nature of the industry and competitive market conditions, our employee attrition rate remains stable at 30%. This signifies the strength of our employee engagement initiatives, as well as the effectiveness of our efforts in retaining top talent and fostering a supportive and rewarding workplace culture.

The management effectively navigated increased resignations without operational disruptions by leveraging robust HR policies and procedures. Despite challenges such as migration issues and a vehicle import ban, the focus remained on creating a supportive work environment and offering career advancement opportunities to attract and retain employees. This strategic approach not only addressed immediate staffing concerns but also reinforced the organization's commitment to employee satisfaction and long-term retention.

OUR SYSTEMS AND PROCESSES

In response to the dynamic nature of our industry, we have prioritised the continual enhancement of our systems and processes to meet evolving demands effectively. This involves regular updates to our processes, with designated process owners overseeing these adaptations. Our proactive approach ensures that our operational controls remain robust while also enhancing our agility and responsiveness to market trends.
A significant milestone in this journey was the implementation of SAP ERP in 2019, a decision aimed at bolstering our data management capabilities and

INTELLECTUAL CAPITAL

driving operational efficiency across various functions. This comprehensive ERP solution has revolutionized the way we manage our operations, providing a unified platform for integrating our business processes and optimizing resource utilization.

The impact of SAP modules such as FICO (Finance and Controlling), MM (Materials Management), PPQM (Production Planning and Quality Management), Hybris Marketing, and DBM (Database Management) has been profound. These modules have streamlined our financial control processes, enhanced our material management practices, and led to improved inventory management and cost optimization. Furthermore, the implementation of these modules has resulted in overall process efficiency gains, enabling us to operate more seamlessly and effectively.

A notable outcome of the SAP implementation is the development of a new SAP Dashboard, created in-house to meet our specific organizational needs. This custom dashboard provides us with real-time insights and analytics, empowering our decision-makers with actionable intelligence to drive informed decision-making and strategic planning.

Overall, our investment in SAP ERP and the subsequent deployment of various modules underscore our commitment to leveraging technology for operational excellence and sustained growth. Moving forward, we remain dedicated to continually refining our systems and processes to adapt to evolving market dynamics and maintain our competitive edge in the industry.

BRAND STRENGTH

We continued to maintain a robust brand presence in the automobile sector. Our commitment to quality, good manufacturing practices, and sustainability has strengthened our brand reputation. We understand the importance of aligning our brand with our values, especially during challenging times. Through consistent communication and unwavering adherence to our core values, we ensure that our brand remains synonymous with integrity, reliability, and trustworthiness.

COMMITMENT TO QUALITY AND EXCELLENCE

Our commitment to quality and excellence is exemplified by the following product and process certifications and accreditations.

AWARDS AND ACCOLADES

In 2023, we were honored to receive the Best Annual Report Award for the Automobile Sector at the TAGS Annual Report Awards presented by the Chartered Institute of Sri Lanka. We have won this prestigious award for the 14th consecutive time. This recognition underscores our commitment to transparency.

Our subsidiary company, DLT Group, holds the patent rights for the "add-on unit for the application of a parking brake with multiple switches and status indicating lights." Additionally, DLT Group was recognized at the NCE Awards 2023 for the 5th consecutive time in the Machinery and Light Engineering Product Sector, Extra Large Category - Gold.

Furthermore we maintained our position among the top 100 companies and were acknowledged as one of the "Most Respected" companies by LMD, a testament to our enduring reputation and strong market standing. Our continued presence in the top 100 companies is a result of our sustained financial performance and effective resource management, coupled with our ability to adapt to evolving market conditions. This achievement reflects our unwavering focus on delivering value to our stakeholders while ensuring long-term sustainability.

At the core of our values lie integrity, transparency, and ethical behavior. We place great emphasis on upholding these standards in all aspects of our operations, fostering trust and confidence among our stakeholders. Our commitment to ethical practices and stakeholder engagement has helped us build a reputation for trustworthiness and credibility within the industry.

Earning trust and goodwill is a priority for us, and we consistently strive to demonstrate our commitment through our actions. Our track record of awards, consistent performance, and proactive stakeholder engagement initiatives speaks volumes about our dedication to fostering positive relationships and earning the trust of our stakeholders.

Maintaining high ethical standards is a cornerstone of our corporate philosophy. We continuously improve and uphold initiatives such as the Whistleblowing Policy, Sexual Harassment Policy, and Code of Business Conduct to ensure that ethical values are ingrained in our organizational culture. Additionally, our commitment to sustainability is reflected in our investments in solar energy and partnerships with organizations like Infinity Green for e-waste disposal, demonstrating our dedication to responsible business practices and environmental stewardship.

"Gold" Award Winner in the Automobile Sector at the "TAGS Awards 2023" by The Institute of Chartered Accountants of Sri Lanka

Dutch Lanka Trailers received the "Gold Award" award in the Extra-large Category in Machinery and light engineering product sector at the 2023 National Chamber of Exporters awards ceremony

WAY FORWARD

To further enhance our intellectual capital, we will focus on fostering a culture of continuous learning and innovation, leveraging cutting-edge technologies, and expanding our research and development initiatives. By investing in our employees' growth and enhancing our knowledge management systems, we aim to drive sustained competitive advantage and long-term value creation.

GOVERNANCE

HOW WE GOVERN

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

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

GOVERNANCE FRAMEWORK

The Corporate Governance framework has guided the Board, Board Sub-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 Listing Rules of the Colombo Stock Exchange on Corporate Governance, Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, other Acts that are applicable and the best practices.

The internal and external regulations comprise of following;

GOVERNANCE FRAMEWORK

Internal Governance Framework

- Articles of Association
- Terms of Reference of Board and Board Sub-Committees
- Code of Business Conduct and Ethics and Employee Handbook
- Policies and Procedures
- Risk Management Framework

External Governance Framework

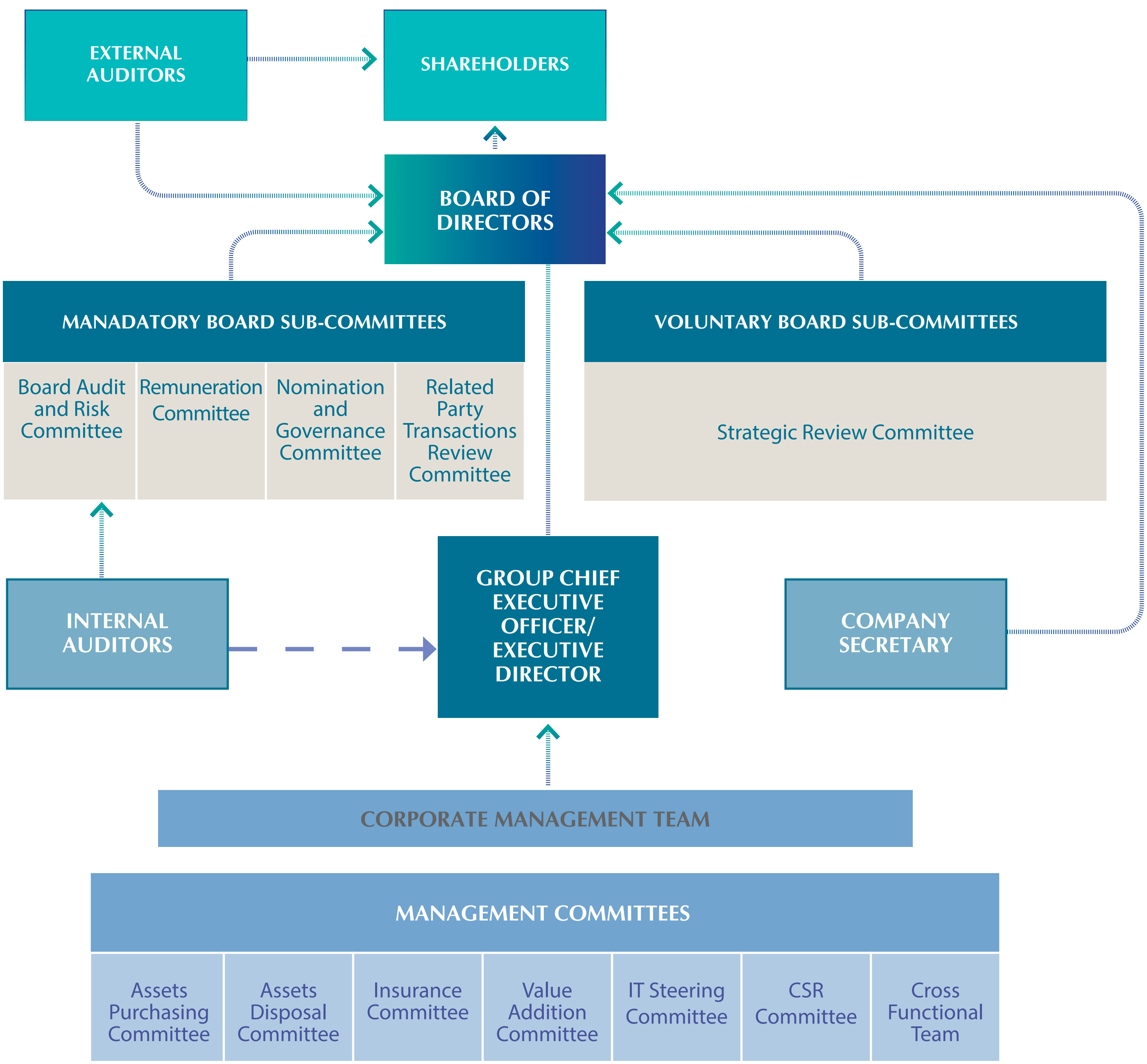
- Listing Rules of the Colombo Stock Exchange on Corporate Governance
- Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka
- Companies Act No. 07 of 2007
- Inland Revenue Act
- Shop and Office Act and Wages Board Ordinance, EPF & ETF Act, Gratuity Act and Termination of Employment of Workmen Act and other Acts and Ordinances
- Directions and Circulars issued by the Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange.

HOW WE GOVERN

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.



BOARD OF DIRECTORS

Structure, diversity and the functioning of the Board of Directors (Principle A.1, A.1.5, A.4, A.5.1, A.5.2, A.10)

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

The Board comprised of 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 to bring independent judgement in discharging their duties and responsibilities. The composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors which minimizes the tendency for one or a few members of the Board to dominate the Board processes or decision-making. Four senior Chartered/ Chartered Management Accountants are in the Board as at 31 March 2024 who possess the necessary knowledge and competence to guide and advice on matters relating to finance.

The Board comprised of nine Directors of whom six including the Chairman hold office in a Non-Executive capacity as of the year end. Out of six Non-Executive Directors, five are independent.

Executive Directors-3

- Mr. Chanaka Yatawara-Group Chief Executive Officer
- Mr. Ramesh Yaseen-Director-Aftersales
- Mr. Thushara Jayasekara-Director-Finance

Independent Non-Executive Directors-5

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

Non-Independent Non-Executive Director-1

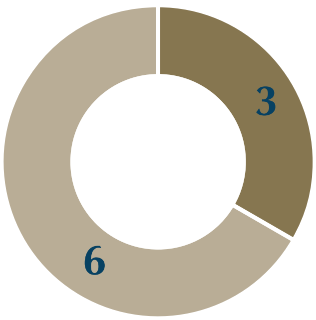
- Ms. Hiroshini Fernando

The Board comprises members with expertise in Automobile, Marketing and Sales, Finance and Accounting, General Management and Banking. 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 22 to 32. Policies on governing matters relating to Board of Directors is clearly stated in the Board Charter.

HOW WE GOVERN

BOARD COMPOSITION

Executive, Non-Executive Directors

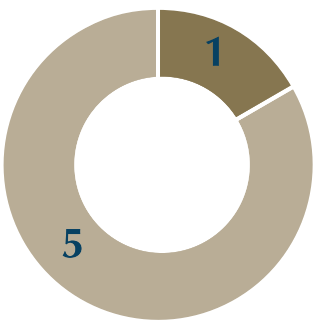


- Executive Directors
- Non-Executive Directors

5/6

Non-Executive Directors are independent as per CSE regulations

Independent, Non-Independent Directors



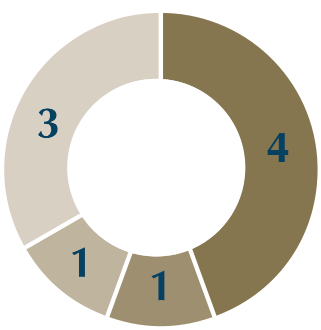
- Non-Independent Directors
- Independent Directors

GENDER PROFILE

7 Male

2 Female

Tenure on the Board (Years)



- 1-5 Years
- 6-10 Years
- 11-15 Years
- 15-20 Years

BOARD OF DIRECTOR'S INDUSTRY EXPERIENCE

2 Automotive	**2** Marketing and Sales	**4** Finance and Accounting	**1** Banking

Board independence (Principle A.5.3, A.5.4, A.5.5)

Out of six Non-Executive Directors, five directors are independent other than Ms. Hiroshini Fernando as per CSE Listing Regulations.

Non-Executive Directors are independent of management and free of business dealings that may be perceived to interfere with the exercise of their unfettered and independent judgement. They submit annual declarations to this effect which are evaluated to ensure compliance with the criteria for determining independence in line with the requirements of the applicable regulations and this Code.

One meeting was held by the Chairman only with the participation of Non-Executive Directors.

Role of Board (Principle A.1.2)

Board responsibilities

- Provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.
- Formulation and implementation of a sound business strategy.
- Ensure that the CEO and management team possess the skills, experience and knowledge to implement the strategy.
- Approve budgets and major capital expenditure.
- Determine the matters expressly reserved to the Board and those delegated to the management including limits of authority and financial delegation.
- Ensure effective systems to secure integrity of information, internal controls, cyber security, business continuity and risk management.
- Ensure the availability of information communication technology (ICT) roadmap in line with business strategy of the company, and monitor the progress of implementation through the ICT dashboard.
- Ensure compliance with laws, regulations and ethical standards.
- Ensure all stakeholder interests are considered in corporate decisions.
- Recognise sustainable business development and Environmental, Social, and Governance (ESG) risk and opportunities in corporate strategy, decisions and activities and consider the need for adopting "integrated reporting".
- Ensure that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
- Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks.
- Ensure that a process is established for corporate reporting on quarterly and annual basis or more regularly as relevant to the Company.
- Ensure the adoption of an effective CEO and key management personnel succession strategy.
- Appointing the chair and Senior Independent Director if relevant.

HOW WE GOVERN

KEY AREAS OF FOCUS FOR 2023/24

STRATEGY AND BUSINESS	RISK, INTERNAL CONTROLS AND COMPLIANCE	GOVERNANCE	STAKEHOLDER ENGAGEMENT	FINANCIAL PERFORMANCE
• Oversight of the strategic plan/ strategies, impact of risks and opportunities • Approval of budget • Evaluating potential investment opportunities	• Review of the risks • Oversight of internal control framework • Oversight of Compliance • Review of regulatory issues • Review of cyber security risks and oversight of the information security	• 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	• Review of shareholder communication • Employee succession planning • Monitoring of staff retention, staff turnover, training and development	• Financial impact from volatility in macro environment • Performance review of the Company and subsidiaries • Approval of Interim Financial Statements and Annual Report • Optimizing capital structure • Propose dividend payments

Board process (Principle A.1.4, A.1.6, A.1.7, A.3.1)

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 and the Chairman. Board members too can request items to be included in the agenda for discussion. The agenda is circulated to the members of the Board by the Company Secretary together with the 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. If the need arises, members of Corporate Management are invited to make presentations to the Board on the business environment, regulatory changes, operations, and other developments on a regular basis to enhance the knowledge of the Board on matters relevant to the Company's operations. Directors who are unable to attend a meeting is updated on proceedings through formally documented minutes, which are also discussed at the next meeting to ensure follow-up and proper recording. Minutes of the meetings are ordinarily provided to Directors at least within two weeks after the meeting date.

One-third of directors can call for a resolution to be presented to the Board where they feel it is in the best interest to the Company.

The regularity of Board meetings and the structure and process of submitting information have been agreed and documented in Board Charter. The attendance at meetings is summarized on page 99.

The Company has obtained a Directors' and Officers' Liability insurance policy.

Board Sub-Committees (Principle A.7.1, A.7.3, A.7.6, B.2, D.3, D.4, D.5)

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. The Chairman/Chairperson 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 revised Terms of Reference of the Committees in line with CSE Listing Rules on Corporate Governance and Code of Best Practice on Corporate Governance 2023 was reviewed and approved by the Board during the year.

The Company has five Board Sub-Committees.

- Board Audit and Risk Committee (BARC)
- Remuneration Committee (RC)
- Nomination and Governance Committee (NGC)
- Related Party Transactions Review Committee (RPTRC)
- Strategy Review Committee (SRC)

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The composition of the Board Sub-Committees as of the year-end are as follows;

Board Audit and Risk Committee

Composition	Areas of oversight
Ms. Coralie Pietersz - *Chairperson*	Monitor and review adequacy and effectiveness of internal controls, governance and financial reporting. Monitor and assess effectiveness of risk management processes.
Ms. Hiroshini Fernando	Exercise independent oversight of the Company's assurance functions - internal and external audit.
Mr. Stuart Chapman	Review compliance with the accounting standards in the preparation of financial statements. Review compliance with relevant legal, regulatory requirements.

Remuneration Committee

Composition	Areas of oversight
Mr. Stuart Chapman - *Chairman*	Review remuneration policy. Formulate a policy on remuneration of CEO, Executive Directors and KMPs.
Mr. Devaka Cooray	Evaluation of performance of CEO, Executive Directors and KMPs.
Ms. Hiroshini Fernando	Approval of salary increments, bonuses and incentives.
Ms. Coralie Pietersz	

Nomination and Governance Committee

Composition	Areas of oversight
Mr. Stuart Chapman - *Chairman*	Identify and recommend suitable Directors for appointment to the Board and Board Sub Committees. Review the structure, size, composition and competencies of the Board and make recommendations.
Mr. Devaka Cooray	Succession planning for the CEO and key management personnel.
Ms. Hiroshini Fernando	Consider and recommend the re-appointment of the current Directors. Review and recommend the overall Corporate Governance framework of the Company taking into account of the Listing Rules of the Colombo Stock Exchange, other applicable regulatory requirements and industry/international best practices periodically. Periodically review and update the Corporate Governance policies/framework of the Company in line with the regulatory and legal developments relating to same, as a best practice.

Related Party Transactions Review Committee

Composition	Areas of oversight
Mr. Stuart Chapman - *Chairman*	Review related party transactions policy. Monitor compliance with the relevant rules.
Mr. Ananda Atukorala	Market disclosures on related party transactions.
Ms. Coralie Pietersz	Scrutiny of related party transactions and avoid conflict of interest.

Strategy Review Committee	
Composition	Areas of oversight
Mr. Stuart Chapman - *Chairman* Mr. Devaka Cooray Mr. Chanaka Yatawara Ms. Hiroshini Fernando Mr. Thushara Jayasekara	Review the strategic plan. Review annual budget along with KPIs. Review actual performance against the strategic plan and budget and recommend corrective actions where required. Recommend strategic initiatives.

More details of Chairman/Chairperson and members of the Committee, terms of reference and activities carried out during the year are given in the Sub-Committee reports on pages 112 to 123.

The Sub-Committees have 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 page 99.

Role of Chairman and Chief Executive Officer/Executive Director (Principle A.2, A.3)

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	
Chairman	Group Chief Executive Officer
Leads the Board, preserving good Corporate Governance, ensuring that it works effectively and acting in the best interest of the Company. Responsibilities: • Ensure the smooth functioning of the Board, the governance structure and inculcating positive culture in the Board. • Ensure guidelines and procedures are in place to govern the Board's operations and conduct. • Ensure all relevant issues are on agenda for Board Meetings and all Directors are able to participate in the Board activities. • Set objectives, vision, targets and strategic direction along with the CEO. • Ensure that the Board debates strategic and critical issues. • Ensure that the Board receives necessary information on a timely basis from the management. • Ensure avenues are provided for all Directors to participate openly in discussions. • Provide leadership to the Board. • Lead the Board in oversight of management.	Accountable to the Board for exercise of authorities delegated and for the performance of the Company/ Group. Responsibilities • Set objectives, visions, targets and strategic direction of the Group. • Provide directions in the implementation of short and long-term business plans. • Provide strong leadership that is, effectively communicating a vision, management philosophy and business strategy to the employees. • Ensure strategies and corporate policies are effectively implemented. • Ensure Board decisions are implemented and Board directions are responded to. • Keeping the Board fully informed of all important aspects of the Group's operations and ensuring sufficient information is distributed to Board members.

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Role of Independent Non-Executive Directors (Principle A.5.1)

- 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.

Appointments, resignations and retirement of Directors (Principle A.7.2, A.7.4)

The Nomination and Governance Committee (NGC) has set in place a formal and transparent procedure for the nomination of candidates for appointment as Directors. The appointment of new Directors is based on an assessment of combined knowledge, experience and diversity of the Board including gender, age and other factors relevant to the industry with new Directors chosen on their ability to bring added perspective. A skill matrix of the directors is also used for this purpose.

A similar process is followed when appointing Executive Directors with the exception of when candidates are selected from the Corporate Management Team of the Company.

1. Selection process is guided by a formal & transparent process. →
2. NGC looks for suitable candidates. →
3. NGC recommends candidates to the Board for approval after fit and proper assessment. →
4. The Board approves the candidate as a Director. →
5. Formal disclosure is made through CSE.

Appointments	Retirement	Resignations
• Mr. V. Govindasamy was appointed as an Independent Non-Executive Director w.e.f. 15 May 2024.	• There were no retirements during the year.	• Prof. Malik Ranasinghe resigned w.e.f. 31 March 2024.

In case of resignations of a Director a written communication is submitted to the Board with the reasons for the resignation.

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, expertise in the relevant functional area, the names of companies in which the director holds directorships or memberships in board committees and their status of independence. In addition, all staff members of the Group are informed of any appointments and resignations.

Re-election of Directors (Principle A.8, A.9.3)

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. Participation, contribution and engagement of each director is reviewed by the Board at the time of re-election. The Directors who shall seek re-election at this year's AGM have been indicated in the notice of the meeting.
Mr. A. W. Atukorala who retire in terms of the Companies Act No. 07 of 2007 and the Articles of Association, at the conclusion of the Annual General Meeting is not seeking re-appointment as a Director.

Performance evaluation of Board and Chief Executive Officer (Principle A.9.1, A.9.2, A.9.4, A.11.1, A.11.2)

There is a formal process for appraisal of Board performance. The appraisals are carried out through a structured questionnaire which is in five 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 by Executive Directors
- Evaluations of Executive Directors by the Non-Executive Directors

Evaluation of Board Audit and Risk Committee is carried out annually.
An annual evaluation of the performance of the CEO is carried out against pre-agreed targets by the Remuneration Committee.

Directors' remuneration (Principle B.1, B.2)

The 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 and its activities 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.

The Company has taken necessary steps to ensure that Directors are at all times fit and proper persons and meet the required fit and proper assessment criteria mentioned in Section 9.7.3 of the CSE Listing Regulations on Corporate Governance. Fit and proper assessment was carried out during the year.

Independent advice (Principle A.1.3)

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

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Induction and training (Principle A.1.8)

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.

Code of Business Conduct and Ethics (Principle D.6)

An internally developed Code of Business Conduct and Ethics and the policies which are applicable to Directors, 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, fair and transparent procurement practices, corporate opportunities, fair dealing, 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, Anti-bribery and corruption policy, corporate gifting policy, sexual harassment policy, conflict of interest and confidentiality policy. All Directors and key management personnel have declared their compliance with the Code.

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 (Principle C.1, C.2, E, F)

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.

All shareholders were given the opportunity to submit any question to the Board /Management during the AGM and voting was concluded on a show of hands. The Company Secretary maintains records of all resolutions and information (Appointment of proxy, number of votes in favour and against each resolution and number of shares in respect of vote was directed to be abstained) at the Annual General Meeting.

The Chairman ensures the presence of the Chairman/Chairperson of the Audit and Risk, Remuneration, Nomination and Governance, Related Party Transactions Review Committee and Strategy 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.

Policy on relations with shareholders and investors sets out multiple channels of communication for engaging with shareholders and investors. 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 2023/24 will be conducted as a physical meeting and the Annual Report for the year 2023/24 has been uploaded on the CSE website and Company website.

Accountability and audit (Principle D.1)

All efforts are taken to ensure that the Annual Report presents a balanced review of financial position, performance, business model, governance structure, risk management, internal controls, challenges, opportunities and prospects combining narrative and visual elements to facilitate readability and comprehension.

In the preparation of interim and annual financial statements, all requirements of Companies Act No. 07 of 2007, Sri Lanka Accounting Standards and reporting requirements prescribed by the regulatory authorities have been complied with. Board Audit and Risk Committee reviews interim and annual financial statements and recommends to the Board prior to publication.

Risk management and internal controls (Principle D.2)

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 and Risk Committee assists the Board in discharging its duties with regard to risk management and internal controls as given in Board Audit and Risk Committee Report and Directors' statement on risk management and internal controls. A comprehensive report on how the Company manages risk is included in the risk management report. During the year under review the management confirmed that to the best of their knowledge and belief the Company's risk management and internal control system was satisfactory.

The Board is conscious of its duty to comply with laws and 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.

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Information Technology (IT) Governance (Principle G)

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 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 addresses cyber security and 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 includes the following;

- 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/ to address the cyber security risk.

Compliance

Status of compliance with the Section 9 of the Continuing Listing Regulations of the Colombo Stock Exchange on Corporate Governance, compliance with the Code of Best Practice on Corporate Governance 2023 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 the Section 9 of the 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 2023 issued by the Institute of Chartered Accountants of Sri Lanka except for ESG reporting which we hope to comply in future.

Name of Director	Capacity	Status of independence	Board meeting attendance	Board Sub-Committee membership and attendance					No of Board seats held in listed companies (excluding UML)		No of Board seats held in unlisted companies	
				BARC	NGC	RC	RPTRC	SRC	Executive capacity	Non-Executive capacity	Executive capacity	Non-Executive capacity
Mr. Devaka Cooray	Chairman Non-Executive Director	Independent	14/14	-	**M	M 3/3	-	M 2/2	-	3	1	8
Mr. Chanaka Yatawara	GCEO/ Executive Director	Non Independent	13/14	BI	BI	BI	BI	M 2/2	-	-	5	1
Mr. Ananada Atukorala	Non-Executive Director	Independent	14/14	-	* M 2/2	*M 3/3	M 5/5	BI	-	1	1	8
Mr. Ramesh Yaseen	Executive Director	Non Independent	10/14	-	-	-	-	BI	-	-	-	1
Ms. Hiroshini Fernando	Non-Executive Director	Non Independent	14/14	M 14/14	M 2/2	M 3/3	*M 5/5	M 2/2	1	2	-	12
Mr. Stuart Chapman	Non-Executive Director	Independent	13/14	M 14/14	C 2/2	C 3/3	C 5/5	C 2/2	-	1	-	1
Ms. Coralie Pietersz	Non-Executive Director	Independent	13/14	C 14/14	-	**M	**M	BI	-	3	2	3
Mr. Junya Takami	Non-Executive Director	Independent	0/14	-	-	-	-	-	-	-	-	-
Mr. Thushara Jayasekara	Executive Director	Non Independent	14/14	BI	-	-	BI	M 2/2	-	-	-	3
Prof. Malik Ranasinghe Resigned w.e.f. 31 March 2024	Non-Executive Director	Independent	13/14	* M 13/14	*M 2/2	*M 3/3	*M 5/5	* M 1/2	-	4	-	-

C- Chairman M- Member BI- By Invitation

* *After reconstitution of the Committee, ceased to be a member from 28 March 2024*

** *After reconstitution of the Committee, appointed as a member from 28 March 2024*

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Annexure 1 - Status of compliance with the Section 9 of the Listing Rules issued by Colombo Stock Exchange on Corporate Governance

Section	Principle	Effective date	Details of Compliance	Compliance status
9.1 Corporate Governance Rules				
9.1.1 9.1.2 9.1.3	Extent of compliance with Corporate Governance Rules	1 October 2023	The extent of compliance with Corporate Governance Section 09 of the listing rules issued by CSE is tabulated below.	✓
9.2 Policies				
9.2.1	Availability of policies	1 October 2024	The policies which are mandated by the revised CSE listing rules are currently in place. • Policy on the matters relating to the Board of Directors • Policy on Board Sub-Committees • Policy on Corporate Governance, nominations and re-election • Policy on remuneration • Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the entity's listed securities. • Policy on risk management and internal controls • Policy on relations with shareholders and investors • Policy on environmental, social and governance sustainability • Policy on control and management of company assets and shareholder investments • Policy on corporate disclosures • Policy on whistleblowing • Policy on anti-bribery and corruption Corporate website is updated as to the availability of the mandated policies.	✓
9.2.2	Waivers and exemptions	1 October 2024	At present there are no waivers and exemptions applicable to the Company.	N/a
9.2.3	Disclosures in the Annual Report	1 October 2024	Please refer Section 9.2.1.	✓
9.2.4	Requesting company policies by shareholders	1 October 2024	No such requests received.	N/a
9.3 Board Committees				
9.3.1	Establishment of mandatory Board Committees	1 October 2023	The Board has established five Committees including four mandatory Committees, Board Audit and Risk Committee performs audit and risk functions. Refer "Governance Structure" on page 86.	✓

Section	Principle	Effective date	Details of Compliance	Compliance status
9.3.2	Board composition, responsibilities and disclosures	1 October 2023	The composition of the Board and all Sub-Committees are in line with the revised CSE listing rules.	✓
9.3.3	Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees	1 October 2024	The Chairman/ Chairperson of Board Sub-Committees are not the Chairman of the Board.	✓
9.4 Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders				
9.4.1	Recording of the resolutions passed at the AGM	1 October 2023	The Company Secretary maintains records of all resolutions and information (appointment of proxy, number of votes in favour and against and number of shares in respect of vote was directed to be abstained) of the Annual General Meeting.	✓
9.4.2	Communication and relation with shareholders and investors	1 October 2023	Refer "Shareholder communication policy" on page 71.	✓
9.5 Policy on matters relating to the Board of Directors				
9.5.1	Availability of policy on governing matters relating to Board of Directors	1 October 2024	The requirements are currently captured in the Board Charter, several other policies and the Articles of Association. The Company has updated the Board Charter with provisions of the revised CSE listing rules.	✓
9.5.2	Disclosures in the Annual Report	1 October 2024	Disclosures are made with regards to the availability of policy on governing matters relating to Board of Directors.	✓
9.6 Chairperson and CEO				
9.6.1	Chairperson and CEO	1 October 2023	The Chairman of the Company is a Non-Executive Director and the role of Chairman and CEO is segregated.	✓
9.6.2	Disclosure of non-compliances	1 October 2023	Not applicable.	N/a
9.6.3	Appointment of Senior Independent Director (SID)	1 October 2023	Not applicable since there is no SID.	N/a
9.6.4	Disclosure of non-compliances in the Annual Report	1 October 2023	Not applicable since there is no SID.	N/a
9.7 Fitness of Directors and CEOs				
9.7.1	Appointment of fit and proper persons	1 October 2023	Fit and proper assessment carried out covered the required criteria.	✓
9.7.2		1 October 2023	Considered the fit and proper criteria for the new Director appointments. In any future appointments, the criteria stated in the revised CSE listing rules will also be taken into account.	✓

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Section	Principle	Effective date	Details of Compliance	Compliance status
9.7.3	Fit and proper assessment criteria; a) Honesty, integrity and reputation b) Competence and capability c) Financial soundness	1 April 2024	All Directors meets the fit and proper criteria.	✓
9.7.4	Annual declarations from Directors and CEO	1 October 2023	Annual declarations obtained from all Directors confirming fit and proper assessment criteria have been met.	✓
9.7.5	Disclosures in the Annual Report	1 October 2023	Disclosures are made in the Annual Report of the Board of Directors given on page 136.	✓
9.8 Board Composition				
9.8.1	The Board of Directors of the Company, at a minimum, consist of Five (5) Directors	1 October 2024	The Board of Directors of the Company consist of nine Directors as of the year end.	✓
9.8.2	Minimum number of Independent Directors (Minimum 2 or 1/3 of total number, whichever is higher)	1 October 2024	The Board has 5 Independent Directors as of the year end meets required criteria.	✓
9.8.3 9.8.4	Criteria for determining independence	Criteria 9.8.3 (i) to (viii) 1 October 2023 Criteria 9.8.3 (ix) 1 January 2025	Five out of six Directors meets the criteria as of year-end.	✓
9.8.5	Annual declaration of independence or non-independence of Directors	1 October 2023	All Directors submitted their annual independence confirmations. Names of Directors determined to be 'independent' is disclosed on page 99.	✓
9.9 Alternate Directors				
9.9	Appointment of alternate directors	1 January 2024	No alternate directors appointed.	N/a
9.10 Disclosures relating to Directors				
9.10.1	Policy on the maximum number of directorships	1 October 2023	As per the Terms of Reference of the Board Nominations and Governance Committee, the maximum number of directorships Board members shall be permitted to hold is twenty.	✓
9.10.2	Appointment of new Director	1 October 2023	Complied for all new appointments.	✓
9.10.3	Changes to the composition of the Board Committees	1 October 2023	CSE announcements are made as required by the rules.	✓
9.10.4	Disclosures in the Annual Report	1 October 2023	Profiles of the Board of Directors are given on pages 22 to 31. Board attendance and Sub-Committee membership is given on page 99.	✓

Section	Principle	Effective date	Details of Compliance	Compliance status
9.11 Board Nominations and Governance Committee				
9.11.1	Availability of Nominations and Governance Committee	1 October 2024	The Company has a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11.1.	✓
9.11.2	Appointment and re-election of Directors	1 October 2024	Refer section on "Re-election of Directors".	✓
9.11.3	Terms of Reference	1 October 2024	Refer report of the Board Nominations and Governance Committee on pages 118 to 120.	✓
9.11.4 (1)	Composition - Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors	1 October 2024	Refer the Composition of the Nominations and Governance Committee given on pages 118 to 120. Meets the requirement.	✓
9.11.4 (2)	Composition - An Independent Director shall be appointed as the Chairperson of the Committee			✓
9.11.4 (3)	Composition - The Chairperson and the members of the Committee shall be identified in the Annual Report			✓
9.11.5	The functions of the Committee	1 October 2024	Refer the report of the Board Nominations and Governance Committee on pages 118 to 120.	✓
9.11.6	Disclosures in the Annual Report	1 October 2024		✓
9.12 Remuneration Committee				
9.12.1	Definition of Remuneration	1 October 2023	Refer Remuneration Committee Report on pages 115 to 117.	✓
9.12.2	Remuneration Committee			✓
9.12.3	Remuneration Policy - Executive Directors/Non-Executive Directors	1 October 2023		✓
9.12.4		1 October 2023		✓
9.12.5	Terms of Reference	1 October 2023		✓
9.12.6 (1)	Composition-Minimum of three (3) Directors	1 October 2024	Meets the requirement.	✓
9.12.6 (2)	Minimum of two (2) members shall be Independent Directors	1 October 2023	Meets the requirement.	✓
9.12.6 (3)	Composition - Independent Director shall be appointed as the Chairperson of the Committee	1 October 2023	Chairman of the Remuneration Committee is an Independent Non-Executive Director.	✓
9.12.7	The functions of the Remuneration Committee	1 October 2023	Refer the Remuneration Committee Report on pages 115 to 117.	✓

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Section	Principle	Effective date	Details of Compliance	Compliance status
9.12.8	Disclosures in the Annual Report	1 October 2023	Refer the Remuneration Committee Report on pages 115 to 117.	✓
9.13 Board Audit and Risk Committee				
9.13.1	Audit and risk functions	1 October 2023	The audit and risk functions are carried out by Board Audit and Risk Committee.	✓
9.13.2	Terms of Reference	1 October 2023	The Board Audit and Risk Committee has a written terms of reference clearly defining its scope, authority, and duties. Refer report of the Board Audit and Risk Committee on pages 112 to 114.	✓
9.13.3 (1) & (4)	Composition - A minimum of three (3) Directors, out of which a minimum of two (2) or a majority of the members, whichever is higher, shall be Independent	1 October 2024	Board Audit and Risk Committee meets the requirements.	✓
9.13.3 (2)	Composition - The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be Independent Directors	1 October 2024	Majority of the Committee members are independent.	✓
9.13.3 (3)	The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market	1 October 2024	Board Audit and Risk Committee meets the requirements.	✓
9.13.3 (5)	Independent Director shall be appointed as the Chairperson of the Committee	1 October 2024	Independent Director act as the Chairperson of the Committee.	✓
9.13.3 (6)	The CEO and the CFO shall attend the Audit Committee meetings by invitation	1 October 2024	CEO and Executive Director-Finance attend meetings by invitation.	✓
9.13.3 (7)	The Chairperson of the Audit Committee shall be a member of a recognized professional accounting body	1 October 2024	Chairperson of the Audit and Risk Committee is a member of recognized professional accounting bodies.	✓
9.13.4	The functions of the Audit Committee	1 October 2024	Refer the report of the Board Audit and Risk Committee on pages 112 to 114.	✓
9.13.5	Disclosures in the Annual Report	1 October 2024		✓

Section	Principle	Effective date	Details of Compliance	Compliance status
9.14 Related Party Transactions Review Committee				
9.14.1	Availability of Related Party Transactions Review Committee	1 October 2023	Related Party Transactions Review Committee of the Company conforms to the requirements of the Section 9.14.1.	✓
9.14.2	Composition - A minimum of three (3) Directors, out of which two (2) members shall be Independent Directors. Committee may also include Executive Directors. An Independent Director shall be appointed as the Chairperson of the Committee	1 April 2024	Meets the specified requirement.	✓
9.14.3	Functions of the Related Party Transactions Review Committee	1 October 2023	Refer the report of the Related Party Transactions Review Committee on pages 121 and 122.	✓
9.14.4 (1)	General requirements - The Committee shall meet at least once a calendar quarter	1 October 2023	Meets the requirement.	✓
9.14.4 (2)	General requirements - The Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed related party transactions	1 October 2023	Refer the report of the Related Party Transactions Review Committee on pages 122 and 122.	✓
9.14.4 (3)	General requirements - Approval by Board of Directors	1 October 2023	Refer the report of the Related Party Transactions Review Committee on pages 121 and 122.	✓
9.14.4 (4)	General requirements - Conflict of interest	1 October 2023	Board approvals were not required.	✓
9.14.5	Review of related party transactions by the Related Party Transactions Review Committee	1 October 2023		✓
9.14.6	Shareholder approval	1 October 2023	There were no RPTs during the year which required Shareholder approval as set out in Section 9.14.6.	✓
9.14.7	Immediate disclosure	1 October 2023	There were no RPTs during the year which required immediate market announcement as set out in Section 9.14.7.	✓

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Section	Principle	Effective date	Details of Compliance	Compliance status
9.14.8 (1)	Related party disclosures Non-recurrent RPT exceeding 10% of the equity or 5% of the total assets, whichever is lower (in the specified format)	1 October 2023	No non-recurrent transactions which exceeds the set threshold.	✓
9.14.8 (2)	Recurrent RPT exceeding 10% of the gross revenue/income (in the specified format)	1 October 2023	Refer Note 40.5 to the Financial Statements on "Related Party Disclosure".	✓
9.14.8 (3)	Related Party Transactions Review Committee Report Names of the Directors comprising the Committee Statement that Committee has reviewed RPTs and communicated comments/ observations to the Board	1 October 2023	Refer the report of the Related Party Transactions Review Committee on pages 121 and 122.	✓
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with related party transactions rules or negative statement to that effect	1 October 2023	Refer the report of the Related Party Transactions Review Committee on pages 122 and 122.	✓
9.14.9	Acquisition and disposal of assets from/to related parties	1 October 2023	During the year, there were no acquisition/disposal of substantial assets from/to related parties.	✓
9.14.10	Exempted related party transactions	1 October 2023	The provisions of the sections are considered when evaluating the related party transactions by the Committee.	✓
9.16 Additional Disclosures				
9.16	i) Declaration of all material interest (ii) Review of internal controls and compliance controls (iii) Compliance with laws, rules and regulations (iv) Material non-compliances	1 October 2023	Refer the Annual Report of the Board of Directors.	✓

Annexure 2 - Compliance with the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka

Code ref.	Compliance and implementation	Complied
A	Directors	
A.1	The Board Refer section on "Board of Directors" in this report.	✓
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 regularity of Board meetings and the structure and process of submitting information have been agreed to and documented by the Board. The attendance at meetings is summarised on page 99. Information required to be reported to the Board under this Section is reported on a regular basis.	✓
A.1.2	Role and responsibilities of the Board Refer section on "Role of Board" in this report.	✓
A.1.3	Act in accordance with laws and seek independent professional advice The Board has an approved working procedure in place to facilitate compliance with the relevant laws, guidelines and best practices with regard to the operations of the Company. This includes provision to obtain independent professional advice as and when necessary by any Director coordinated through the Company Secretary.	✓
A.1.4	Access to advice and services of Company Secretary All Directors are able to obtain the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter involving the whole Board under the Board Nomination and Governance Committee as it is a Key Management Position. The Company has obtained appropriate insurance cover for the Board of Directors.	✓
A.1.5	Independent judgement Refer section on "Board of Directors" in this report.	✓
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company Refer section on "Board process" in this report.	✓
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.	✓
A.1.8	Induction and training of Directors Refer section on "Induction and training" in this report.	✓
A.2	Chairman and Chief Executive Officer The positions of the Chairman and the CEO have been separated in line with best practice in order to maintain a balance of power and authority. Refer section on "Role of Chairman and Chief Executive Officer/ Executive Director" in this report.	✓
A.3	Chairman's role Refer section on "Role of Chairman and Chief Executive Officer/Executive Director" in this report.	✓
A.4	Financial acumen Four senior Chartered/Chartered Management Accountants are in the Board as at 31 March 2024 who possess the necessary knowledge and competence to guide and advice on matters relating to finance.	✓

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Code ref.	Compliance and implementation	Complied
A.5 A.5.1- A.5.10	**Board balance** The Board comprises of six Non-Executive Directors and three Executive Directors facilitating an appropriate balance within the Board as of the year end. Out of Six Non-Executive Directors five are Independent Non-Executive Directors as of the year end. Refer section on "Board independence" in this report. There are no Alternate Directors appointed to represent the Directors of the Company and Senior Independent Directors. One meeting was held with the participation of only Non-Executive Directors.	✓
A.6	**Supply of information** Refer Section on "Board process" in this report.	✓
A.7	**Appointments to the Board ; Nomination and Governance Committee** Refer Section on "Appointments/retirements and resignations of Directors" and Nomination and Governance Committee Report.	✓
A.8	**Re-election and resignation** Refer Section on "Re-election of Directors" in this report. Refer Section on "Appointments/retirements and resignations of Directors" of this report for resignations.	✓
A.9	**Appraisal of Board performance** Refer Section on "Performance evaluation of Board and CEO" in this report.	✓
A.10	**Disclosure of information in respect of Directors** Refer Board Profiles.	✓
A.11	**Appraisal of Chief Executive Officer** Refer Section on "Performance evaluation of Board and CEO" in this report.	✓
B	**Directors' remuneration**	
B.1	**Remuneration procedure** Refer section on "Directors' remuneration" in this report.	✓
B.2	**Remuneration Committee** Refer Remuneration Committee Report.	✓
B.3	**Disclosure of remuneration** Details of remuneration of the Executive and Non-Executive Directors remuneration - Refer Note 12 and 40.3 to the Financial Statements.	✓
C	**Relations with shareholders**	
C.1	**Constructive use of the AGM and conduct of other General Meetings** A summary of the procedures governing voting at General Meetings is included under "Shareholder engagement" section of this report.	✓
C.2	**Communication with shareholders** Refer section on "Shareholder engagement" in this report. Annual report back cover states the contact details of Company Secretary for communication.	✓
C.3	**Disclosure of major and material transactions** There were no transactions which would materially alter the Company's or Group's net assets nor any major related party transactions. Related Party Disclosures are disclosed in Note 40 to the Financial Statements.	✓

Code ref.	Compliance and implementation	Complied
D	Accountability and audit	
D.1	Financial and business reporting All efforts are taken to ensure that the Annual Report presents a balanced review of the Company's 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. Due care has been exercised to ensure that all statutory requirements are compiled within the Annual Report and the issue of interim communications on financial performance which are reviewed by the Board Audit and Risk Committee and recommended prior to publication. The following disclosures as required by the Code are included in the Annual Report: • Management Discussion and Analysis - Refer pages 45 to 83. • Statement of Directors' Responsibility for Financial Reporting - Refer page 142. • Directors' Statement on Internal Control and Risk Management - Refer pages 131 and 132. • Chief Executive Officer's and Chief Financial Officer's Statement of Responsibility on page 143. • Independent Auditors' Report on pages 144 to 149. Related party transactions are disclosed in Note 40 to the Financial Statements.	✓
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets The Board Audit and Risk Committee assists the Board in discharging of its duties with regard to risk management and internal control which in turn is supported by the Internal Audit Division. Their responsibilities are summarized in the Board Audit and Risk Committee Report and how the Company manages risk is given in the "Risk Management" report on pages 124 to 130. Director's Statement on Internal Control over Financial Reporting and Risk Management - Refer pages 131 and 132.	✓
D.3	Audit Committee Refer Board Audit and Risk Committee Report on pages 112 to 114 for composition, terms and reference, and the activities carried out by the Committee.	✓
D.4	Risk Committee No Risk Committee as mentioned in D.2 above.	N/a
D.5	Related Party Transactions Review Committee Refer Related Party Transactions Review Committee Report on pages 121 and 122 for composition, terms and reference, and the activities carried out by the Committee.	✓
D.6	Code of Business Conduct and Ethics Refer sections on "Code of Business Conduct and Ethics" in this report.	✓
D.7	Corporate governance disclosures Corporate Governance Report from pages 85 to 111 comply with the disclosure requirements of the Code.	✓

HOW WE GOVERN

Code ref.	Compliance and implementation	Complied
E & F	**Institutional and other investors** Refer section on "Shareholder engagement" in this report.	✓
G	**Internet of things and cyber security** Refer section on " Information Technology Governance" on page 98.	✓
H	**Sustainability: ESG risks and opportunities** The Board considers sustainability/ESG-related risks and opportunities in the Company's business model, short and medium-term planning and in its long-term strategy that could reasonably expected to affect the Company's prospects. Although the Company is yet to adopt a framework for ESG reporting, ESG principles are embedded in our business and reported throughout this report. Refer Management Discussion and Analysis on pages 45 to 83 and Corporate Governance report on pages 85 to 111.	To be complied in future.
I	**Establishment and maintenance of policies**	
I.1	Policies relating to governance are maintained by the Company and details relating to implementation of such policies are hosted in the website. A list of such policies is given below; • Matters relating to the Board of Directors • Board Committees • Corporate Governance, nominations and re-election • Remuneration • Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Company's listed securities • Risk management and internal controls • Relations with shareholders and investors • Environmental, Social and Governance sustainability • Control and management of company assets and shareholder investments • Corporate disclosures • Whistleblowing • Anti-bribery and corruption	✓
I.2	The Company has established and maintained a formal policy governing matters relating to the Board of Directors. The policy should inter-alia address Board balance, diversity, frequency of meetings, maximum number of directors, number of meetings a Director should attend etc.	✓

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)	133
ii.	Signed financial statements of the Group and the Company for the accounting period completed	Section 168 (1) (b)	151
iii.	Auditor's report on financial statements of the Group and the Company	Section 168 (1) (c)	144 to 149
iv.	Accounting policies and any changes therein	Section 168 (1) (d)	134
v.	Particulars of the entries made in the interest register during the accounting period	Section 168 (1) (e)	138
vi.	Remuneration and other benefits paid to Directors of the Company and its subsidiaries during the accounting period	Section 168 (1) (f)	138
vii.	Amount of donations made by the Company and its subsidiaries during the accounting period	Section 168 (1) (g)	135
viii.	Information on directorate of the Company and its subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	137
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)	140
x.	Auditor's relationship or any interest with the Company and its subsidiaries - audit fee/non-audit fee	Section 168 (1) (j)	140
xi.	Acknowledgement of the contents of this report/signatures on behalf of the Board	Section 168 (1) (k)	140

REPORT OF THE BOARD AUDIT AND RISK COMMITTEE

The Board Audit and Risk Committee presents its report for the year ended 31 March 2024. 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 and monitoring of risk, internal audit, external audit, compliance with laws, regulations, codes of conduct 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 revised Colombo Stock Exchange listing rules on Corporate Governance (CSE rules) that became effective from 1 October 2023 and Code of Best Practice on Corporate Governance 2023 (Code) were taken into consideration when the Terms of Reference (TOR) of the Committee was reviewed and approved by Board in March 2024.

The composition and objectives of the Committee are in line with the CSE rules and the Code.

To be in line with the requirements of CSE rules and Code, the Board Audit Committee was renamed as the Board Audit and Risk Committee and the TOR amended to include the responsibilities and functions relating to risk, as set out in the listing rules.

COMPOSITION OF THE COMMITTEE

The Board Audit and Risk Committee appointed by, and responsible to, the Board of Directors comprised two Independent Non-Executive Directors (IND/NED) and one Non-Independent Non-Executive Director (NIND/ NED) as at 31 March 2024.

The members of the Committee as at the year-end were as follows;
Ms. Coralie Pietersz - (IND/NED), *Chairperson*
Ms. Hiroshini Fernando - (NIND/NED)
Mr. Stuart Chapman - (IND/NED)

Prof. Malik Ranasinghe, who served on the Committee as an Independent Non-Executive Director during the year, ceased to be a member after reconstitution of the Audit and Risk Committee on 28 March 2024.

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 including directorships are given on pages 26 to 28 of the Annual Report.

COMMITTEE MEETINGS

The Committee held fourteen meetings during the financial year ended 31 March 2024. The attendance of the members during the year was satisfactory and a summary of the attendance is given on page 99 of the Annual Report.

The Deputy General Manager (Internal Audit & Monitoring) independently reports to the Board Audit and Risk 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 attended the meetings by invitation as and when required.

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

The proceedings of the Board Audit and Risk 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 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 and issues arising from external audits. The Committee also reviewed the Company's and the Group's ability to continue as a going concern and the adequacy of resources to be in business for the foreseeable future.

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. Assurance was also obtained from Group Chief Executive Officer/ Executive Director and Key Management Personnel regarding the adequacy and effectiveness of the entity's risk management and internal control system.

Internal controls and risk management

The Committee assesses the adequacy and effectiveness of the Company's internal controls. A risk-based audit approach was adopted in planning the internal audits. The Committee assessed the effectiveness of the Company's internal controls by reviewing the reports submitted by the Internal Audit and External Auditors' Management Letter.

The Committee reviewed the risk management framework, practices, key risk indicators and reviewed the processes in place for identification, measuring, controlling and monitoring of significant risks. During the year, risk assessments and evaluations carried out by the Management and mitigation strategies were reviewed by the Committee. The risk map together with the mitigating controls are set out in the "Enterprise Risk Management" report.

The Directors' Statement on risk management and internal controls is given on pages 131 and 132.

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 compliance with the statutory and regulatory requirements.

The Internal Audit Division conducts independent reviews covering statutory and regulatory compliance requirements. No non-compliances identified with the listing regulations, Companies Act, SEC Act and Accounting Standards.

Internal audit

During the year, the Committee continued to fulfill its mandate to monitor and review the scope, independence, objectivity 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 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 approved during the year.

During the year under review, the Internal Audit Division carried out comprehensive audits covering the holding company and its subsidiaries and followed up on recommendations. The areas covered and the regularity of audits were dependent on the risk profile 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 Board Audit and Risk 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 one meeting 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 audit.

The Committee reviewed the non-audit services provided and fees paid for the year under review to the External

REPORT OF THE BOARD AUDIT AND RISK COMMITTEE

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. The current External Auditors (Messrs. Deloitte Partners; formerly known as PricewaterhouseCoopers) has provided audit services since year ended 31 March 2018 and the engagement partner in charge has been overlooking the audit since 31 March 2021. 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 2024 were approved by the Committee.

The Committee also reviewed the External Auditor's Management letter for the previous financial year with the Management's responses thereto and followed up on action taken by the Management on the auditor's recommendations.

The Committee has recommended to the Board that Messrs. Deloitte Partners, Chartered Accountants be re-appointed as statutory auditors for the financial year ending 31 March 2025 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 Board Audit and Risk Committee or the Deputy General Manager (Internal Audit and 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. This procedure continues to be monitored by the Committee.

EVALUATION OF THE COMMITTEE

The Board Audit and Risk Committee fulfilled 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 2024.

Coralie Pietersz
Chairperson-Board Audit and Risk Committee

28 May 2024

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee presents its report for the year ended 31 March 2024 which was approved by the Board of Directors ("the Board").

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)

The Terms of Reference of the Committee sets out the authority, composition, conduct of meetings, scope and responsibilities. The revised CSE Rules that became effective from 01 October 2023 and the Code of Best Practice on Corporate Governance ("the Code") were taken into consideration when the Terms of reference of the Committee was reviewed and approved by the Board in March 2024.

The composition and functions of the Committee are in line with the CSE rules and the Code.

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.

The Remuneration Committee determines the Group's policy on Executive Directors' and Key Management Personnel's remuneration. The objectives of the policy are,

- To reward Executive Directors and Key Management Personnel in a manner that ensures that they are properly incentivised and motivated to perform in the best interests of the Company over the long term; and
- To provide the level of remuneration required to attract and retain Executive Directors and Key Management Personnel of an appropriate caliber.

COMPOSITION OF THE COMMITTEE

The Remuneration Committee comprises three Independent Non-Executive Directors (IND/NED) and one Non-Independent Non-Executive Director (NIND/NED).

The Committee consisted of the following members as at 31 March 2024, whose profiles are given on pages 22 to 31.

Mr. Stuart Chapman	-	(IND/NED) - Chairman (Appointed as a Member w.e.f 09 November 2017 and as the Chairman of the
Committee		w.e.f. 28 March 2024)
Mr. Devaka Cooray	-	(IND/NED)-(Appointed w.e.f. 23 November 2022)
Ms. Hiroshini Fernando	-	(NIND/NED) (Appointed w.e.f. 09 November 2017)
Ms. Coralie Pietersz	-	(IND/NED) (Appointed as a member of the Committee w.e.f. 28 March 2024)

With the re-constitution of the Sub-Committees, Prof. Malik Ranasinghe ceased to be the Chairman/Member of the Remuneration Committee w.e.f. 28 March 2024.

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

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

REPORT OF THE REMUNERATION COMMITTEE

FUNCTIONS

- The remuneration policy of the Company considers internal as well as external factors and recognizes and addresses the short and long-term needs of the organisation in relation to performance, talent retention, and rewards.
- To formulate a policy on the remuneration of CEOs, Executive Directors and KMPs.
- To regularly review the remuneration policy and its application to the CEO, Executive Directors and KMPs.
- To recommend to the Board, the remuneration and all incentive awards including any equity incentive awards and terminal benefits/pension right for the CEO, any other Executive Directors and KMP.
- To evaluate strategic human resources policies.
- To evaluate the performance of the CEO and management development plans.
- To determine the terms of any compensation package in the event of early termination of the contract of any Executive Director.

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 criteria have been selected to support the 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.

The comprehensive compensation structure includes basic salaries, perquisites, and benefits designed to attract and retain top talent. Performance bonuses are tied to individual and company-wide achievements, ensuring alignment with our strategic objectives. These elements collectively form a robust compensation package aimed at rewarding performance, driving long-term success, and aligning the interests of the Company executives with those of the Company shareholders.

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 are based on a policy which adopts the principle of non-discriminatory pay practices to ensure that their independence is not impaired and also 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 remuneration of the Chairman of the Board is determined by the Board, excluding the Chairman. The remuneration of the Non-Executive Directors is determined by the Board, including the Non-Executive Directors.

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 40.3 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.

Mr. Stuart Chapman
Chairman-Remuneration Committee

28 May 2024

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

The Nomination and Governance Committee presents its report for the year ended 31 March 2024. The report was approved by the Board of Directors (the Board).

To be in line with the requirements of the Rules of the Colombo Stock Exchange (CSE rules) and the Code of Best Practice on Corporate Governance (the Code), the Nomination Committee was renamed as the Nomination and Governance Committee and the Terms of Reference amended to include the responsibilities and functions relating to governance, as set out in the CSE rules.

PURPOSE OF THE COMMITTEE

The Nomination and Governance Committee (the Committee) was established for the purpose of advising the Board in relation to new appointments, retirements, re-election, re-appointment, succession plan, training needs of the Board members and functions related to governance.

POLICY

The Company has a policy that outlines Corporate Governance framework, nomination of the Directors, appointment of new Directors, election and re-election of the Directors.

COMPOSITION OF THE COMMITTEE

The Committee appointed by, and responsible to, the Board of Directors comprised of three members of whom two are Independent Non-Executive Directors (IND/NED) as at 31 March 2024.

The Members of the Committee as at the year-end were as follows:

Mr. Stuart Chapman	-	(IND/NED) (Appointed as a member w.e.f. 09 November 2017 and as the Chairman of the Committee w.e.f. 28 March 2024)
Ms. Hiroshini Fernando	-	(NIND/NED) (Appointed as a member w. e. f. 09 November 2017)
Mr. Devaka Cooray	-	(IND/NED) (Appointed as a member w.e.f. 28 March 2024)

With the re-constitution of the Sub-Committees Mr. Chanaka Yatawara, Mr. Ananda Atukorala and Prof. Malik Ranasinghe, members of the Committee ceased to be members with effect from 28 March 2024.

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

Brief profiles of the members are given on pages 22 to 31 of the Annual Report.

TERMS OF REFERENCE (TOR)

The Terms of Reference of the Committee sets out the authority, composition, conduct of meetings, scope and responsibilities. The revised CSE rules that became effective from 01 October 2023 and the Code was taken into consideration when the Terms of reference of the Committee was reviewed and approved by Board in March 2024.

The composition and functions of the Committee are in line with the CSE rules and the Code.

FUNCTIONS OF THE COMMITTEE

The roles and functions of the Committee was revised during the year to be in line with CSE rules and the Code.

The Committee mainly focused on the following key functions in discharging its responsibilities.

- To evaluate the appointment, re-appointment, re-election of Directors to the Board and Board Sub- Committees of the Company.
- To consider the selection and appointment of Chairman in case a vacancy arises.
- To establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Company and a suitable process for the periodic evaluation of the performance of Company's Directors and the CEO.
- To develop a succession plan for the Chief Executive Officer and all Key Management Personnel to determine the training and development requirement for those identified for succession.

- To annually review the structure, size, composition, diversity, right mix of expertise and competencies of the Board and to make recommendations to the Board with regard to required changes for the effective Board performance.
- To review and recommend improvement to the overall Corporate Governance framework of the Company.

MEETINGS

The Committee held two meetings during the year, attended by all members of the Committee. Attendance of members at such meetings are given on page 99 of the annual report.

The Members of the Committee do not participate in decisions relating to their own re-appointment/ re-election.

PROFESSIONAL ADVICE

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

ACTIVITIES AND RESPONSIBILITIES DISCHARGED BY THE COMMITTEE

The Committee continued to discharge its responsibilities in compliance with its TOR as given below:

Composition of the Committee

The Committee reviewed the structure, skills and the composition of the Board and its Sub-Committees on an ongoing basis and undertook a thorough process to identify and assess suitable candidates to fill the vacancies created at Board and Board Sub-Committees and made recommendations to the Board in respect of the appointment of members to Board and the Board Sub-Committees.

Appointment/ Re-Appointment and Re-Election

The policy on nomination of the Directors to the Board /Board Sub-Committees is designed to ensure transparency, fairness, and alignment with the corporate strategy. When a vacancy arises, the Nomination and Governance Committee conducts a thorough review of potential candidates. This process involves identifying individuals with diverse backgrounds, skills, and experiences that complement the existing board composition. Candidates are evaluated based on their qualifications, expertise, industry knowledge, and ability to contribute effectively to the board's deliberations and decision-making processes. Following a comprehensive assessment, the committee recommends candidate/s for consideration by the Board, which makes the final decision regarding such appointment/s.

As per the Article 82 of the Articles of Association of the Company, at each Annual General Meeting, one third of the Directors of those who, being subject to retirement by rotation retire.

As per the provisions of Article 83 of the Articles of Association of the Company, the Directors to retire every year shall be those who, being subject to retirement by rotation, have been the longest in office since their last election or appointment. A retiring Director shall be eligible for re-election.

Accordingly, Ms. Hiroshini Fernando (NIND/NED) having served three years since her last re-election is to retire by rotation and is eligible to be re-elected at the Thirty Fifth (35) Annual General Meeting to be held on 28 June, 2024.

Ms. Hiroshini Fernando who was appointed as a Director of the Company in July 2013 was last re-elected in 2021. She is a Member of the Board Audit and Risk Committee, Remuneration Committee and the Nomination and Governance Committee. The Directorships and other principal commitments of Ms. Fernando, both present and those held over the preceding three years in other listed entities are included in her profile given on page 26 of the Annual Report.

Ms. Hiroshini Fernando is the Chief Executive Officer/Executive Director of R I L Property PLC, the major shareholder, with 51% shares holding in the Company. Ms. Fernando or her close family members do not have any other relationships with the Directors and the Company.

As per Article 89 of the Articles of Association of the Company, Mr. V. Govindasamy retires and being eligible offers himself for re-election.

The Nomination and Governance Committee reviewed the above re-elections and made its unanimous recommendation to the Board of Directors.

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

The Chairman of the Board and the Chairman/ Chairpersons of the Sub-Committees communicated updates regarding any major company issues to all Directors to ensure transparency and accountability to stakeholders. The minutes of the Sub-Committee meetings, were tabled at the Board meetings thereby providing the Board members with access to the deliberations of the Sub-Committees.

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

The CEO's evaluation was conducted by the Remuneration Committee during the year based on the Key Performance Indicators that were set at the commencement of the year.

The Committee ensured that induction programmes/orientation programmes were conducted for newly appointed Directors on Corporate Governance, the CSE rules, securities market regulations and other applicable laws and regulations.

The updates on Corporate Governance, CSE Rules, Securities market regulations and other applicable laws and regulations were circulated to the Board of Directors, from time to time.

PERFORMANCE

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

Declarations with regard to the assessment of independence/non-independence of Directors for the year 22023/24 were submitted by the Directors as per the CSE rules and the Code. Based on the declarations and other information, the Board has determined that all Non-Executive Directors other than Ms. Hiroshini Fernando are independent.

The Committee declares that the Company is in compliance with the Corporate Governance Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 except for ESG reporting

The Committee noted the need to continuously review the process used in relation to appointments and the Committee's approach to succession planning.

The Committee undertook a self-evaluation/appraisal of the effectiveness of executing these responsibilities during the year and conduct of meetings, the Committee's interaction with the Board, Board Sub-Committees and the Management and was satisfied that the Committee had carried out its responsibilities effectively during the year ended 31 March, 2024.

Stuart Chapman
Chairman-Nomination and Governance Committee

28 May 2024

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee (RPTRC) report for the year ended 31 March 2024 explains how the Committee worked towards discharging its responsibilities. This Report was approved by the Board of Directors ("the Board").

PURPOSE OF THE COMMITTEE

The RPTRC was formed to advise the Board of Directors on related party transactions and to exercise oversight function in complying with the Listing Rules of the Colombo Stock Exchange (CSE Rules) and the Code of Best Practice on Corporate Governance 2023 recommended by the Institute of Chartered Accountants of Sri Lanka ("the Code").

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 revised Listing Rules of the CSE on Corporate Governance (CSE Rules) that became effective from 1 October 2023 and Code of Best Practice on Corporate Governance 2023 were taken into consideration when the Terms of Reference of the Committee was reviewed by the Committee and approved by Board in March 2024.

The Committee's responsibilities are set out in accordance with requirements stipulated by the Code and the CSE Rules.

COMPOSITION OF THE COMMITTEE

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

The Committee consisted of the following members as at 31 March 2024, whose profiles are given on pages 22 to 31.

Mr. Stuart Chapman	-	(IND/NED) - Chairman (Appointed as the Chairman of the Committee on 28 March 2024)
Mr. Ananda Atukorala	-	(IND/NED) (Appointed w.e.f. 09 November 2017)
Ms. Coralie Pietersz	-	(IND/NED) (Appointed as a Member of the Committee w.e.f. 28 March 2024)

With the re-constitution of the Sub Committees, Prof. Malik Ranasinghe and Ms. Hiroshini Fernando, members of the Committee ceased to be members with effect from 28 March 2024.

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 on the related party transactions.
- To review in advance all proposed related party transactions (RPTs) and to ensure compliance with the Rules.
- To update the Board on the related party transactions of the Company on a quarterly basis.
- To 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 five meetings during the year which were attended by all members of the Committee.

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

METHODOLOGY ADOPTED BY THE COMMITTEE

- A mechanism is in place to obtain declarations from all Directors 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 regular declaration from each Director, to elicit information about any existing or potential RPTs.
- 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.

In discharging the above responsibilities, the Committee relies on the accuracy of periodic related party transactions data sourced via comprehensive list of related parties compiled based on latest available declarations, signed by the responsible Directors/KMPs.

The Members do not participate in any discussion of a proposed related party transaction in which he or she is a related party, except that the Director, at the request of the Committee, participate in discussions for the purpose of providing information concerning the RPTs to the Committee.

ACTIVITIES DURING THE YEAR

The Committee reviewed all RPTs carried out during the year at its quarterly meetings. 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 2024, which required additional disclosure in this Annual Report are given in Note 40.5 to the financial statements.

NON-RECURRENT RELATED PARTY TRANSACTIONS

There were no non-recurrent related party transactions in which aggregate value exceeded 10% of the equity or 5% of the total assets whichever is lower of the Company as per audited financial statements as at 31 March 2024, which required additional disclosure in this annual report.

COMMITTEE EVALUATION

A self-evaluation of the effectiveness of the Committee was conducted and it was concluded that the Committee continues to operate effectively and competently.

DECLARATION BY THE BOARD

A declaration by the Board of Directors in respect of the related party transaction as per the Listing Rules is given in the Annual Report of the Board of Directors on page 138.

Stuart Chapman
Chairman-Related Party Transactions Review Committee

28 May 2024

REPORT OF THE STRATEGY REVIEW COMMITTEE

The Strategy Review Committee report for the year ended 31 March 2024 explains how the Committee worked towards discharging its responsibilities. . This Report was approved by the Board of Directors. ("the Board").

PURPOSE OF THE COMMITTEE

The Strategic Review Committee was formed on 06 November 2023 as a Sub-Committee of United Motors Lanka PLC to provide direction and support to the Management in developing, reviewing, implementing short, medium and long-term strategies of the organization.

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.

COMPOSITION OF THE COMMITTEE

The Committee appointed by the Board and responsible to, the Board of Directors comprised of five members of whom two are Independent Non-Executive Directors (IND/NED) as at 31 March 2024.

The Committee consisted of following members as at 31 March 2024, whose profiles are given on pages 22 to 31.

Mr. Stuart Chapman	(IND/NED) - Chairman
Mr. Devaka Cooray	(IND/NED)
Ms. Hiroshini Fernando	(NIND/NED)
Mr. Chanaka Yatawara	(ED)
Mr. Thushara Jayasekara	(ED)

Prof. Malik Ranasinghe, who served on the Committee as an Independent Non-Executive Director during the year, ceased to be a member with effect from 31 March 2024, following his resignation from the Board.

The Company Secretary functions as the Secretary to the Committee.

SCOPE AND RESPONSIBILITY

a. To review the annual budget along with KPIs, action plans, timelines and key responsibilities identified.
b. To review the strategic plan which covers the medium and long-term strategies with KPIs which are measurable, time bound, and Key Management Personnel responsibilities identified.
c. To assist the Management in identifying key issues, options and external developments impacting the Company's strategy.
d. To periodically review performance of the budget and strategic plan with the Management and recommend to the Board any resulting actions.
e. To review periodically and make recommendations to the Board regarding any strategic initiatives identified by the Board from time to time.
f. To review and assess annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

REVIEW OF FUNCTION OF THE COMMITTEE

Review of the functions of the Committee takes place quarterly and as and when required.

MEETINGS

The Committee held two meetings during the year. Attendance of members at such meetings are given on page 99 of the annual report.

Important decisions taken at the Committee meetings and deliberations on activities under the Terms of Reference were regularly reported to the Board of Directors for information/ approval.

ACTIVITIES DURING THE YEAR

The Committee assisted the Board by evaluating the business strategies and making recommendations to strengthen core competencies of the Company.

The Committee carried out the following activities during the year 2023/24.

- Deliberated on the actions to be taken to increase the contribution from the Subsidiaries for the Group performance.
- Reviewed and recommended the Budgets for 2024/25 of the Company and the Subsidiaries.
- Reviewed the strategic initiatives identified during the year.
- Discussed key issues, options and external developments impacting the Company's strategy.

Stuart Chapman

Chairman - Strategy Review Committee

28 May 2024

ENTERPRISE RISK MANAGEMENT

RISK LANDSCAPE

The country's economy has been volatile during past few years. The year 2023 will be remembered as a period of great transformation for Sri Lanka as the nation embarked on the journey of rebuilding from its worst-ever economic crisis in 2022. Broad based structural reforms including the normalisation of monetary policy and the relaxation of import restrictions along with the extended fund facility received from IMF helped the country to stabilise. Other key indicators such as the progressive easing of inflationary condition, strengthening foreign reserves and stability of the exchange rate also provide further assurances on the economic recovery of our country. Nevertheless, the risk landscape remained unpredictable with many persistent risks in Government policies, credit, liquidity, operational aspects and rapidly evolving risks in information technology and cyber security.

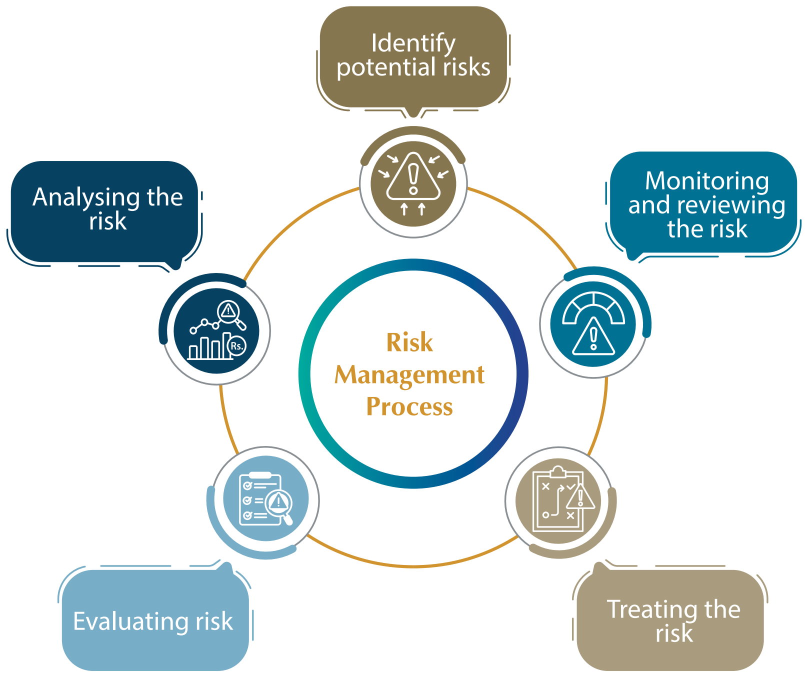
Import restrictions which is put in place for over three years by the Government had a big impact on the results for the year under review and will have an impact in the future as well with import restrictions still in force. We had a negative impact on our revenue from vehicle sales since there were 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 and measure risks, control identified risks with mitigating strategies to minimise the probability of occurrence and the impact of the identified risks, monitor and report.

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

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



RISK GOVERNANCE STRUCTURE

The Board is primarily responsible for overseeing that risks are identified and appropriately managed and also to identify risks that do not match the risk appetite. The Board Audit and Risk Committee, to which this function has been delegated, reviews the effectiveness of the risk management process, including the systems established to identify, measure, control, monitor and report risks. Internal Audit function, being a part of the Board Audit and Risk Committee, plays a key role in this process.

While the Board and Board Audit and Risk Committee oversee the entire risk management, the Group has established the "Three Lines of Defence" model.

All employees are responsible for the identification and management of risk within the scope of their role and to monitor risk factors that could potentially affect business decisions.

The Divisional heads takes the lead in identifying risks and to ensure compliance with set policies and procedures in line with the risk appetite. The Divisional heads examines processes and events, uncertainties and changes in the environment that might expose to situations that could seriously reduce future earnings impair its asset value or create legal, regulatory or reputational risks. Divisional heads are responsible to design and implement appropriate policies and controls to mitigate risks.

Internal Audit as third line of defence provides independent assurance on risk management procedures and assess the effectiveness of procedures at an operational level to mitigate risks.

ENTERPRISE RISK MANAGEMENT

1ST LINE OF DEFENCE - DIVISIONAL STAFF

- Day-to-day management of risks during operations.
- Monitors risks factors that could potentially affect business decisions.

2ND LINE OF DEFENCE - DIVISION HEADS

- Design and implementation of appropriate policies and control procedures to mitigate risks.
- Ensures all divisions function in accordance with policies and procedures in line with the risk appetite.

3RD LINE OF DEFENCE - INTERNAL AUDIT

- Provides independent assurance on implementation of risk management procedures to the Board Audit and Risk Committee.
- Assesses effectiveness of procedures at an operational level to mitigate risk.

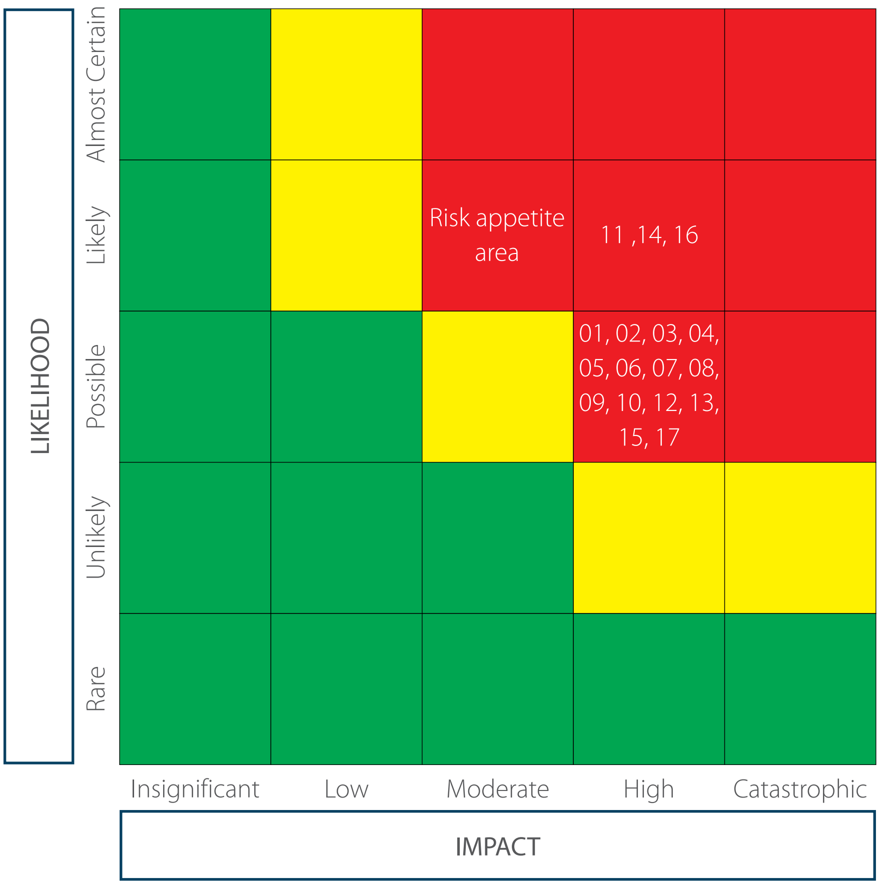
RISK MANAGEMENT PROCESS

Risk Management is a continuous process of identifying, evaluating and assessing risks. The risks identified are mapped on a grid to determine the materiality of each in relation to value creation and the grid considers the likelihood of occurrence and potential impact. The likelihood of occurrence is assessed based on the past experience, industry conditions and the mitigating controls that are in place. The impact of the event is assessed by determining the estimated loss it would cause and the extent of the business impact.

Each risk is assigned a ranking of 'almost certain', 'likely', 'possible', 'unlikely' or 'rare' related to the probability of occurrence. The impact is then categorized as 'insignificant', 'low', 'moderate', 'high' or 'catastrophic'. The position of a particular risk on the risk map indicates whether the risk falls below or beyond the Group's risk appetite. The extent to which risk mitigation actions are required is then determined.

Risk which exceeds the group's risk appetite is shown in the risk heat map below;

Risk heat map:



Risks exceeding the Group's Risk Appetite

1. Credit risk
2. Interest rate risk
3. Foreign exchange rate risk
4. Liquidity risk
5. IT and data security risk
6. Risk of damages to physical assets
7. Relationship with principals and retaining agencies
8. Non-compliance with laws and regulations
9. Reputation risk
10. High stock holding and obsolescence
11. Government fiscal policies (Business environment)
12. Drop in customer satisfaction levels
13. Sourcing and retaining skilled employees
14. Risk of sourcing vehicles
15. Risk related to buying and selling of used vehicles
16. Assembly operation and domestic value addition suppliers
17. Business risk due to competitors

ENTERPRISE RISK MANAGEMENT

RISK AND OPPORTUNITIES

A description of the key risks faced and controls implemented to eliminate/mitigate/manage risks which exceeds the Group risk appetite is given below;

Risk	Mitigation strategies	Risk profile	
		2023/24	2022/23
1. Credit risk The economic downturn faced by the country can result in drop in credit worthiness of the customers.	• Re-evaluate the creditworthiness of the customers and re-look at the credit limits based on the current economic condition. • Wherever applicable, prior to approving credit, a thorough process of evaluation is carried out to ensure the creditworthiness of the customer. • All trade debts are monitored by the Divisional Heads at monthly meetings with divisional staff. At these meetings overdue debts are discussed and corrective actions are taken to follow up and collect overdue debts. • Reports submitted to the Board of Directors includes an age analysis of debtors. Credit is suspended on overdue accounts and legal actions are taken to recover long overdue receivables.	Moderate	Moderate
2. Interest rate risk Unfavorable interest rate movements impacts negatively on the cost of funding and interest income.	• Interest rates are frequently monitored and renegotiated, wherever possible. • Proper working capital management / cash flow forecasting. Expedite the collection of debts. • Maintain borrowings at a minimum level /optimum level of gearing. • Constantly negotiate favorable terms of borrowings and for investments in financial instruments. • Alternate strategies are continuously considered, such as diversifying its existing portfolio by investing in short-term investments of varying nature.	Moderate	Moderate
3. Foreign 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 estimated exchange rate.	• Selling prices are decided after considering the expected exchange rate movements and quotations are issued with conditions for currency fluctuations. • Selling prices are monitored and are adjusted regularly in line with the increase in exchange rates. • Group closely monitors exchange rate fluctuations and works with local banks to secure favorable rates before funds are credited to the bank.	Moderate	Moderate

Risk	Mitigation strategies	Risk profile	
		2023/24	2022/23
4. 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-today operations due to the inability to service loans.	• Preparation of cash flows ensures that Company is well aware of future cash needs. • Strong relationships have been built with Banks to ensure that urgent borrowing needs are met at short notice. • Facilities are in place to cover forecasted cash needs at least for a period of twelve months. • Working capital is managed appropriately. • Finance Division conducts periodical cash flow forecasts and solvency-based analysis to identify current and future cash needs. • Keeping abreast of changes to the regulatory environment and take proactive investment decisions to mitigate the adverse impacts in the operating environment.	Moderate	Moderate
5. IT and data security risk (Cyber security 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.	• Extensive controls and reviews are carried out to maintain the efficiency of IT infrastructure and data including periodic technical assessments on security. • Availability of offsite mirror server as a backup. • Provide staff with secure infrastructure such as office laptops. • Two factor authentication in place for remote logins. • Deploy security monitoring tools and technologies to continuously monitor network traffic, system logs, and user activities for signs of suspicious or malicious behavior.	Moderate	Moderate
6. Business environment 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 policies 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 over the past years.	• As vehicle sales are subject to regular policy changes, we have reduced the dependency on new vehicle sales segments, by gradually strengthening the other business segments such as workshop services, spare parts, lubricant sales, construction machinery and mainly the assembly operation. • Focus more on used vehicle sales business. • A 2MW rooftop solar power system has been installed. • Expand the business to importing and manufacturing port trailers and road trailers for domestic and export markets. • Looking for opportunities to diversify into non related business segments.	High	High

ENTERPRISE RISK MANAGEMENT

Risk	Mitigation strategies	Risk profile	
		2023/24	2022/23
7. Risk relating to sourcing of vehicles With the import restrictions, due to depletion of foreign currency reserves/ economic downturn, sovereign default/ credit agency downgrades, sourcing of vehicles have become difficult under current conditions with the inability to open letter of credits for vehicle imports.	• Focus more on used vehicle sales and assembly of vehicles. • Strong relationship with principals. • Strong relationship with Financial Institutions.	High	High
8. Assembly operation and domestic value addition suppliers Risk of not being able to procure required items at acceptable prices for the assembly operation and compliance with the assembly Standard Operating Procedures (SOP) and other applicable regulations. Penalties that may arise due to non-compliance with applicable regulations by the domestic value addition suppliers.	• Comprehensive agreement with the local value addition suppliers. • Close monitoring of operations of domestic value addition suppliers for compliance with SOP. • Obtain confirmation from domestic value addition suppliers for compliance with SOP requirements.	High	High

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

RESPONSIBILITY

The Board of Directors presents this statement on risk management and internal controls as required by the principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka and Rule 9.16 (ii) of the Corporate Governance Rules of the Colombo Stock Exchange.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the system of risk management and 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. The system of risk management and 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, measuring, controlling, monitoring, and reporting the significant risks faced by the Company. This process is reviewed by the Board. The Board Audit and Risk 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 measuring 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 risk management and internal controls in place is sound and adequate to provide 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 adequacy and integrity of the system of internal controls relevant to financial reporting and risk management are set out below;

- The Group Chief Executive Officer/ Executive Director along with the Corporate Management Team assists the Board in ensuring the effectiveness of operations of the Company and the Group and that the operations are in accordance with corporate objectives, strategies as well as the policies and procedures. Assurance is obtained from Group Chief Executive Officer/ Executive Director and Key Management Personnel regarding the adequacy and effectiveness of the entity's risk management and internal control system.
- The Board Audit and Risk 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 the adequacy of the resources of the internal audit division. The minutes of the Board Audit and Risk Committee meetings are tabled for the information of the Board on a regular basis. Details of the activities undertaken by the Board Audit and Risk Committee are set out in the Board Audit and Risk 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 and Risk Committee to the Board. Audits were carried out on all business processes in the Group in accordance with the annual audit plan approved by the Board Audit and Risk 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 and Risk 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.
- 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 and Risk Committee reviewed the updated risk maps during the year and reviewed the action taken to manage identified risks.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

CONFIRMATION

The Board having implemented the above is aware that such systems are designed to manage rather than to 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 that the financial statements presented comply with Sri Lanka Accounting Standards (SLFRS/LKAS) and other, statutory and the regulatory requirements.

By Order of the Board

Coralie Pietersz
Chairperson - Board Audit and Risk Committee

Chanaka Yatawara
Group Chief Executive Officer/
Executive Director

Devaka Cooray
Chairman

28 May 2024

ANNUAL REPORT OF THE BOARD OF DIRECTORS

1. OVERVIEW

The Directors have pleasure in presenting the Thirty Fifth Annual Report of your Company together with the audited financial statements of the Group and the Company for the year ended 31 March 2024 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 Rules"), and the Code of Best Practices on Corporate Governance recommended by the Institute of Chartered Accountants of Sri Lanka ("the Code").

The Board of Directors approved the Annual Report of the Company including the Annual Report of the Board of Directors on 28 May 2024.

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 111 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-sale 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

Import and distribute

- Perodua vehicles from Malaysia and JMC commercial vehicles from China.
- Yokohama Tyres from Japan.
- LiuGong concrete mixing trucks and material handling equipment from China.
- Assembly and marketing of DFSK 580 and DFSK i-Auto SUVs from China, DFSK Glory multi-purpose 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.

Dutch Lanka Trailer Manufacturers Limited

On 11 December 2023, the Company acquired 100% shareholding of Dutch Lanka Trailer Manufacturers Limited, for a total consideration of Sri Lanka Rupees Seven Hundred Million (LKR 700,000,000). Dutch Lanka Trailer Manufacturers Limited (DLT) is a BOI registered company incorporated in 1992 and is engaged in the design, engineering and manufacturing of a range of port and road trailers for both domestic and export markets. DLT specializes in exporting trailers to meet the ports and road trailer requirements globally. With exports to over 60 countries.

DLT Group Consists of Dutch Lanka Trailer Manufacturers Ltd and Dutch Lanka Engineering (Pvt) Ltd (DLE).

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Dutch Lanka Engineering Private Limited

- Manufacture trailers, and other trailer applications for Sri Lankan market.
- Supply spare parts for trailers.
- Undertake Steel fabrication work.`
- Carry out refurbishment of trailers, tankers, special vehicles.

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 142 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 85 to 111.

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"

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 151 of the Annual Report.

5. AUDITORS' REPORT

The Company's auditors, Messrs. Deloitte Partners Report on the financial statements is given on pages 144 to 149 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 155 to 165 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 APPROPRIATION

8.1 Revenue

The Company achieved revenue of LKR 6.1 Billion during the year ended 31 March 2024. 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	2024 LKR'000	2023 LKR'000
Profit for the year before taxation	487,451	789,333
Income tax expenses	(131,576)	(236,817)
Profit after tax	355,875	552,516
Other comprehensive income	(88,157)	14,879
Un-appropriated profit brought forward from previous years	7,038,343	6,622,299
Transfers from reserves to retained earnings	1,560,550	-
Profit available for appropriation	8,866,611	7,189,694
Appropriations		
Dividends		
2021/22- LKR 0.50 per share (Final)	-	(50,450)
2022/23- LKR 1.00 per share (Interim)	-	(100,901)
2022/23- LKR 1.25 per share (Final)	(126,126)	-
Un-appropriated profit to be carried forward	**8,740,485**	**7,038,343**

Dividends

During the year 2022/23 final dividend of LKR 1.25 per share were paid. For the year 2023/24, a first & final dividend of LKR 1.50 per share has been recommended by the Board of Directors for payment on 18 July 2024.

The Board of Directors would ensure compliance with the solvency test prior to the payment of the first & final dividend.

9. RESERVES

The total revenue reserves of the Company as at 31 March 2024 amounted to LKR 8,668 million and the capital reserves of the Company as at 31 March 2024 amounted to LKR 5,620 million. Details of reserves are shown in the statement of changes in equity on page 153.

10. PROVISION FOR TAXATION

Provision for taxation has been computed at the prescribed rates and details are given in Note 15 and 37 to the financial statements.

11. CORPORATE DONATIONS

The Company made donations to the value of LKR 217,500 (LKR 635,000 in 2022/23) to charities.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

Appointment of a Director

Mr. V. Govindasamy was appointed to the Board as an Independent Non-Executive Director w.e.f. 15 May 2024.

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 2024 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 3,632 registered shareholders as at 31 March 2024 (3,609 as at 31 March 2023).

Distribution schedule of shareholdings

Information on the distribution of shareholding and the respective percentages are given in the section on 'Share Information' on page 235.

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

Information relating to dividends, earnings, ratios, net assets, market price information and the trading of the shares are given on pages 236 and 237.

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 240.

Substantial shareholdings

The details of the top twenty shareholders and the percentage holding of the public are given under "Share Information" on pages 235 to 237.

16. EQUITABLE TREATMENTS TO SHARE HOLDERS

The Company at all times ensures that all shareholders are treated equitably.

17. CORPORATE GOVERNANCE

Directors Declarations

The Directors declare that:

(a) The Directors and CEO of the Company satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange.

(b) The Directors or their close family members do not have any material business relationships with other Directors and the Company.

(c) The Directors have declared all materials interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

(d) 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;

(e) The Directors 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 during the year.

The Directors have made arrangements to make themselves aware of the applicable laws, rules and regulations and any amendments thereto from time to time.

The employees were also trained on the Code of Business Conduct and ethics and the policies applicable. The list of policies that are in place in conformity with Listing Rule 9.2.1 are disclosed on page 100 of the Report.

The Company has complied with the Code of Best Practice on Corporate Governance 2023, issued by the Institute of Charted Accountants of Sri Lanka, and also the Listing Rules of the Colombo Stock Exchange. The level of conformance is given in the section on "How we govern" on pages 85 to 111.

The Company maintains and practices high principles of good Corporate Governance. A separate report on "How we govern" is given on pages 85 to 111 in the Annual Report.

18. BOARD OF DIRECTORS

The Board of Directors of the Company as at 31 March 2024 comprised 9 (2022/23- 11) 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 in 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.
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. Thushara Jayasekara	ED	Director since April 2022.
Prof. Malik Ranasinghe	NED/IND	Director since July 2014 and resigned w.e.f 31 March 2024

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

The total number and names of companies in Sri Lanka in which the Directors serve as Director and/or Key Management Personnel are disclosed in pages 22 to 31 of the report.

Directors of Subsidiaries

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

Appointment, resignation and retirement of Directors

Prof. Malik Ranasinghe, resigned from the Board with effect from 31 March 2024.

In terms of Article 89 of the Articles of Association of the Company Mr. V. Govindasamy was appointed to the Board as an Independent Non-Executive Director with effect from 15 May 2024, on the unanimous recommendation of the Nomination and Governance Committee.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Re-election and re-appointment of Directors

1. In terms of Article 83 of the Articles of Association of the Company Ms. Hiroshini Fernando, retires by rotation and being eligible offer herself for re-election
2. In terms of Article 89 of the Articles of Association of the Company Mr. V. Govindasamy retires and being eligible offer himself for re-election.

The resolutions in respect of the above re-elections are proposed on the unanimous recommendation of the Nomination and Governance Committee and the Board of Directors.

Mr. Atukorala who retires in terms of the Companies Act No. 07 of 2007 and the Articles of Association, at the conclusion of the forth coming Annual General Meeting is not seeking re-appointment as a Director.

Independence of Non-Executive Directors

As at 31 March 2024, the Board comprised of nine Directors of whom six Directors were Non-Executive Directors.

Mr. Ananda Atukorala, a Director above the age of 70 years has served for more than nine years in office. 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. As per section 9.1.4 (3) of the Listing Rules, the Board determined that Mr. Ananda Atukorala continues as an "Independent Non-Executive Director" of the Company until his retirement.

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

Directors' dealings in shares of the Company

Directors' shareholding as of 31 March 2024, disclosure in respect of Directors' dealings in shares of the Company during the year, and their shareholding as of 31 March 2024 have been disclosed in "Share Information" on page 238.

Directors' Remuneration and other benefits

Details of Directors' remuneration 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 9.14.8 of the Listing Rules of the Colombo Stock Exchange on related party transactions are given in Note 40.5 to the financial statements.

There were no non-recurrent related party transactions in which aggregate value exceeded 10% of the equity or 5% of the total assets whichever is lower of the Company as per audited financial statements of 31 March 2024.

The Company has complied with the requirements of the Code of Best Practice on Corporate Governance 2023 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 five Sub Committees namely Board Audit and Risk Committee, Remuneration Committee, Related

Party Transactions Review Committee, Nomination and Governance Committee and Strategy Review 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 2024 is given on pages 92 and 93 and while the reports of these Sub Committees are given on pages 112 to 123.

Directors' meetings

Directors' meetings comprise of Board Meetings and Board Sub-Committee meetings of Board Audit and Risk Committee, Remuneration Committee, Nomination and Governance Committee, Related Party Transactions Review Committee and Strategy Review Committee.

The attendance of Directors at the Board meetings and the Sub Committee meetings are given on page 99.

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 124 to 130 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 risk management and internal controls internal controls is given on pages 131 and 132.

20. COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the knowledge and belief of the Directors, the Company complied with all applicable laws and regulations in conducting its business and has not engaged in any activities contravening the laws and regulations of the country.

21. STATUTORY PAYMENTS

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

22. OUTSTANDING LITIGATIONS

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

23. RESPONSIBLE CORPORATE 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 2024 of the Company and its subsidiaries was 1,201 (2022/23 - 948).

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 Messrs. Deloitte Partners for audit, audit related services and non-audit services are given in Note 12 to the financial statements.

Auditors' independence

Based on the declaration provided by Messrs. Deloitte Partners 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 re-appointment of Messrs. Deloitte Partners and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting to be held on the 28 June 2024.

29. ANNUAL GENERAL MEETING

The Thirty Fifth Annual General Meeting (AGM) will be held on 28 June 2024 at 9.00 a.m.

The notice of meeting relating to the Annual General Meeting is given on page 243.

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

28 May 2024

FINANCIAL CALENDAR

Financial Statements 2023/24	
First quarter released on	8 August 2023
Second quarter released on	13 November 2023
Third quarter released on	9 February 2024
Fourth quarter released on	30 May 2024
Annual Report and Accounts	
2022/23	6 June 2023
Meetings	
Thirty Fourth Annual General Meeting	28 June 2023
Thirty Fifth Annual General Meeting	28 June 2024
Dividends	
Final dividend 2022/23	24 July 2023
First and final dividend 2023/24	18 July 2024

FINANCIAL REPORTING

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Section D.1.5 of the "Code of Best Practice on Corporate Governance 2023" (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 judgment 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 2024 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, Messrs. Deloitte Partners with every opportunity to take whatever steps that are necessary and appropriate for the purpose of enabling them to express their opinion. Accordingly, Messrs. Deloitte Partners 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 144 to 149.

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.

Further, the Board of Directors wishes to confirm that the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange, and the Code of best practice of Corporate Governance recommended by the Institute of Chartered Accountants of Sri Lanka, 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.

Ellthisham

By Order of the Board.
Company Secretary

28 May 2024

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 2024 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 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 and Risk 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 160 to 165 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 2023. 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 Group will continue to adopt the "going concern" basis in preparing these financial statements.

We are responsible for establishing and maintaining internal controls and procedures and have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the 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. Deloitte Partners, Chartered Accountants and their report is given on page 144 to 234 of the Annual Report. The Board Audit and Risk Committee approved audit and non-audit services provided by Messrs. Deloitte Partners' in line with the relevant audit policy, to ensure that the provision of such services does not impair Deloitte Partners's independence and objectivity.

We confirm that to the best of our knowledge

- The Group and the Company have complied with all applicable laws, 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, levis and all statutory payments payable by the Group and the Company and all contribution, levis and taxes payable on behalf of and in respect of the employees of the Group and the Company as at 31 March 2024 have been paid or where relevant provided for.

Chanaka Yatawara
Group Chief Executive Officer/ Executive Director

Thushara Jayasekara
Executive Director-Finance

Colombo, Sri Lanka
28 May 2024

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF UNITED MOTORS LANKA PLC

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of United Motors Lanka PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"). The financial statements of the Company and the consolidated financial statements of the Group comprise:

- the statement of financial position as at 31 March 2024;
- 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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"). We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

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

The Company:

Key audit matter	How our audit addressed the key audit matter
Valuation of freehold land and investment property (Refer note 18.3 for freehold land revaluation and note 19 & 19.1 for investment property fair valuation in the financial statements) The Company engaged an independent valuer to determine the fair value of its freehold land captured under property, plant and equipment, and the investment property comprising land and buildings located at Colombo 2. As at 31 March 2024, the freehold land portfolio was carried at a revalued amount of LKR 7.2 Bn and the investment property was carried at a fair value of LKR 603.5 Mn. The gain on revaluation of freehold land amounting to LKR 263 Mn and the fair value gain on investment property of LKR 23.5 Mn had been recognised in the financial statements for the year ended 31 March 2024. The valuation of both freehold land and investment property were based on significant judgement and using a number of assumptions, including prices at which comparable properties are transacted, adjusted for differences in key attributes such as, property size, shape, legal restrictions, access to main roads, the physical condition of buildings and replacement cost per square foot. The valuation of freehold land and investment property was considered a key audit matter due to the significant judgement involved in the estimation of fair values and the magnitude of the value of these assets in the financial statements.	Our audit approach included the following procedures: • assessed the competence and independence of the external valuer engaged by the management; • checked the completeness and accuracy of the data provided by management to the valuer; • obtained the valuation reports and evaluated the appropriateness of the valuation methodology adopted by the external valuer by comparing with methods generally used in practice for the valuation of similar properties; 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; 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 2024 to be appropriate and reasonable.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter

Impairment of investment in subsidiaries
 	
(Refer note 23.1 in the financial statements)
 	
The carrying value of the investments in subsidiaries, shown at cost, in the financial statements amounted to LKR 922.4 Mn as at 31 March 2024, and included LKR 100 Mn and LKR 47.4 Mn invested in the fully owned subsidiaries, U M L Heavy Equipment Limited ("U M L Heavy") and Unimo Enterprises Limited ("Unimo") respectively.
 	
UML Heavy financial statements for the year ended 31 March 2024, indicated a loss for the year of LKR 321.9 Mn and a negative net asset position of LKR 632.2 Mn as at that date. Further, Unimo financial statements for the year ended 31 March 2024 indicated a loss for the year of LKR 494.8 Mn and a negative net asset position of LKR 646.9 Mn as at that date.
 	
At year end, the Company assessed its investments in U M L Heavy and Unimo for impairment and concluded that it was not impaired as the recoverable amount based on the cash flow projections exceeded its carrying amount.
 	
The assessment of the recoverable amount is judgmental and require significant estimations and assumptions by management, in particular with respect to the likelihood, timing and quantum of the projected cash flows. Accordingly, we considered determination of the recoverable amount of the investments in U M L Heavy and Unimo as a key audit matter.
	Our audit approach included the following procedures:
	• obtained an understanding of the process by which management evaluates the recoverability of its investments in subsidiaries;
	• inquired management and those charged with governance on the current market condition and business prospects of U M L Heavy and Unimo, 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
	• 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 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.
	
	Based on the worked performed, we found management determination of recoverable amount of the investment in U M L Heavy and Unimo to be based on appropriate methodology and reasonable assumptions.

The Group:

Key audit matter	How our audit addressed the key audit matter
Valuation of freehold land (Refer note 18.1 in the financial statements) An independent valuer had been engaged to determine the fair value of freehold land captured under property, plant and equipment. As at 31 March 2024, the freehold land portfolio of the Group was carried at a revalued amount of LKR 7.9 Bn and the gain on revaluation for the year amounted to LKR 323 Mn. The valuation of freehold land was based on significant judgement using several assumptions, including prices at which comparable properties are transacted adjusted for differences in key attributes such as, property size, shape, legal restrictions, and access to main roads. The valuation of freehold land was considered a key audit matter due to the magnitude of the amount in the Statement of Financial Position and significant judgement in the use of assumptions in the valuation methodology.	Our audit approach mainly included substantive audit procedures as follows: • assessed the competence and independence of the external valuer engaged by the management; • checked the completeness and accuracy of the data provided by management to the valuer; • obtained the valuation report and evaluated the appropriateness of the valuation methodology adopted by the external valuer by comparing with the methods generally used in practice for the valuation of similar properties; 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. 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 2024 to be appropriate and reasonable.
Management assessment of the impact of the economic crisis and current industry challenges on the business operations (Refer notes 2.9.1 and 2.10 in the financial statements) The impact of economic crisis and present economic and industry challenges to the current year financial statements of the Company and Group, and their possible effects on future performance and cash flows of the Company and Group are described in the above notes to the financial statements. The slowdown of the construction industry, continuation of import restrictions on vehicles, increased competitiveness of the market and reduced levels of disposable income of customers have impacted the business operations of the Company and the Group. Management's 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.	Our audit procedures included the following to assess the appropriateness of the going concern assumption used in preparing the financial statements; • Checked the mathematical accuracy of management's cash flow forecasts and accuracy of the opening cash position; • Obtained the Group's profitability and cash flow projections covering a period of not less than twelve months from the reporting period end date and evaluated the reasonability of the business plans by checking the assumptions against external and internal sources, including recent sales volumes, 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. Based on the procedures performed, we are satisfied that management has considered the impact of the current economic and industry situation on the Group's operations satisfactorily in determining the appropriateness of the going concern assumption and disclosed such consideration adequately in the financial statements.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism 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 and the 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 separate/consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate/consolidated 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.

Deloitte Partners

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number [4084]

Colombo
29 May 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group 2024 LKR '000	Group 2023 LKR '000	Company 2024 LKR '000	Company 2023 LKR '000
Revenue from contracts with customers	11	11,577,471	10,736,341	6,129,073	4,940,801
Cost of sales		(8,671,787)	(7,868,859)	(4,066,903)	(3,202,145)
Gross profit		2,905,684	2,867,482	2,062,170	1,738,656
Distribution expenses		(665,399)	(380,575)	(317,191)	(205,589)
Administrative expenses		(2,384,271)	(2,506,293)	(1,995,270)	(1,808,895)
Net impairment gains/(losses) on trade and other receivables	12.3	60,820	(24,214)	(107,396)	12,116
Other gains/(losses)-net	12.4	79,411	193,210	143,692	288,872
Other income	13	157,259	112,253	291,521	279,376
Profit from operations		153,504	261,863	77,526	304,536
Finance income	14.1	165,499	88,404	456,261	520,462
Finance cost	14.1	(563,215)	(662,703)	(46,336)	(35,665)
Net finance (cost)/income		(397,716)	(574,299)	409,925	484,797
(Loss)/profit before income tax expenses		(244,212)	(312,436)	487,451	789,333
Income tax (expense)/reversal	15	(28,735)	181,345	(131,576)	(236,817)
(Loss)/profit for the year		**(272,947)**	**(131,091)**	**355,875**	**552,516**
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	77,216	12,640	65,012	6,207
Re-measurements of post employment benefit obligations	32.6	(145,836)	18,562	(131,711)	17,200
Deferred tax on re-measurements of post employment benefit obligations	33.3	42,766	(7,046)	38,529	(6,583)
Revaluation of land	18	322,759	412,500	263,000	390,000
Deferred tax on revaluation of land	33.2	(100,955)	(405,125)	(78,900)	(379,975)
Other Comprehensive Income for the year, net of tax		195,950	31,531	155,930	26,849
Total Comprehensive (loss)/income for the year		(76,997)	(99,560)	511,805	579,365
(Loss)/profit attributable to:					
Owners of United Motors Lanka PLC		(272,947)	(131,091)	355,875	552,516
		(272,947)	(131,091)	355,875	552,516
Total Comprehensive Income attributable to:					
Owners of United Motors Lanka PLC		(76,997)	(99,560)	511,805	579,365
		(76,997)	(99,560)	511,805	579,365
Earnings per share-basic and diluted (LKR)	16	(2.71)	(1.30)	3.53	5.48
Dividend per share (LKR)	17	-	-	1.25	1.50

Notes from pages 155 to 234 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31 March		2024	2023	2024	2023
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Assets					
Non-current assets					
Property, plant and equipment	18	9,013,146	8,519,939	8,057,729	7,860,162
Investment property	19	-	-	603,500	580,000
Intangible assets	20	144,742	168,339	141,854	165,451
Right-of-use assets	21	180,006	251,682	110,469	131,138
Investments in subsidiaries	23.1	-	-	922,400	222,400
Other financial assets at amortised cost	24.5	414,066	-	-	-
Financial assets at fair value through Other Comprehensive Income	23.5	170,513	122,532	131,746	96,448
Reimbursable right	32.2	88	19,619	88	13,584
Deferred tax assets	33.1	1,147,943	925,524	260,472	213,138
Total non-current assets		11,070,504	10,007,635	10,228,258	9,282,321
Current assets					
Inventories	25	4,121,507	5,537,596	1,825,513	2,245,136
Trade and other receivables	26	3,061,541	2,642,257	1,406,960	1,070,440
Amounts due from related parties	27	-	5,845	382,979	72,903
Current tax receivables	37.2	19,630	19,544	-	-
Other financial assets at amortised cost	24.5	97,579	-	433,148	2,694,773
Financial assets at fair value through profit or loss	24.1	1,898,780	615,479	1,898,780	312,619
Cash and cash equivalents	28	254,016	329,583	158,228	203,053
Total current assets		9,453,053	9,150,304	6,105,608	6,598,924
Total assets		20,523,557	19,157,939	16,333,866	15,881,245
Equity and liabilities					
Equity					
Stated capital	29	336,335	336,335	336,335	336,335
Capital reserve	30	6,051,377	5,829,573	5,620,383	5,436,283
Other components of equity		(98,112)	1,390,247	(72,000)	1,428,563
Retained earnings		7,135,648	6,072,216	8,740,485	7,038,343
Total equity attributable to the equity holders of the parent		13,425,248	13,628,371	14,625,203	14,239,524
Non-current liabilities					
Employee benefit obligations	32.1	411,911	234,612	320,136	208,286
Lease liabilities	34	122,625	153,884	95,534	96,524
Deferred tax liabilities	33.2	909,734	821,589	856,474	785,034
Total non-current liabilities		1,444,270	1,210,085	1,272,144	1,089,844
Current liabilities					
Interest bearing borrowings	31.1	3,996,915	2,926,236	-	-
Trade and other payables	35	1,270,944	1,143,205	323,041	344,630
Lease liabilities	34	60,821	94,957	25,742	28,883
Amounts due to related parties	36	-	-	39,071	33,803
Current tax liabilities	37.1	153,763	90,198	38,636	88,203
Bank overdrafts	28	171,596	64,887	10,029	56,358
Total current liabilities		5,654,039	4,319,483	436,519	551,877
Total liabilities		7,098,309	5,529,568	1,708,663	1,641,721
Total equity and liabilities		20,523,557	19,157,939	16,333,866	15,881,245
Net assets per share (LKR)		133.05	135.07	144.95	141.12

Notes from pages 155 to 234 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

Colombo
28 May 2024

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 28 May 2024.

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

	Stated Capital	Capital Reserve	Other Components of Equity				Retained Earnings	Total Equity
			Development Reserve	Property, Plant and Equipment Replacement Reserve	General Reserves	FVOCI Reserve		
Group	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01.04.2022	336,335	5,822,198	785,400	308,900	466,250	(176,909)	6,337,108	13,879,282
Loss 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
Loss for the year							(272,947)	(272,947)
Other Comprehensive Income								
Items that will not be reclassified to profit or loss								
Re-measurements of post employment benefit obligations							(145,836)	(145,836)
Deferred tax on re-measurements of post employment benefit obligations							42,766	42,766
Net change in equity investments at fair value through Other Comprehensive Income						77,216	-	77,216
Net gains on disposal of equity investments at fair value through Other Comprehensive Income						(5,025)	5,025	-
Revaluation of land		322,759					-	322,759
Deferred tax on revaluation of land		(100,955)					-	(100,955)
Transfers to retained earnings			(785,400)	(308,900)	(466,250)		1,560,550	-
Total comprehensive income for the year	-	221,804	(785,400)	(308,900)	(466,250)	72,191	1,189,558	(76,997)
Transactions with owners in their capacity as owners :								
Final dividend paid for 2022/2023							(126,126)	(126,126)
Total Dividends	-	-	-	-	-	-	(126,126)	(126,126)
Balance as at 31.03.2024	336,335	6,051,377	-	-	-	(98,112)	7,135,648	(13,425,248)

Notes from page 155 to 234 form an integral part of these financial statements.
Figures in the brackets indicate deduction.

Company	Stated Capital	Capital Reserve	Other Components of Equity				Retained Earnings	Total Equity
			Development Reserve	Property, Plant and Equipment Replacement Reserve	General Reserves	FVOCI Reserve		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01.04.2022	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
Profit for the year							355,875	355,875
Other Comprehensive Income								
Items that will not be reclassified to profit or loss								
Re-measurements of post employment benefit obligations							(131,711)	(131,711)
Deferred tax on re-measurements of post employment benefit obligations							38,529	38,529
Net change in equity investments at fair value through Other Comprehensive Income						65,012	-	65,012
Net gains on disposal of equity investments at fair value through Other Comprehensive Income						(5,025)	5,025	
Revaluation of land		263,000						263,000
Deferred tax on revaluation of land		(78,900)						(78,900)
Transfers to retained earnings			(785,400)	(308,900)	(466,250)	-	1,560,550	-
Total comprehensive income for the year	-	184,100	(785,400)	(308,900)	(466,250)	59,987	1,828,268	511,805
Transactions with owners, recognised directly in equity								
Final dividend payable for 2022/2023							(126,126)	(126,126)
Total Dividends	-	-	-	-	-	-	(126,126)	(126,126)
Balance as at 31.03.2024	336,335	5,620,383	-	-	-	(72,000)	8,740,485	14,625,203

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 outdated 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. During the year under review balances remaining in Development Reserve, PPE Replacement Reserve and General Reserve were transferred to Retained Earnings since these reserves have been carried forward without utilisation.

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 155 to 234 form an integral part of these financial statements.
Figures in the brackets indicate deduction.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Group 2024 LKR '000	Group 2023 LKR '000	Company 2024 LKR '000	Company 2023 LKR '000
Cash flows from operating activities	**38.1**	**2,692,246**	**(630,336)**	**197,202**	**(12,501)**
Interest paid		(570,011)	(644,469)	(46,336)	(35,665)
Taxes paid		(243,174)	(199,178)	(197,408)	(178,952)
Contribution paid and received from investment plan (net)		(73,187)	(3,399)	(54,440)	(24)
Net cash inflow/(outflow) from operating activities		**1,805,874**	**(1,477,382)**	**(100,982)**	**(227,142)**
Cash flows from investing activities					
Investment in shares, unit trust and commercial papers		(8,055,748)	(1,900,000)	(8,665,749)	(3,701,948)
Proceeds from disposal/settlements of investments/unit trust/commercial papers		6,932,640	2,469,822	9,431,900	4,020,017
Acquisitions of property, plant & equipment and intangible assets	18 & 20.2	(120,472)	(44,980)	(46,131)	(30,769)
Proceeds from disposal of property, plant & equipment		62,231	45,097	29,286	38,017
Net cash and cash equivalents on acquisition of a subsidiary	23.2.g	(873,336)	-	(700,000)	-
Interest received		165,499	88,404	139,301	81,127
Dividend received	13	11,994	10,536	62,481	52,564
Net cash (outflow)/inflow from investing activities		**(1,877,192)**	**668,879**	**251,088**	**459,008**
Cash flows from financing activities					
Dividend paid	17	(126,125)	(151,351)	(126,125)	(151,351)
Principal element of lease payments		(135,751)	(169,559)	(22,477)	(154,506)
Loans obtained	38.2	34,970,739	8,404,990	2,872,399	768,726
Loans paid	38.2	(34,819,821)	(7,353,599)	(2,872,399)	(768,726)
Net cash (outflow)/inflow from financing activities		**(110,958)**	**730,481**	**(148,602)**	**(305,857)**
Net (decrease)/increase in cash & cash equivalents		**(182,276)**	**(78,022)**	**1,504**	**(73,991)**
Cash and cash equivalents at the beginning of the year		**264,696**	**342,718**	**146,695**	**220,686**
Cash and cash equivalents at end of the year	**28**	**82,420**	**264,696**	**148,199**	**146,695**

Notes:
Notes from page 155 to 234 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 2024 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). All the Group entities are limited liability companies, incorporated and domiciled in Sri Lanka. The financial statements of the Group entities are prepared to a common financial year ending 31 March using uniform accounting policies.

1.3 Principal Business Activities and Nature of Operations

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

Name of the Company	Principal activities
The Company	
United Motors Lanka PLC (UML)	Importation and sale of brand new Mitsubishi and Fuso vehicles, spare parts, lubricants, after-sales services, 3D printers, equipment & machinery, sale of used vehicles (trade-in) and related services.
Subsidiaries	
Unimo Enterprises Limited (UEL)	Importation and sale of vehicles, accessories, power generators, 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-sale services.
U M L Property Developments Limited (UMPDL)	Renting of premises.
Dutch Lanka Trailer Manufacturers Limited (DLT)	Manufacturing and selling of trailers, carriage of cargo containers and related services.
Dutch Lanka Engineering Private Limited (DLE)	Manufacturing of road trailers for the Sri Lanka market and related services.

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 133 to 140 to 142 and 151 respectively of this Annual Report.

2.3 Approval of Financial Statements

The financial statements for the year ended 31 March 2024 were approved and authorised for issue by the Board of Directors in accordance with the resolution of directors on 28 May 2024.

NOTES TO THE FINANCIAL STATEMENTS

2.4 *Basis of Measurement*

The consolidated financial statements have been prepared on an accrual basis of accounting except for cash flow information and under the historical cost convention except for following;

Item	Basis of measurement	Note
Freehold land	Initially measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair value at the date of revaluation	18
Investment property	Fair value	19
Financial assets measured at fair value through Other Comprehensive Income	Fair value	23.4
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 Standards - LKAS 1 on "Presentation of Financial Statements".

2.6 *Materiality and Aggregation*

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately, unless they are treated immaterial as permitted by the LKAS 1 on "Presentation of Financial Statements" and amendments to LKAS 1 on "Disclosure initiatives".

2.7 *Offsetting*

Assets and liabilities and income and expenses in the financial statements are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.8 *Comparative Information*

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

2.9 *Material Accounting Judgements, Estimates and Assumptions*

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

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

Accounting Policies	Accounting judgements, estimates and assumptions	Note
Classification of financial assets and liabilities	Assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics	6
Impairment of financial assets	Estimation of amount and timing of future cash flows	6.1.5
Useful lives of property, plant and equipment	Judgement is exercised in estimating the residual value, rates and method of depreciation	18
Fair value of investment properties	Judgement regarding market based evidence for estimating fair value of investment properties	19
Fair value of financial instruments	Methodologies used for valuation of financial instruments and fair value hierarchy	22
Impairment of non-financial assets	Judgement regarding impairment indicators, business outlook, industry & company performance, future projections & cash flows and discount rates	7
Fair value of freehold land	Judgement regarding market based evidence for estimating fair value of land	18
Defined benefit obligation	Key actuarial assumptions on discount rates, expected rates of return on assets, future salary increases and mortality rates	32
Useful 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 acknowledges the impact of economic uncertainties while preparing the financial statements for the current year. Despite the challenges posed by last year's economic instability, we have observed positive developments in Sri Lanka's economic landscape. The estimation uncertainties primarily relate to the following factors:

- Business Disruptions: The extent and duration of disruptions caused by various stakeholders, including government actions, businesses, and customers, continue to influence our estimates.
- Economic Downturn: While last year' s downturn had material effects on GDP, capital markets, credit risk, and consumer spending, this year' s improvements warrant cautious optimism.
- Government Measures: The effectiveness of government and Central Bank measures to support businesses during disruptions remains a key consideration.

Our material accounting estimates affected by these uncertainties pertain to expected credit losses, recoverable amounts of non-financial assets, property, plant, equipment, and net realizable 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 in not aware of any material uncertainties that may cast material 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. MATERIAL 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 material 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 material accounting policies have been applied consistently to all periods presented in the financial statements of the Group, unless otherwise indicated. The accounting policies have been consistently applied by the Group entities where applicable and deviations if any have been disclosed accordingly.

Accounting policy	Note Reference	Page Reference
Material accounting policies - General		
Basis of consolidation	4	160
Foreign currency transactions and balances	5	160
Financial instruments - classification, recognition and de-recognition, initial measurement, subsequent measurement and impairment	6	160
Impairment of non-financial assets	7	162
Statement of cash flows	8	162
New accounting standards adopted by the Group	9	162
Material accounting policies - Recognition of income and expenses		
Operating segments	10	166
Revenue recognition	11	168
Warranties	11	169
Operating expenditure	12	170
Other Income	13	173
Finance income/cost	14	174
Income tax expenses	15	175
Tax exposures	15	175
Basic and diluted earnings per share (EPS)	16	178
Material accounting policies - Recognition of assets and liabilities		
Property, plant and equipment	18	179
Investment properties	19	187
Intangible assets	20	189
Right-of-use asset	21	191
Financial assets measured at FVOCI	23.4	209
Investment in subsidiaries	23.1	207
Inventories	25	214
Impairment of trade receivables	22.4	197
Trade and other payables	35	226
Employee benefits	32	219
Deferred tax assets and deferred tax liabilities	33	223
Accounting for leases	34	225
Other disclosures		
Capital commitments and contingencies	39	230
Related parties	40	231
Events after the reporting date	42	234

MATERIAL 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 material 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 depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Group classifies its debt instruments:

6.1.4.1 Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gains or losses arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses.

6.1.4.2 Financial assets measured at FVOCI

The Group's management has elected to present fair value gains and losses on long term equity investments in OCI with no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payments is established.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

6.1.4.3 Financial assets measured at FVPL

Equity investments acquired for the purpose of trading and investments in unit trust are classified as FVPL. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are measured at FVPL.

Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable.

6.1.5 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with trade receivables, debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a material 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 unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("Cash Generating Unit" or CGU) for the purposes of goodwill impairment testing. Goodwill acquired in a business combination is allocated to the Group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

The Management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with economic downturn for the next twelve months from the report singing date. 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 immaterial risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows comprised of those items as explained in Note 28.

Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the cash flow statement. The Statements of Cash Flows are given on page 154.

9. NEW STANDARDS AND CHANGES TO ACCOUNTING STANDARDS NOT EFFECTIVE AS AT THE REPORTING DATE

9.1 New and amended SLFRS Accounting Standards that are effective from 1 January 2023

9.1.1 In the current year, the Company has applied a number of amendments to Sri Lanka Accounting Standards issued by the

Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

9.1.2 Amendments to LKAS 1 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

'The Company has adopted the amendments to LKAS 1 for the first time in the current year. The amendments change the requirements in LKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'material accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in LKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

CA Sri Lanka has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in SLFRS Practice Statement 2.

9.1.3 Amendments to LKAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Company has adopted the amendments to LKAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to LKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in LKAS 12.

9.1.4 Amendments to LKAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules

The Company has adopted the amendments to LKAS 12 for the first time in the current year. CA Sri Lanka amends the scope of LKAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in LKAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

9.1.5 Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Company has adopted the amendments to LKAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

9.2 New and revised SLFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised Sri Lanka Accounting Standards that have been issued but are not yet effective and had not yet been adopted by CA Sri Lanka:

(i) Amendments to SLFRS 10 and SLFRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(ii) Amendments to LKAS 1 Classification of Liabilities as Current or Non-current

(iii) Amendments to LKAS 1 Non-current Liabilities with Covenants

(iv) Amendments to LKAS 7 and SLFRS 7 Supplier Finance Arrangements

(v) Amendments to SLFRS 16 Lease Liability in a Sale and Leaseback

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except if indicated below.

9.2.1 Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. Further, the directors do not anticipate that the application of these amendments will have an impact on the Company's financial statements in future periods should such transactions arise.

9.2.2 Amendments to LKAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current.

The amendments to LKAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. CA Sri Lanka has aligned the effective date with the 2022 amendments to LKAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods.

9.2.3 Amendments to LKAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

CA Sri Lanka also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods.

9.2.4 Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to LKAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, SLFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements.

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

9.2.5 Amendment to SFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to SFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in SFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in SFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

Illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying SLFRS 15, is a lease liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied SFRS 16.

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, assembled 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
Lubricant and car care products	Sale of lubricants and car care products
Trailers	Manufacturing and selling of trailers, carriage of cargo containers and related services.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate expenses, income tax related expenses, assets and liabilities.

Segment capital expenditure is the total cost incurred to acquire property, plant and equipment. Inter-segment pricing is determined on an arm's length basis. The activities of the Group are within Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risk and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

10. OPERATING SEGMENTS contd.

Segment Information - Group

	Spare parts and workshop		Vehicles		Equipment and machinery		Trailers		3D Printers and services		Tyres		Lubricants and car care products		Total	
In LKR'000	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Segment revenue	3,620,734	2,689,736	4,938,741	6,186,502	388,823	391,976	547,870	-	9,178	12,617	275,595	150,123	2,094,238	1,392,700	11,875,179	10,823,654
Inter segment revenue	(216,766)	(77,076)	(9,250)	-	-	(2,002)	-	-	-	-	(7,575)	(1,971)	(64,117)	(6,264)	(297,708)	(87,313)
Revenue from external customers	**3,403,968**	**2,612,660**	**4,929,491**	**6,186,502**	**388,823**	**389,974**	**547,870**	**-**	**9,178**	**12,617**	**268,020**	**148,152**	**2,030,121**	**1,386,436**	**11,577,471**	**10,736,341**
Revenue from contracts with customers																
Goods transferred at a point in time	2,814,949	2,078,208	4,895,199	6,171,173	388,823	389,974	487,600	-	9,178	12,617	268,020	148,152	2,030,121	1,386,436	10,893,890	10,186,560
Services rendered at a point in time	589,019	534,452	34,292	15,329	-	-	60,270	-	-	-	-	-	-	-	683,581	549,781
Total revenue from contracts with customers	**3,403,968**	**2,612,660**	**4,929,491**	**6,186,502**	**388,823**	**389,974**	**547,870**	**-**	**9,178**	**12,617**	**268,020**	**148,152**	**2,030,121**	**1,386,436**	**11,577,471**	**10,736,341**
Segment profit/(loss)	**597,258**	**593,940**	**107,753**	**458,154**	**(7,803)**	**(61,585)**	**51,689**	**-**	**(9,862)**	**(10,520)**	**39,880**	**33,257**	**131,773**	**274,141**	**910,688**	**1,287,387**
Unallocated income		-													157,259	112,253
Unallocated expenses															(914,443)	(1,137,777)
Profit from operations before finance cost															153,504	261,863
Finance income															165,499	88,404
Finance cost															(563,215)	(662,703)
Net finance (cost)/income															(397,716)	(574,299)
Loss before income tax expenses															(244,212)	(312,436)
Income tax (expense)/reversal															(28,735)	181,345
Loss for the year															**(272,947)**	**(131,091)**
Segment assets	4,050,623	4,276,408	5,601,739	6,950,010	521,702	695,317	1,919,968	-	9,065	18,126	387,254	290,034	3,283,308	2,958,016	15,773,659	15,187,911
Unallocated assets															4,749,898	3,970,028
Total assets	**4,050,622**	**4,276,408**	**5,601,739**	**6,950,010**	**521,702**	**695,317**	**1,919,968**	**-**	**9,065**	**18,126**	**387,254**	**290,034**	**3,283,308**	**2,958,016**	**20,523,557**	**19,157,939**
Segment liabilities	68,920	80,738	222,983	432,617	5,134	13,293	1,050,721	-	167	805	317	-	9,466	10,309	1,357,708	537,762
Unallocated liabilities															5,740,601	4,991,806
Total liabilities	**68,920**	**80,738**	**222,983**	**432,617**	**5,134**	**13,293**	**1,050,721**	**-**	**167**	**805**	**317**	**-**	**9,466**	**10,309**	**7,098,309**	**5,529,568**
Segment capital expenditure-allocated	37,180	10,946	53,843	25,919	4,247	1,634	-	-	100	53	2,927	620	22,175	5,808	120,472	44,980
Depreciation and amortisation-allocated	61,277	59,178	181,253	243,199	12,085	13,346	2,130	-	131	217	3,820	2,552	34,790	26,222	295,486	344,714
Non cash expenses/(income)	102,303	52,595	(64,406)	101,741	11,003	9,160	-	-	3,062	398	(9,701)	6,157	765	(21,482)	43,026	148,569

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 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, brand new and used heavy machinery and equipment, trailers, generators, 3D printers, customized 3D products, 3D certification courses and provides after-sale 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.

Revenue from contracts with customers

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Spare parts, repairs and services	3,403,968	2,612,660	3,531,464	2,611,894
Vehicles	4,895,199	6,171,173	499,304	908,261
Local charges and brokering fees - vehicles	34,292	15,329	34,292	15,329
Equipment and machinery	388,823	389,974	-	-
3D printers and services	9,178	12,617	9,178	12,617
Tyres	268,020	148,152	-	-
Lubricants and car care products	2,030,121	1,386,436	2,046,075	1,388,421
Trailers	547,870	-	-	-
Hiring	-	-	8,760	4,279
	11,577,471	10,736,341	6,129,073	4,940,801

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	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Advances received from customers	187,635	173,314	55,339	39,897
Free service contracts - unsatisfied performance obligations	3,258	5,103	40	545
Extended warranty provided for 3D printers	-	94	-	94
	190,893	178,511	55,379	40,536

11.5 Timing of Revenue Recognition

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Revenue recognised at a point in time	11,577,471	10,736,341	6,129,073	4,940,801
	11,577,471	**10,736,341**	**6,129,073**	**4,940,801**

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	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Sale of goods	10,893,890	10,186,560	5,302,740	4,323,576
Rendering of services	649,289	534,452	783,281	597,617
Support service income	34,292	15,329	43,052	19,608
	11,577,471	**10,736,341**	**6,129,073**	**4,940,801**

12. PROFIT FROM OPERATIONS

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

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Directors' emoluments	186,121	169,301	186,071	144,073
Auditors' remuneration (Note 12.1)	9,799	8,334	8,033	7,157
Tax compliance/consultancy charges	1,188	686	741	502
Depreciation on property, plant and equipment (Note 18)	127,444	154,685	102,690	132,188
Amortization of intangible assets (Note 20.2)	27,746	27,713	27,746	27,713
Amortization of right of use assets (Note 21)	140,296	162,316	39,015	145,427
Write-down of inventory to lower of cost or NRV (Net Realisable Value)	103,846	124,355	70,540	14,560
Employee benefit expense (Note 12.2)	1,679,357	1,353,446	1,311,114	1,105,394
Net impairment gains/(losses) on trade and other receivables (Note 12.3)	60,820	(24,214)	(107,396)	12,116
Other gains/(losses)-net (Note 12.4)	79,411	193,210	143,692	288,872
Donations	429	635	218	635
Legal fees	6,184	2,361	1,597	977

12.1 Auditor's Remuneration

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Audit and related services	6,591	5,560	4,825	4,383
Non audit services	3,208	2,774	3,208	2,774
	9,799	8,334	8,033	7,157

12.2 Employee Benefit Expense

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Salaries and bonus	1,409,927	1,130,322	1,103,377	925,121
Contributions to defined contribution plan	148,209	131,893	113,531	104,201
Retirement benefit obligation	62,204	46,394	48,027	41,110
Others	59,017	44,837	46,179	34,962
	1,679,357	1,353,446	1,311,114	1,105,394
Number of employees at the end of the year	1,201	948	775	772

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

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Net impairment gains on trade receivables	9,940	18,556	8,315	24,036
Net impairment gains/(losses) on other receivables (Note 12.3.1)	50,880	(42,770)	(115,711)	(11,920)
	60,820	(24,214)	(107,396)	12,116

12.3.1 Net impairment gains/(losses) on other receivables

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Impairment gains/(losses) on warranty receivables	50,880	(42,770)	28,459	1,622
Impairment losses on commercial papers and inter-company loans	-	-	(144,170)	(13,542)
	50,880	(42,770)	(115,711)	(11,920)

12.4 Other Gains/(Losses)-net

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign exchange (losses)/gains-net	(19,844)	167,972	(7,069)	88,186
Gain on bargain purchase of a subsidiary	9,323	-	-	-
Impairment losses on borrowings	(16,353)	-	(16,353)	-
Net change in fair value of financial assets at				
Fair value through profit or loss-equity investments	63,738	13,855	63,738	13,855
Fair value through profit or loss-unit trust	14,196	3,053	14,196	193
Fair value through profit or loss-commercial papers	-	-	37,329	156,308
Change in fair value of investment property	-	-	23,500	22,000
Net gains on disposal of financial assets at fair value through profit or loss	28,351	8,330	28,351	8,330
	79,411	193,210	143,692	288,872

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	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Rent income	-	35	37,787	40,430
Profit on disposal of property, plant and equipment	40,377	34,674	24,561	33,514
Award received from principal	9,757	560	9,757	560
Facilitation fee	2,900	-	93,058	90,600
Dividend income from investments in subsidiaries	-	-	51,000	43,031
Dividend income on				
Financial assets at the fair value through profit or loss	8,199	8,525	8,199	8,525
Financial assets at fair value through Other Comprehensive Income	3,795	2,011	3,282	1,008
Income from solar PV system	41,238	41,884	41,238	41,884
Commission on insurance	5,392	2,600	5,392	2,600
Valuation fee	10	-	10	-
Sundry income (Note 13.1)	45,591	21,964	17,237	17,224
	157,259	**112,253**	**291,521**	**279,376**

13.1 Sundry Income

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Scrap sales	25,211	11,953	13,247	11,953
Write back of other payables	5,911	-	-	-
Miscellaneous	14,469	10,011	3,990	5,271
	45,591	**21,964**	**17,237**	**17,224**

14. FINANCE INCOME AND FINANCE COST

Accounting Policy

Finance income comprises 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 is recognised in the financial statements using effective interest rate method.

Interest income is recognised as it accrues using the effective interest rate 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 rate method.

14.1 Recognised in Profit or Loss

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Finance income				
Income from unimpaired financial assets:				
Interest on call deposits	33,951	72,287	6,117	65,550
Interest on amounts due from related parties	-	-	2,047	122
Income from unit trust investments	131,548	16,117	131,137	15,455
Income from commercial paper investments	-	-	316,960	439,335
Total finance income	**165,499**	**88,404**	**456,261**	**520,462**
Finance cost				
Expenses on financial liabilities measured at amortized cost:				
Interest on bank borrowings	(519,230)	(631,139)	(20,904)	(24,011)
Interest on lease liabilities	(34,888)	(23,911)	(24,946)	(5,146)
Interest on overdrafts	(9,097)	(7,653)	(486)	(6,508)
Total finance cost	**(563,215)**	**(662,703)**	**(46,336)**	**(35,665)**
Net finance (cost)/income recognised in profit or loss	**(397,716)**	**(574,299)**	**409,925**	**484,797**

14.2 Recognised in Other Comprehensive Income

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Net change in the fair value of equity investments at fair value through Other Comprehensive Income	77,216	12,640	65,012	6,207
	77,216	**12,640**	**65,012**	**6,207**

15. TAXATION-INCOME TAX EXPENSE/(REVERSAL)

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 (VAT) on taxable supplies at the specified rates where applicable under Value Added Tax Act No 14 of 2002 all other amendments.

Company and the Group is 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.

15. TAXATION-INCOME TAX EXPENSE/(REVERSAL) contd.

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.

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Current tax expense				
Current tax on profit for the year	205,860	240,262	167,425	213,149
Adjustments in respect of prior years	(14,061)	(1,215)	(19,584)	(1,213)
Total current tax expense	191,799	239,047	147,841	211,936
Deferred tax expense				
Deferred tax asset (charged)/reversed during the year	(133,973)	(470,776)	(8,805)	(49,526)
Deferred tax liability charged/(reversed) during the year	(29,091)	50,384	(7,460)	74,407
Total deferred tax (reversal)/expense	(163,064)	(420,392)	(16,265)	24,881
Income tax expense/(reversal) (Note 15.1)	**28,735**	**(181,345)**	**131,576**	**236,817**

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 Commissioner General of Inland Revenue (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. Subsequently Court of Appeal has overruled the Tax Appeal Commission's decision. Now the Court of Appeal is hearing arguments on the substantive matter. As there is no independent judgement received in favor 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 Expense/(Reversal):

The income 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	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
(Loss)/profit before income tax expense	(244,212)	(312,436)	487,451	789,333
Tax calculated at effective tax rate of 30%	(73,264)	(91,359)	146,235	236,800
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)	-	(653)
Tax effect on income tax not liable for tax	(85,748)	(40,273)	(66,334)	(39,490)
Tax effect on expenses not deductible	384,489	231,000	172,788	192,359
Tax effect on allowable deductions	(155,492)	(176,174)	(101,529)	(126,748)
Utilisation of tax losses	(20,484)	(110,105)	-	-
Adjustments in respect of prior years	(14,061)	(1,215)	(19,584)	(1,213)
Tax losses utilised during the year	23,523	25,218	-	-
Tax effect of adjustments on consolidation	30,228	9,488	-	-
Tax charge/(reversal)	**28,735**	**(181,345)**	**131,576**	**236,817**

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 subsidiaries as at 31 March 2024 amounts to LKR 2,819 Million (LKR 1,751 Million in 2023).

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Tax losses at the beginning of the year	1,750,685	1,075,330	-	-
Tax losses for the year including disallowed finance cost	785,297	1,117,494	-	-
Adjustment in respect of previous year	351,732	(74,348)	-	-
Tax losses set off during the year	(68,279)	(367,791)	-	-
Tax losses at the end of the year	**2,819,435**	**1,750,685**	**-**	**-**

(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	
	2024	2023	2024	2023
Amount used as numerator				
(Loss)/profit attributable to equity holders of the parent company (LKR '000)	(272,947)	(131,091)	355,875	552,516
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)	**(2.71)**	**(1.30)**	**3.53**	**5.48**

There were no potentially diluted ordinary shares outstanding at any time during the year/previous year, hence diluted earnings per share is equal to the basic earnings per share.

17. DIVIDEND PER SHARE

	Company			
	2024		2023	
	Dividend Per share LKR	Dividend LKR '000	Dividend Per share LKR	Dividend LKR '000
Final dividend paid for 2021/22	-	-	0.50	50,450
Interim dividend paid for 2022/23	-	-	1.00	100,901
Final dividend paid for 2022/23	1.25	126,126	-	-
	1.25	126,126	1.50	151,351

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

18. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Basis of recognition

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 16 on "Property, Plant and Equipment". Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and subsequent costs. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Cost model

The Group applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses, if only.

Revaluation model

Freehold land is stated at cost at the time of acquisition and subsequently measured at fair value at the next valuation. Freehold land of the Group is revalued periodically unless carrying values do not differ materially from the fair value at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in Other Comprehensive Income and accumulated in equity under the heading of revaluation surplus or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Profit or Loss. In this circumstance, the increase is recognised as income only to the extent of the previous written down value.

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.

18. PROPERTY, PLANT AND EQUIPMENT contd.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in the Statement of Comprehensive Income on straight-line basis over the estimated useful lives of each item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease terms and useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease period. Freehold land is not depreciated.

The estimated useful lives are as follows:

Buildings	40 years
Furniture and fittings	5-10 years
Office equipment	2-4 years
Electrical fixtures and fittings	4-10 years
Machinery and tools	4-10 years
Motor vehicles	4 years
Solar system	20 years
Computers	5 years

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

Leasehold improvements are capitalised and depreciated over the term of the lease or useful life whichever is shorter. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately.

Borrowing cost

As per LKAS 23 on "Borrowing costs", the Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in the Statement of Comprehensive Income in the year it is incurred.

Capital work-in-progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work-in progress. Capital work-in-progress is stated in the Statement of Financial Position at cost, including borrowing costs, less any accumulated impairment losses.

Capital work-in-progress 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).

18. PROPERTY, PLANT AND EQUIPMENT contd.

18.1 Group-2024

	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	7,477,000	1,033,313	63,402	62,043	142,483	390,994	591,993	226,444	171,514	10,082	10,169,268
Acquisition of a subsidiary	65,741	241,680	13,663	23,860	9,216	113,491	5,071	-	31,999	9,238	513,959
Additions	-	7,483	5,195	7,837	1,343	55,934	18,227	-	7,990	12,314	116,323
Gains from revaluation of land	322,759	-	-	-	-	-	-	-	-	-	322,759
Disposals	-	(35,762)	(948)	(5,500)	(1,064)	(8,894)	(76,327)	-	(13,200)	-	(141,695)
Transferred from capital work-in-progress	-	23,229	-	543	608	-	-	-	-	(24,380)	-
At the end of the year	7,865,500	1,269,943	81,312	88,783	152,586	551,525	538,964	226,444	198,303	7,254	10,980,614
Accumulated depreciation											
At the beginning of the year	-	408,191	57,988	51,938	114,110	279,767	538,802	45,288	153,245	-	1,649,329
Acquisition of a subsidiary	-	134,551	13,099	23,246	6,120	101,933	5,071	-	26,516	-	310,536
Charge for the year	-	36,145	1,728	4,941	8,570	27,970	27,128	11,322	9,640	-	127,444
Disposals	-	(32,066)	(947)	(4,648)	(1,064)	(8,877)	(59,449)	-	(12,790)	-	(119,841)
At the end of the year	-	546,821	71,868	75,477	127,736	400,793	511,552	56,610	176,611	-	1,967,468
Carrying amount as at 31 March 2024	7,865,500	723,122	9,444	13,306	24,850	150,732	27,412	169,834	21,692	7,254	9,013,146
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

18.2 Group-2023

	Free hold land LKR '000	Buildings LKR '000	Furniture & fittings LKR '000	Office equipment LKR '000	Electrical fixtures & fittings LKR '000	Machinery & tools LKR '000	Motor vehicles LKR '000	Solar PV system LKR '000	Computers LKR '000	Capital work-in-progress LKR '000	Total 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

Details of land and buildings owned by the Group as of 31 March 2024 are as follows:

Location/address	Buildings		Land					
	No. of building units	Sq. / Ft	Extent			Cost LKR '000	Revaluation LKR '000	Total Value LKR '000
			Acre	Rood	Perch			
100, & 100A, Hyde Park Corner, Colombo 02	10	81,794	1	3	0.54	76,791	4,481,709	4,558,500
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,319,164	1,387,500
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	617,684	815,000
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	38,419	113,500
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	394,860	838,000
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	38,377	51,000
Off Nattandiya Road, Dankotuwa	4	57,838	7	2	10.71	47,032	54,968	102,000
Total	72	369,070	20	2	37.08	920,319	6,945,181	7,865,500

18.3 Company-2024

	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	6,902,000	897,423	50,931	40,333	140,340	317,727	584,400	226,444	156,581	9,879	9,326,058
Additions	-	5,892	859	5,438	1,343	8,740	-	-	7,396	12,314	41,982
Gains from revaluation of land [Note 18.5 (xi)]	263,000	-	-	-	-	-	-	-	-	-	263,000
Disposals	-	(35,762)	(881)	(5,117)	(1,064)	(7,705)	(42,066)	-	(12,906)	-	(105,501)
Transferred from capital work-in-progress	-	14,362	-	543	608	-	-	-	-	(15,513)	-
At the end of the year	**7,165,000**	**881,915**	**50,909**	**41,197**	**141,227**	**318,762**	**542,334**	**226,444**	**151,071**	**6,680**	**9,525,539**
Accumulated depreciation											
At the beginning of the year	-	314,907	47,853	34,025	116,077	229,910	537,526	45,288	140,310	-	1,465,896
Charge for the year	-	29,338	1,086	3,132	7,410	20,627	21,978	11,322	7,797	-	102,690
Disposals	-	(32,066)	(880)	(4,311)	(1,064)	(7,688)	(42,066)	-	(12,701)	-	(100,776)
At the end of the year	**-**	**312,179**	**48,059**	**32,846**	**122,423**	**242,849**	**517,438**	**56,610**	**135,406**	**-**	**1,467,810**
Carrying amount as at 31 March 2024	**7,165,000**	**569,736**	**2,850**	**8,351**	**18,804**	**75,913**	**24,896**	**169,834**	**15,665**	**6,680**	**8,057,729**
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**

18.4 Company-2023

	Free hold land LKR '000	Buildings LKR '000	Furniture & fittings LKR '000	Office equipment LKR '000	Electrical fixtures & fittings LKR '000	Machinery & tools LKR '000	Motor vehicles LKR '000	Solar PV system LKR '000	Computers LKR '000	Capital work in progress LKR '000	Total LKR '000
Cost or revalued amount											
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**

Details of land & buildings owned by the Company as of 31 March 2024 are as follows:

Location/address	Buildings		Land					
	No. of building units	Sq. / Ft	Extent			Cost LKR '000	Revaluation LKR '000	Total Value LKR '000
			Acre	Rood	Perch			
100, Hyde Park Corner, Colombo 02	9	71,524	1	2	3.70	25,000	3,935,000	3,960,000
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,319,164	1,387,500
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	617,684	815,000
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	38,419	113,500
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	394,860	838,000
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	38,377	51,000
Total	67	300,962	20	2	0.24	821,496	6,343,504	7,165,000

18.5 Revaluation

Company:

(i) In March 1993, the Company's land amounting to LKR 93,335,951 was revalued by an independent Chartered valuer. The surplus arising out of such revaluation amounting LKR 49,000,000 was fully utilised for issue of bonus shares.

(ii) In December 1999, another revaluation has been carried out by an independent Chartered valuer to reflect the market value. The total surplus arising out of this revaluation amounting to LKR 141,853,649 has been fully utilised for the issue of bonus shares during 2002/03.

(iii) In March 2005, a revaluation was carried out by an independent Chartered valuer to reflect market value of land. The total surplus arising out of such revaluation amounting to LKR 398,820,000 has been credited to the capital reserve on revaluation of land.

(iv) In March 2010, a revaluation was carried out by Mr. J.M.S. Bandara, a qualified independent valuer to reflect market value of land. The resultant surplus of LKR 827,883,000 has been credited to the capital reserve on revaluation of land.

(v) In March 2015, a revaluation was carried out by Mr. J.M.S. Bandara, a qualified independent valuer to reflect market value of land. The resultant surplus of LKR 1,733,106,312 has been credited to the capital reserve on revaluation of land.

(vi) Although the land was previously revalued every five years, considering the significant increase in the fair value of land the Company revalued its land as at 8 November 2017. The revaluation was carried out by Mr. J.M.S. Bandara, a qualified independent valuer. The resultant surplus of LKR 1,320,532,901 has been credited to the capital reserve on revaluation of land in Company financials and the surplus of LKR 1,633,672,901 in Group financials.

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

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

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

(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.

(xl) In March 2024, 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 263,000,000 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 16,250,000 per perch	4,558,500	Price per perch of land	Estimated fair value would increase/ (decrease) if; -price per perch increases/ (decreases)
J M S Bandara	143 & 145, Majeed Place, Orugodawatte	Market Approach	7A 15.14 P	LKR 1,175,000 to LKR 1,350,000 per perch	1,387,500		
J M S Bandara	Vauxhall Street, Colombo 02	Market Approach	1 R 10.35 P	LKR 16,225,000 per perch	815,000		
J M S Bandara	Meetotamulla, Orugodawatte	Market Approach	1 R 28.86 P	LKR 1,650,000 per perch	113,500		
J M S Bandara	Maligawa Road, Ratmalana	Market Approach	9 A 3 R 36.5 P	LKR 525,000 per perch	838,000		
J M S Bandara	Navatkuli, Jaffna	Market Approach	1A 25.69 P	LKR 275,000 per perch	51,000		
J M S Bandara	Off Nattandiya Road, Dankotuwa	Market Approach	7 A 2 R 10.71 P	LKR 12,500,000 to 15,000,000 per acre	102,000		

18.8 Fully Depreciated Assets

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

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Buildings	167,210	166,701	104,516	111,905
Furniture and fittings	61,758	47,022	42,620	41,440
Office equipment	63,617	39,632	27,222	28,731
Electrical fixtures & fittings	76,926	69,930	74,593	69,930
Machinery and tools	204,364	96,448	97,394	91,808
Motor vehicles	546,774	578,470	474,319	493,699
Computers	142,964	123,529	108,871	113,415
Reference books	107	107	107	107
Total	**1,263,720**	**1,121,839**	**929,642**	**951,035**

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 (2023 - 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.

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	
	2024 LKR '000	2023 LKR '000
At the beginning of the year	580,000	558,000
Net gains from fair value adjustment	23,500	22,000
At the end of the year	**603,500**	**580,000**

19.1 Amounts Recognised in Profit or Loss for Investment Property

	Company	
	2024 LKR '000	2023 LKR '000
Rentals income from operating leases	17,620	17,620
Fair value gains recognised in profit or loss	23,500	22,000

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	
	2024 LKR '000	2023 LKR '000
Within one year	17,620	17,620

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 2024 is LKR 603.5 million (March 2023 - LKR 580 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			Fair value LKR '000	
				Acre	Rood	Perch		
100A, Hyde Park Corner, Colombo 02	1	10,270	5,000	-	-	36.84	598,500	603,500

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 16,250,000 per perch	598,500	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 6,500 per Sq/ Ft Less depreciation at 92.5%	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 acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree less the net amount of the fair value of the assets acquired and liabilities assumed is recognised. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The negative goodwill is recognised immediately in the Statement of Comprehensive Income. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold net of disposal proceeds.

Software

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

- 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 amortised 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.

20. INTANGIBLE ASSETS contd.

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	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Goodwill (Note 20.1)	2,890	2,890	-	-
Computer software (Note 20.2)	141,852	165,449	141,854	165,451
	144,742	**168,339**	**141,854**	**165,451**

20.1 Goodwill

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 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	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Cost				
At the beginning of the year	287,416	292,518	284,913	290,015
Additions	4,149	4,834	4,149	4,834
Disposals	-	(9,936)	-	(9,936)
At the end of the year	291,565	287,416	289,062	284,913
Accumulated amortisation				
At the beginning of the year	121,967	104,190	119,462	101,685
Amortisation during the year	27,746	27,713	27,746	27,713
Disposals	-	(9,936)	-	(9,936)
At the end of the year	149,713	121,967	147,208	119,462
Carrying amount at the end of the year	**141,852**	**165,449**	**141,854**	**165,451**

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 17.1 million (2023-LKR 16.4 million) and the Company amounts to LKR 14.6 million (2023-LKR 13.9 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 exist or otherwise. That is, it considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination.

Basis of measurement

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

The cost of right-of-use assets includes:

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

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

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/less than one year 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	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Cost				
At the beginning of the year	839,435	732,980	713,761	649,154
Acquisition of a subsidiary	53,043	-	-	-
Adjustments-termination of lease contract	(21,454)	(15,312)	-	(13,534)
Additions during the year	86,207	121,767	18,346	78,141
At the end of the year	957,231	839,435	732,107	713,761
Accumulated amortisation				
At the beginning of the year	587,753	425,437	582,623	437,196
Acquisition of subsidiary	49,176	-	-	-
Amortisation for the year	140,296	162,316	39,015	145,427
At the end of the year	777,225	587,753	621,638	582,623
Carrying amount at the end of the year	**180,006**	**251,682**	**110,469**	**131,138**

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 1 year 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;

		Group		Company	
		31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets					
Financial assets at amortised cost					
Trade and other receivables excluding prepayments	26	2,754,569	2,304,238	1,332,404	1,010,006
Amounts due from related parties	27	-	5,845	382,979	72,903
Investments in commercial papers and fixed deposits	24.5	511,645	-	433,148	2,694,773
Cash and cash equivalents	28	254,016	329,583	158,228	203,053
Financial assets measured at fair value through Other Comprehensive Income (FVOCI)	**23.5**	**170,513**	**122,532**	**131,746**	**96,448**
Financial assets at fair value through profit or loss (FVPL)					
Equity shares	24.1	134,584	252,426	134,584	252,426
Investments in unit trusts	24.1	1,764,196	363,053	1,764,196	60,193
		5,589,523	3,377,677	4,337,285	4,389,802
Financial liabilities					
Liabilities at amortised cost					
Interest bearing borrowings	31	3,996,915	2,926,236	-	-
Trade and other payables	35	1,270,944	1,143,205	323,041	344,630
Amounts due to related parties	36	-	-	39,071	33,803
Lease liabilities	34	183,446	248,841	121,276	125,407
Bank overdrafts	28	171,596	64,887	10,029	56,358
		5,622,901	4,383,169	493,417	560,198

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.

		31.03.2024			31.03.2023		
		Carrying amount	Fair value		Carrying amount	Fair value	
		LKR '000	LKR '000 Level 1	LKR '000 Level 2	LKR '000	LKR '000 Level 1	LKR '000 Level 2
Group							
Financial assets at fair value through profit or loss (FVPL)							
Equity shares	24.1	134,584	134,584	-	252,426	252,426	-
Investments in unit trusts	24.1	1,764,196	-	1,764,196	363,053	-	363,053
Financial assets at amortised cost							
Trade and other receivables excluding prepayments	26	2,754,569	-	-	2,304,238	-	-
Amounts due from related parties	27	-	-	-	5,845	-	-
Other financial assets at amortised cost-investments in fixed deposits	24.5	511,645	-	-	-	-	
Cash and cash equivalents	28	254,016	-	-	329,583	-	-
Financial assets measured at fair value through Other Comprehensive Income (FVOCI)							
Equity shares	23.5	170,513	170,513	-	122,532	122,532	-
		5,589,523	**305,097**	**1,764,196**	**3,377,677**	**374,958**	**363,053**
Financial liabilities at amortised cost							
Interest-bearing borrowings	31.1	3,996,915	-	-	2,926,236	-	-
Bank overdrafts	28	171,596	-	-	64,887	-	-
		4,168,511	**-**	**-**	**2,991,123**	**-**	**-**

		31.03.2024			31.03.2023		
		Carrying amount	Fair value		Carrying amount	Fair value	
		LKR '000	LKR '000 Level 1	LKR '000 Level 2	LKR '000	LKR '000 Level 1	LKR '000 Level 2
Company							
Financial assets at fair value through profit or loss (FVPL)							
Equity shares	24.1	134,584	134,584	-	252,426	252,426	-
Investments in unit trusts	24.1	1,764,196	-	1,764,196	60,193	-	60,193
Financial assets at amortised cost							
Trade and other receivables excluding prepayments	26	1,332,404	-	-	1,010,006	-	-
Amounts due from related parties	27	382,979	-	-	72,903	-	-
Other financial assets at amortised cost-investments in commercial papers	24.5	433,148	-	-	2,694,773	-	-
Cash and cash equivalents	28	158,228	-	-	203,053	-	-
Financial assets measured at fair value through Other Comprehensive Income (FVOCI)							
Equity shares	23.5	131,746	131,746	-	96,448	96,448	-
		4,337,285	**266,330**	**1,764,196**	**4,389,802**	**348,874**	**60,193**
Financial liabilities at amortised cost							
Bank overdrafts	28	10,029	-	-	56,358	-	-
		10,029	**-**	**-**	**56,358**	**-**	**-**

The following table shows the valuation technique used in measuring level 2 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investments in unit trusts	Fair value is based on the published unit prices.	Based on published unit prices.	The estimated fair value will increase/(decrease) if; The published unit prices are higher/(lower)

22.2 Fair Value Hierarchy

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

Level 1

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

Level 2

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

22.2 Fair Value Hierarchy contd.

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 Audit and Risk 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 and Risk 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 Board Audit and Risk Committee.

22.4 Credit Risk

Credit risk is the risk that a customer or counterparty will not meet its contractual obligations under financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Risk management

The Group does an extensive and continuous evaluation of credit worthiness of its customers/financial institutions by assessing external credit ratings (if available) or historical information about default rates and change the credit limits and payment terms where necessary.

Sales to retail customers are required to be settled in cash, cheques or credit cards. The Group has taken necessary steps to monitor 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
Expected credit losses (ECLs) are a probability-weighted estimate of credit losses. Credit losses are measures at the present value of all cash shortfalls (i.e. the difference between the cash flow that the Company expected to receive). ECLs are discounted at the effective interest rate of the financial asset.

In assessing collective impairment the Company/Group uses historical information on the probability of default, the timing of recoveries, and the amount of loss incurred and make an adjustment if current and forward looking economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends. Trade receivables which are in default or credit impaired or have individually significant balances are separately assessed for ECL measurement.

The Company assess expected credit losses for investment in commercial papers issued by subsidiaries based on predetermined criteria. Please refer Note 12.3.1.

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	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Public Sector	182,516	114,901	119,569	87,169
Private Sector				
Individual customers	1,020	1,984	1,020	1,281
Corporate customers	711,401	144,008	138,622	43,186
Dealers and distributors	811,670	487,275	749,053	479,248
Leasing companies	113,962	198,866	-	7,211
	1,820,569	947,034	1,008,264	618,095

22.4 Credit Risk contd.

The Group applies the SLFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the settlement pattern of dues over a period of 36 months ended 31 March 2024 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 crisis 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 2024 and 31 March 2023 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	Collective model Total	Specific Total	Total
31 March 2024										
Expected loss rate	0.95%	2.28%	0.96%	0.19%	2.72%	1.28%	49.40%			
Gross carrying amount - trade receivables (LKR'000)	899,393	111,103	99,351	160,394	15,789	5,863	81,276	1,373,169	-	1,373,169
Loss allowance - collective model (LKR'000)	(8,577)	(2,536)	(954)	(306)	(429)	(75)	(40,154)	(53,031)	-	(53,031)
Gross carrying amount - trade receivables (LKR'000)	275,361	184,513	20,084	16,069	2,358	-	2,306	-	500,691	500,691
Loss allowance - specific (LKR'000)	-	(63)	(6)	(2)	-	-	(189)	-	(260)	(260)
Total (LKR'000)	**1,166,177**	**293,017**	**118,475**	**176,155**	**17,718**	**5,788**	**43,239**	**1,320,138**	**500,431**	**1,820,569**
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**

Company

	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Collective model Total	Specific Total	Total
31 March 2024										
Expected loss rate	1.83%	1.70%	4.05%	12.63%	21.48%	61.36%	100%			
Gross carrying amount - trade receivables (LKR'000)	443,008	58,767	13,597	1,409	1,071	88	9,741	527,681	-	527,681
Loss allowance - collective model (LKR'000)	(8,094)	(1,001)	(550)	(178)	(230)	(54)	(9,741)	(19,848)	-	(19,848)
Gross carrying amount - trade receivables (LKR'000)	275,361	184,513	20,084	16,069	2,358	-	2306		500,691	500,691
Loss allowance - specific (LKR'000)	-	(63)	(6)	(2)			(189)		(260)	(260)
Total (LKR'000)	**710,275**	**242,216**	**33,125**	**17,298**	**3,199**	**34**	**2,117**	**507,833**	**500,431**	**1,008,264**
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**

b The movement in the allowance for impairment in respect of trade receivables during the year is given in Note 26.2.

c When the Group ascertains that no recovery of the amounts due is possible, at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

d Credit risk relating to 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	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Other financial assets at amortised cost-commercial papers	-	-	433,148	2,694,773
Other financial assets at amortised cost-fixed deposits	511,645	-	-	-
	511,645	**-**	**433,148**	**2,694,773**

22.4 Credit Risk contd.

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.

Fixed deposits are held with banks and financial institutions which are rated above 'A(lka)'.

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 overdrafts) amounted to LKR 18,345 million as at 31 March 2024.

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

Non- derivative financial liabilities Group	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 2024							
Lease liabilities	183,446	313,647	45,187	24,260	54,442	70,303	119,455
Interest bearing borrowings	3,996,915	3,996,915	3,996,915	-	-	-	-
Trade and other payables	1,270,944	1,270,944	1,270,944	-	-	-	-
Bank overdrafts	171,596	171,596	171,596	-	-	-	-
	5,622,901	5,753,102	5,484,642	24,260	54,442	70,303	119,455
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

Non- derivative financial liabilities Company	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 2024							
Lease liabilities	121,276	244,560	14,461	16,248	26,775	67,621	119,455
Trade and other payables	323,041	323,041	323,041	-	-	-	-
Amounts due to related parties	39,071	39,071	39,071	-	-	-	-
Bank overdrafts	10,029	10,029	10,029	-	-	-	-
	493,417	616,701	386,602	16,248	26,775	67,621	119,455
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

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) recognised in profit or loss were;

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Net foreign exchange gains/(losses) included in other gains/(losses)	(19,844)	167,972	(7,069)	88,186
	(19,844)	167,972	(7,069)	88,186

22.6 Market Risk contd.

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 2024	2,093	5,574	6	5,574
Trade receivables as at 31 March 2023	661	7,096	68	7,096
Trade payables as at 31 March 2024	1,467	1,835	81	1,835
Trade payables as at 31 March 2023	2,000	1,214	7	1,214

Sensitivity analysis

The following table demonstrates the sensitivity of the Group/Company profits to a reasonable possible change in the US Dollar (USD) and Japanese Yen (JPY) exchange rate with all other variables held constant.

The impact on the profit before tax due to change in the fair value of monetary assets and liabilities denominated in foreign currency are as follows;

	Impact on post tax profit/equity					
As at 31 March 2024	+ 5 %	- 5 %	+ 10 %	- 10 %	+15 %	-15 %
Group						
USD	29,691	(29,691)	59,382	(59,382)	89,073	(89,073)
JPY	356	(356)	712	(712)	1,068	(1,068)
Company						
USD	(1,136)	1,136	(2,272)	2,272	(3,408)	3,408
JPY	356	(356)	712	(712)	1,068	(1,068)

	Impact on post tax profit/equity					
As at 31 March 2023	+ 5 %	- 5 %	+ 10 %	- 10 %	+1 5 %	-1 5 %
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)

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 exposes the Group to interest rate risk which is partially offset by cash/investments held at variable rates. Borrowings issued at fixed rates exposes 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	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Fixed rate instruments				
Financial assets	511,645	-	433,148	2,694,773
Financial liabilities	(183,446)	(248,841)	(121,276)	(125,407)
	328,199	**(248,841)**	**311,872**	**2,569,366**
Variable rate instruments				
Financial assets	1,764,196	363,053	1,764,196	60,193
Financial liabilities	(4,168,511)	(2,991,123)	(10,029)	(56,358)
	(2,404,315)	**(2,628,070)**	**1,754,167**	**3,835**

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 2024 variable rate instruments	+5%	69,511	93,173
	-5%	(69,511)	(93,173)
31 March 2023 variable rate instruments	+5%	(23,049)	2,106
	-5%	23,049	(2,106)

	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 2024 variable rate instruments	+10%	139,022	186,346
	-10%	(139,022)	(186,346)
31 March 2023 variable rate instruments	+10%	(46,098)	4,213
	-10%	46,098	(4,213)

	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 2024 variable rate instruments	+15%	208,533	279,519
	-15%	(208,533)	(279,519)
31 March 2023 variable rate instruments	+15%	(69,147)	6,319
	-15%	69,147	(6,319)

22.6 Market Risk contd.

c Equity price risk

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

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

- Equity investment decisions are based on fundamentals rather than on speculation.
- Decisions are made based on in-depth industry and macroeconomic analysis as well as on research reports on the Company performance.

The table below shows the diversification of equity investments;

Investment shares	Group				Company			
	31.03.2024		31.03.2023		31.03.2024		31.03.2023	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Sector								
Banks	160,265	94.0	113,876	92.9	130,154	98.8	95,364	98.9
Diversified financials	9,625	5.6	8,380	6.9	1,592	1.2	1,084	1.1
Energy	327	0.2	-	-	-	-	-	-
Utilities	296	0.2	276	0.2	-	-	-	
Total	**170,513**	**100.0**	**122,532**	**100.0**	**131,746**	**100.0**	**96,448**	**100.0**

Trading shares	Group / Company			
	31.03.2024		31.03.2023	
	LKR '000	%	LKR '000	%
Sector				
Banks	49,612	36.9	63,217	25.0
Capital goods	4,976	3.7	95,416	37.8
Diversified financials	71,029	52.8	25,697	10.2
Beverage, food and tobacco	6,535	4.9	65,880	26.1
Materials	2,432	1.8	2,216	0.9
Total	**134,584**	**100.0**	**252,426**	**100**

Sensitivity analysis

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

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

	Change in share price of all companies in which the Group / Company has invested	Group		Company	
		Effect on Profit before tax as a result of gains/losses on equity securities classified as FVPL 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 2024 - Investments in equity shares	+ 5%	6,729	8,526	6,729	6,587
	- 5%	(6,729)	(8,526)	(6,729)	(6,587)
	+10%	13,458	17,051	13,458	13,175
	- 10%	(13,458)	(17,051)	(13,458)	(13,175)
	+15%	20,188	25,577	20,188	19,762
	- 15%	(20,188)	(25,577)	(20,188)	(19,762)

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 2024 and 31 March 2023. The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Net debt includes interest bearing borrowings, lease payables, trade and other payables, less cash and cash equivalents.

		Group		Company	
	Note	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Interest-bearing borrowings	31	3,996,915	2,926,236	-	-
Bank overdrafts	28	171,596	64,887	10,029	56,358
Lease liabilities	34	183,446	248,841	121,276	125,407
Less: Cash and short term deposits	28	(254,016)	(329,583)	(158,228)	(203,053)
Investments in unit trust	24.1	(1,764,196)	(363,053)	(1,764,196)	(60,193)
Investments in commercial papers and fixed deposits	24.5	(511,645)	-	(433,148)	(2,694,773)
Net debt		1,822,100	2,547,328	(2,224,267)	(2,776,254)
Equity		13,425,248	13,628,371	14,625,203	14,239,524
Capital and net debt		15,247,348	16,175,699	12,400,936	11,463,270
Gearing ratio		0.12	0.16	(0.18)	(0.24)

(b) Dividends

Dividends paid by the Company for the year 2023/24 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 2024.

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 31.03.2024 LKR '000	Group 31.03.2023 LKR '000	Company 31.03.2024 LKR '000	Company 31.03.2023 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
Dutch Lanka Trailer Manufacturers Limited	100	-	-	700,000	-
		-	-	**922,400**	**222,400**

23.2 Acquisition of a Subsidiary

United Motors Lanka PLC has been continuously pursuing multiple investment opportunities that generate stable profits due to changing economic condition which has impacted the automobile industry in Sri Lanka.

As a result, United Motors Lanka PLC acquired 100% stake in Dutch Lanka Trailer Manufacturers Limited (DLT) along with Dutch Lanka Engineering Private Limited (DLE), a 100% subsidiary of DLT on 11 December 2023.

DLT is a BOI registered company incorporated in 1992 and is engaged in the design, engineering and manufacture of a range of port and road trailers for both domestic and export markets. DLT established Dutch Lanka Engineering (Pvt) Limited (DLE) in 2004. DLE manufactures trailers for the local market, provides aftermarket service support, supplies spare parts for trailers, undertakes steel fabrication work and refurbishment.

a Details of the purchase consideration, contingent consideration and gain on bargain purchase are as follows;

	LKR'000
Purchase consideration paid in cash	700,000
Contingent consideration	75,000
Gain on bargain purchase	9,323
Fair values of the identifiable assets and liabilities	**784,323**

b Contingent consideration

As per the sales purchase agreement (SPA) between United Motors Lanka PLC and TRF Singapore PTE Ltd on the acquisition of Dutch Lanka Trailer Manufacturers Ltd, the United Motors Lanka PLC (buyer), retained LKR 75 million cash in lieu of all representations and warranties of the seller and that the seller shall not be liable for any loss, damage, claim or expense other than fundamental warranties. Accordingly, LKR 75 million has been recorded as a liability in the consolidated balance sheet as at the acquisition date. The outcome of the maximum payment is unlimited and cannot be estimated. At every balance sheet date, the management will assess the liabilities that are settled, canceled or expired and relevant amounts will be adjusted in profit or loss in accordance with SLFRS 3.

23.2 Acquisition of a Subsidiary contd.

c The provisional fair values of the identifiable assets and liabilities based on un-audited financial statements as at the date of acquisition were as follows.

Assets	LKR'000
Property, plant and equipment	203,422
Right of use assets	3,867
Deferred tax assets	45,679
Investment in equity shares	480
Other financial assets	442,072
Inventories	471,620
Trade and other receivables	1,197,282
Other current financial assets	93,769
Cash and short-term deposits	34,764
	2,492,955
Liabilities	
Retirement benefit obligations	61,927
Deferred tax liability	16,281
Interest bearing loans and borrowings	932,161
Trade and other payables	375,309
Income tax payable	114,854
Bank overdrafts	208,100
	1,708,632
Net assets acquired	**784,323**

d Acquired receivables

The fair value of the acquired trade receivables is LKR 1,045.4 million. The gross contractual amount for trade receivable due is LKR 1,068.2 million, with a loss allowance of LKR 22.8 million recognised on acquisition.

e Revenue and profit contribution

Revenue of LKR 547.8 million and profit after tax of LKR 46.7 million of Dutch Lanka Trailer Manufacturers Limited and its subsidiary, since the acquisition date of 11 December 2023 have been included in the consolidated financial statements for the year ended 31 March 2024.

f Acquisition-related costs

Acquisition-related costs of LKR 3.6 million have been included in the administrative expenses in the statement of profit or loss for the year ended 31 March 2024.

g Purchase consideration - cash outflow

	LKR'000	LKR'000
Purchase consideration paid		700,000
Cash and cash equivalents acquired		
Cash in hand	(34,764)	
Bank overdraft	208,100	173,336
Net cash used in acquisition		**873,336**

23.3 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 2024, it was concluded that the net realisable value exceeded its carrying value.

23.4 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.

23.5 Equity Investments at Fair Value through Other Comprehensive Income

	Group		Company	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Equity investments (Note 23.6)	268,175	292,835	203,747	228,435
Decrease in market value	(97,662)	(170,303)	(72,001)	(131,987)
	170,513	**122,532**	**131,746**	**96,448**

23.6 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	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Fair value gains/(losses) recognised in Other Comprehensive Income (Note 14.2)	77,216	12,640	65,012	6,207
Dividends from equity investments held at FVOCI recognised in profit or loss in finance income (Note 13)	3,795	2,011	3,282	1,008
	81,011	**14,651**	**68,294**	**7,215**

23.7 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	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Net gain on disposal of equity investments at fair value through Other Comprehensive Income	5,025	6,034	5,025	4,262
	5,025	6,034	5,025	4,262

23.8 Equity Securities Designated as Fair Value through Other Comprehensive Income

	31.03.2024			31.03.2023		
	No. of Shares	Cost LKR '000	Market Value LKR '000	No. of Shares	Cost LKR '000	Market Value LKR '000
Group						
Commercial Bank of Ceylon PLC - Non voting	345,534	35,623	29,440	323,028	35,623	17,476
Commercial Bank of Ceylon PLC - Voting	308,203	40,302	30,111	291,075	40,302	18,512
DFCC Bank PLC	794,728	106,456	60,399	775,057	106,455	34,025
Laugfs Power PLC	32,874	-	296	-	-	276
MTD Walkers PLC	90,259	5,521	-	90,259	5,521	-
National Development Bank PLC	545,077	54,298	37,065	518,647	54,298	23,287
Nations Trust Bank PLC	-	-	-	287,223	24,689	18,382
People's Leasing & Finance PLC	245,050	4,066	2,695	232,256	4,066	1,835
Seylan Bank PLC - Voting	69,150	4,793	3,250	65,885	4,793	2,194
Singer Finance (Lanka) PLC	521,885	11,917	6,419	521,885	11,917	5,845
Softlogic Finance PLC	89,709	5,171	511	89,709	5,171	700
Lanka IOC PLC	28,000	28	327	-	-	-
		268,175	170,513		292,835	122,532
Company						
Commercial Bank of Ceylon PLC - Non voting	345,534	35,623	29,440	323,028	35,623	17,476
DFCC Bank PLC	794,728	106,456	60,399	775,057	106,455	34,025
National Development Bank PLC	545,077	54,298	37,065	518,647	54,298	23,287
Nations Trust Bank PLC	-	-	-	287,223	24,689	18,382
People's Leasing & Finance PLC	144,756	2,577	1,592	137,198	2,577	1,084
Seylan Bank PLC - Voting	69,150	4,793	3,250	65,885	4,793	2,194
		203,747	131,746		228,435	96,448

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 Other Comprehensive Income (OCI).

Refer note 6 for the remaining relevant accounting policies.

	Group		Company	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Investment in equity shares (Note 24.3)	172,495	330,840	172,495	330,840
Decrease in market value	(37,911)	(78,414)	(37,911)	(78,414)
	134,584	**252,426**	**134,584**	**252,426**
Investments in unit trusts (Note 24.4)	1,764,196	363,053	1,764,196	60,193
	1,898,780	**615,479**	**1,898,780**	**312,619**

24.2 Amounts Recognised in Profit or Loss

	Group		Company	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Fair value gains/(losses) on equity investment at FVPL (Note 12.4)	63,738	13,855	63,738	13,855
Dividends from equity investments held at FVPL recognised in profit or loss (Note 13)	8,199	8,525	8,199	8,525
	71,937	**22,380**	**71,937**	**22,380**

24.3 Equity Securities Designated as Fair Value Through Profit or Loss

	31.03.2024			31.03.2023		
	No. of Shares	Cost LKR '000	Market Value LKR '000	No. of Shares	Cost LKR '000	Market Value LKR '000
Group/ Company						
Commercial Bank of Ceylon PLC	100,000	7,358	9,770	807,782	62,935	51,375
Central Finance Company PLC	-	-	-	112,365	13,390	8,135
DFCC Bank PLC	-	-	-	95,743	5,036	4,203
Dipped Products PLC	80,000	5,503	2,432	80,000	5,503	2,216
LOLC Finance PLC	900,000	25,710	4,950	900,000	25,710	5,400
John Keells Holdings PLC	-	-	-	650,000	97,632	91,000
LB Finance PLC	820,000	50,580	51,414	-	-	-
Melstacorp PLC	74,256	4,235	6,535	1,200,000	68,443	65,880
Nations Trust Bank PLC	-	-	-	98,511	8,249	6,305
People's Leasing PLC	539,584	8,779	5,935	511,409	8,779	4,040
Royal Ceramics Lanka PLC	160,000	10,501	4,976	160,000	10,501	4,416
Sanasa Development Bank PLC	53,151	5,211	1,727	53,151	5,211	1,334
Sampath Bank PLC	476,432	35,167	38,115	-	-	-
Singer Finance (Lanka) PLC	679,224	15,683	8,354	679,224	15,683	7,607
Softlogic Finance PLC	65,944	3,768	376	65,944	3,768	515
		172,495	134,584		330,840	252,426

24.4 Other Investments Designated as Fair Value through Profit or Loss

	31.03.2024			31.03.2023		
	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	53,852	1,750,000	1,764,196	13,544	360,000	363,053
	53,852	1,750,000	1,764,196	13,544	360,000	363,053
Company						
Investments in unit trusts	53,852	1,750,000	1,764,196	2,212	60,000	60,193
	53,852	1,750,000	1,764,196	2,212	60,000	60,193

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	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Non-current				
Other financial assets at amortised cost				
Guarantee deposit	10,320	-	-	-
Investment in fixed deposits	403,746	-	-	-
	414,066	-	-	-
Current				
Other financial assets at amortised cost				
Investment in fixed deposits	97,579	-		
Commercial papers	-	-	529,329	2,708,315
Less: Loss allowance for other investments at amortised cost	-	-	(96,181)	(13,542)
	97,579	-	433,148	2,694,773

Other financial assets at amortised cost include investment 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

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

	Group		Company	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Spare parts	843,965	1,485,708	787,935	687,606
Vehicles	1,032,290	1,243,488	57,891	91,742
Lubricants	894,711	1,391,839	894,711	1,391,839
Tyres	61,984	120,632	-	-
Equipment and machinery	118,518	234,470	142	142
Trailers	420,489	-	-	-
3D Printers	1,624	7,789	1,624	7,789
Stock-in-trade	**3,373,581**	**4,483,926**	**1,742,303**	**2,179,118**
Work-in-progress	420,697	551,033	44,003	36,046
Raw materials and others	162,524	26,922	23,116	26,922
Goods in transit (Note 25.1)	164,705	475,715	16,091	3,050
	4,121,507	**5,537,596**	**1,825,513**	**2,245,136**

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

25.1 Goods in Transit

	Group		Company	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Spare parts and lubricants	133,322	430,519	16,091	3,050
Trailers	31,383	-	-	-
Equipment and machinery	-	45,196	-	-
	164,705	**475,715**	**16,091**	**3,050**

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	500,000
U M L Heavy Equipment Limited	Commercial Bank of Ceylon PLC	Overdraft, Short term loans, Letter of Credit	160,000	160,000
Dutch Lanka Trailer Manufacturers Limited	National Development Bank PLC	Overdraft, Short term loans, Letter of Credit	944,051	170,329
	Commercial Bank of Ceylon PLC	Overdraft, Short term loans, Letter of Credit	232,746	-
	Sampath Bank PLC	Overdraft, Short term loans, Letter of Credit	62,134	-

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	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Trade receivables	1,873,860	992,317	1,028,372	646,517
Impairment allowance (Note 26.2)	(53,291)	(45,283)	(20,108)	(28,422)
	1,820,569	947,034	1,008,264	618,095
Other receivables	483,930	289,473	200,966	111,934
LC margins	-	381,839	-	-
Loans to employees	2,762	3,134	2,762	3,134
Prepayments	306,972	338,019	74,556	60,434
Advances paid	447,308	682,758	120,412	276,843
Total trade and other receivables	**3,061,541**	**2,642,257**	**1,406,960**	**1,070,440**

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	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Balance at the beginning of the year	45,283	63,842	28,422	52,458
Increase/(decrease) in impairment allowance recognised in profit or loss during the year	15,204	(10,067)	(4,585)	(15,544)
Receivables written off during the year as uncollectible	(7,196)	(8,492)	(3,729)	(8,492)
Balance at the end of the year	**53,291**	**45,283**	**20,108**	**28,422**

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		Group / Company	
	2024		2023	
	No. of employees	LKR '000	No. of employees	LKR '000
At the beginning of the year - non executive employees	2	78	144	3,655
Loans disbursed during the year	-	-		
Recovered during the year		(78)		(3,577)
At the end of the year-non executive employees	**-**	**-**	**2**	**78**

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 31.03.2024 LKR '000	Group 31.03.2023 LKR '000	Company 31.03.2024 LKR '000	Company 31.03.2023 LKR '000
Unimo Enterprises Limited	Subsidiary	-	-	86,137	70,167
U M L Heavy Equipment Limited	Subsidiary	-	-	296,842	2,736
R I L Property PLC	Parent company	-	5,845	-	-
		-	5,845	382,979	72,903

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 31.03.2024 LKR '000	Group 31.03.2023 LKR '000	Company 31.03.2024 LKR '000	Company 31.03.2023 LKR '000
Favourable balances				
Money market deposits	-	100,286	-	50,143
Call deposits	42,362	15,180	42,362	15,180
Cash at bank	191,828	201,358	98,762	126,536
Cash In hand	19,826	12,759	17,104	11,194
	254,016	329,583	158,228	203,053
Unfavourable balances				
Bank overdrafts used for cash management purposes	(171,596)	(64,887)	(10,029)	(56,358)
Net cash and cash equivalent for the purpose of cash flow statements	82,420	264,696	148,199	146,695

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 2024	No of Shares 2023	Group 2024 LKR '000	Group 2023 LKR '000	Company 2024 LKR '000	Company 2023 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	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	5,829,573	5,822,198	5,436,283	5,426,258
Revaluation of land	322,759	412,500	263,000	390,000
Deferred tax on revaluation of land	(100,955)	(405,125)	(78,900)	(379,975)
At the end of the year	**6,051,377**	**5,829,573**	**5,620,383**	**5,436,283**

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	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	2,900,790	1,849,399	-	-
Acquisition of a subsidiary	926,557	-	-	-
Obtained during the year	34,970,739	8,404,990	2,872,399	768,726
	38,798,086	10,254,389	2,872,399	768,726
Payments made during the year	(34,819,821)	(7,353,599)	(2,872,399)	(768,726)
Loans outstanding as at 31 March	3,978,265	2,900,790	-	-
Accrued loan interest	18,650	25,446	-	-
At the end of the year	**3,996,915**	**2,926,236**	**-**	**-**

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

	Group		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	LKR '000	LKR '000	LKR '000	LKR '000
Non current liabilities				
Long term loans	-	-	-	-
Current liabilities				
Short term loans	3,996,915	2,926,236	-	-
	3,996,915	**2,926,236**	**-**	**-**

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	31.03.2024 Face value LKR '000	31.03.2024 Carrying value LKR '000	31.03.2023 Face value LKR '000	31.03.2023 Carrying value LKR '000
Group						
Short term loans-secured	Market rate	2024	3,996,915	3,996,915	2,926,236	2,926,236
Short term loans-unsecured	Market rate	2024	-	-	-	-
			3,996,915	**3,996,915**	**2,926,236**	**2,926,236**

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% of the salary of each employee to the approved Private Provident Fund. Other companies in the Group and their employees contribute at 12%, 10% and 8% 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.

32. EMPLOYEE BENEFIT OBLIGATIONS contd.

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.

All the subsidiaries have adopted actuarial valuation method in line with the Group accounting policies.

32.1 Retirement Benefit Obligations

	Group		Company	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Present value of funded obligations	411,911	234,612	320,136	208,286
Retirement benefit obligation (Note 32.5)	**411,911**	**234,612**	**320,136**	**208,286**

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	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Employees joined before 1992/93				
Mutual fund (Note 32.3)	88	137	88	137
Employees joined after 1992/93				
Reimbursable right (Note 32.4)	-	19,482	-	13,447
	88	**19,619**	**88**	**13,584**

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 2024 is LKR 87,720 (2023 - LKR 137,068).

32.4 Movement in Fair Value of Reimbursable Right

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
At the beginning of the year	19,482	34,671	13,447	29,184
Return on reimbursable right (Note 32.6)	2,837	4,557	2,221	3,823
Benefits paid by reimbursable right	(19,024)	(12,622)	(12,373)	(12,622)
Benefits payable by reimbursable right	-	(2,188)	-	(2,188)
Dividend adjustment to the plan asset	-	117	-	-
Losses in Other Comprehensive Income (Note 32.6)	(3,295)	(5,053)	(3,295)	(4,750)
Fair value of reimbursable right at the end of the year	**-**	**19,482**	**-**	**13,447**

32.5 Movement in the Present Value of the Defined Benefit Obligations

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	234,612	224,438	208,286	200,136
Acquisition of subsidiary	61,927	-	-	-
Expenses recognised in profit and loss (Note 32.6)	65,042	51,881	50,247	44,934
Actuarial losses/(gains) in Other Comprehensive Income (Note 32.6)	142,554	(23,492)	128,429	(21,944)
Benefits paid during the year	(92,224)	(18,215)	(66,826)	(14,840)
Defined benefit obligation at the end of the year	**411,911**	**234,612**	**320,136**	**208,286**

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

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Recognised in profit & loss				
Defined benefit obligations				
Current service costs	22,823	22,480	15,880	18,716
Provision	(7,428)	-	-	-
Interest on obligation	49,647	29,401	34,367	26,218
	65,042	51,881	50,247	44,934
Defined benefit plan				
Return on reimbursable right	2,837	4,557	2,221	3,823
	2,837	4,557	2,221	3,823
Recognised in Other Comprehensive Income				
Defined benefit obligations				
Actuarial (losses)/gains recognised during the year	(142,554)	23,492	(128,429)	21,944
	(142,554)	23,492	(128,429)	21,944
Reimbursable right				
Losses recognised during the year	(3,295)	(5,053)	(3,295)	(4,750)
Dividend adjustment to reimbursable right	13	123	13	6
	(3,282)	(4,930)	(3,282)	(4,744)
	(145,836)	18,562	(131,711)	17,200

32.7 Actuarial Assumptions

Principal actuarial assumptions are as follows:

	Group		Company	
	2024	2023	2024	2023
Rate of discount as at 31 March (%)	12.0%	16% - 22.8%	12%	16.5%
Future salary increases (%)	10% - 12%	10.0%	12%	10.0%
Normal retirement age	60 years	60 years	60 years	60 years
Staff turnover rate (%)	18% - 25%	2% - 32%	18%	4.4%

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

32.8 Sensitivity Analysis

Values appearing as employee benefit obligation in the financial statements are sensitive to the changes in financial and non-financial assumptions used. The estimated impact based on sensitivity analysis carried out is as follows:

	Group				Company			
	+ 1%	+ 5%	- 1%	- 5%	+ 1%	+ 5%	- 1%	- 5%
As at 31 March 2024								
A percentage point change in the discount rate								
Effect on the present value of defined benefit obligation (LKR '000)	(16,380)	(81,898)	17,821	89,105	(11,987)	(59,935)	12,981	64,903
A percentage point change in the salary escalation rate								
Effect on the present value of defined benefit obligation (LKR '000)	19,512	97,558	(18,234)	(91,171)	14,242	71,211	(13,380)	(66,899)
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)

32.9 Maturity Profile of the Defined Benefit Obligation

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Maturity profile-discounted				
Within the next 12 months	91,515	26,638	77,907	25,514
Between 1 to 2 years	84,335	33,739	68,659	31,141
Between 2 to 5 years	105,352	63,864	74,991	61,569
Beyond 5 years	130,709	110,371	98,579	90,062
Total	**411,911**	**234,612**	**320,136**	**208,286**
Maturity profile-undiscounted				
Within the next 12 months	96,669	29,138	82,273	27,905
Between 1 to 2 years	105,091	45,752	85,504	42,121
Between 2 to 5 years	170,741	128,364	121,768	123,744
Beyond 5 years	436,362	950,790	305,885	753,997
Total	**808,863**	**1,154,044**	**595,430**	**947,767**

33. DEFERRED TAX ASSETS / LIABILITIES

33.1 Deferred Tax Assets

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
At the beginning of the year	925,524	461,794	213,138	170,195
Acquisition of a subsidiary	45,680	-	-	-
Origination of timing differences-recognised in profit or loss including rate change	133,973	470,776	8,805	49,526
Origination/(reversal) of timing differences-recognised in Other Comprehensive Income	42,766	(7,046)	38,529	(6,583)
At the end of the year	**1,147,943**	**925,524**	**260,472**	**213,138**
Composition of deferred tax assets				
Property, plant & equipment	2,113	6,966	-	-
Retirement benefit obligation	123,573	70,384	96,041	62,485
Provisions	252,763	158,266	128,048	113,031
Lease liability	54,554	74,652	36,383	37,622
Tax losses	714,940	615,256	-	-
Net deferred tax assets	**1,147,943**	**925,524**	**260,472**	**213,138**
Closing deferred tax assets @ 30%	1,147,943	925,524	260,472	213,138
	1,147,943	**925,524**	**260,472**	**213,138**

33.1 Deferred Tax Assets contd.

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	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	821,589	366,080	785,034	330,652
Acquisition of a subsidiary	16,281	-	-	-
(Reversal)/charge off timing differences-recognised in profit or loss	(29,091)	50,384	(7,460)	74,407
Origination of timing differences- recognised in Other Comprehensive Income on revaluation of land	100,955	405,125	78,900	379,975
At the end of the year	**909,734**	**821,589**	**856,474**	**785,034**
Composition of deferred tax liability				
Property plant & equipment	212,145	200,934	190,130	198,382
Gains on revaluation of land	646,768	545,813	590,363	511,463
Investment property-buildings	-	-	1,500	1,498
Investment property - land	-	-	41,400	34,350
Leased assets	50,821	74,842	33,081	39,341
Net deferred tax liability	**909,734**	**821,589**	**856,474**	**785,034**
Closing deferred tax liability @ 30%	909,734	821,589	856,474	785,034
	909,734	**821,589**	**856,474**	**785,034**

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 322,759,000 related to the land revaluation. Capital gain tax applicable on realisation of investment assets is at 30%.

33.3 Expenses Recognised in Statement of Other Comprehensive Income

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Origination/(reversal) of timing differences-recognised in Other Comprehensive Income (Note 33.1)	42,766	(7,046)	38,529	(6,583)
Origination of timing differences-recognised in Other Comprehensive Income (Note 33.2)	(100,955)	(405,125)	(78,900)	(379,975)
	(58,189)	**(412,171)**	**(40,371)**	**(386,558)**

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	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
At the beginning of the year	248,841	311,945	125,407	215,307
Acquisition of a subsidiary	5,604	-	-	-
Additions during the year	86,207	121,767	18,346	78,141
Interest expense	34,978	23,911	24,946	5,146
Adjustments-termination of lease contract	(21,455)	(15,312)	-	(13,534)
Payments made during the year	(170,729)	(193,470)	(47,423)	(159,653)
At the end of the year	**183,446**	**248,841**	**121,276**	**125,407**
Classified as non-current liabilities	122,625	153,884	95,534	96,524
Classified as current liabilities	60,821	94,957	25,742	28,883
	183,446	248,841	121,276	125,407

34. LEASE LIABILITIES contd.

	Group		Company	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Amounts recognised in profit or loss				
Interest on lease liabilities	34,978	23,911	24,946	5,146
Total cash outflow for leases	170,729	193,470	47,423	159,653
Maturity analysis of lease liability - discounted cash-flows				
Less than 2 years	118,169	135,569	58,378	50,056
2- 5 years	36,897	75,592	34,518	41,872
6-10 years	23,836	29,869	23,836	25,668
Over 10 years	4,544	7,811	4,544	7,811
	183,446	**248,841**	**121,276**	**125,407**
Maturity analysis of lease payments - undiscounted cash-flows				
Less than 2 years	123,889	167,725	57,484	65,171
2- 5 years	70,303	121,012	67,621	82,200
6-10 years	94,307	104,306	94,307	99,694
Over 10 years	25,148	39,619	25,148	39,619
	313,647	**432,662**	**244,560**	**286,684**

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	
	31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Trade payables	428,973	550,871	51,525	56,350
Taxes payable	217,724	112,863	23,652	17,319
Contract liabilities				
Advances received from customers	187,635	173,314	55,339	39,897
Free service contracts	3,258	5,103	40	545
Extended warranty	-	94	-	94
Accrued and other payables	433,354	300,960	192,485	230,425
	1,270,944	**1,143,205**	**323,041**	**344,630**

Trade payables are unsecured and are usually paid within 30-60 days.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

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

36. AMOUNTS DUE TO RELATED PARTIES

		Group		Company	
		31.03.2024 LKR '000	31.03.2023 LKR '000	31.03.2024 LKR '000	31.03.2023 LKR '000
Unimo Enterprises Limited	Subsidiary	-	-	2,014	1,072
U M L Heavy Equipment Limited	Subsidiary	-	-	657	-
U M L Property Developments Limited	Subsidiary	-	-	36,400	32,731
		-	-	**39,071**	**33,803**

37. CURRENT TAXATION

	Group		Company	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	70,654	30,785	88,203	55,219
Income tax charge for the year (Note 15)	205,860	240,262	167,425	213,149
Under provision in respect of previous years (Note 15)	(14,061)	(1,215)	(19,584)	(1,213)
Acquisition of a subsidiary	114,854	-	-	-
WHT set off against income tax	(23,604)	-	(12,475)	-
ESC set off against income tax	(86)	9,187	-	-
Income tax paid	(219,484)	(208,365)	(184,933)	(178,952)
At the end of the year	**134,133**	**70,654**	**38,636**	**88,203**

The income tax liability comprise of:	Group		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	LKR '000	LKR '000	LKR '000	LKR '000
37.1 Current Tax Liabilities	153,763	90,198	38,636	88,203
37.2 Current Tax Receivable	(19,630)	(19,544)	-	-
	134,133	70,654	38,636	88,203

38. CASH FLOW INFORMATION

38.1 Reconciliation of (Loss)/Profit before Tax to Cash Flows from Operating Activities

		Group		Company	
		31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Note	LKR '000	LKR '000	LKR '000	LKR '000
(Loss)/profit before income tax expense		(244,212)	(312,436)	487,451	789,333
Adjustments for;					
Provision for depreciation/amortisation	18 & 20.2	155,190	182,398	130,436	159,901
Profit on disposal of property, plant and equipment	13	(40,377)	(34,674)	(24,561)	(33,514)
Net gain on disposal of financial assets at the fair value through profit or loss	12.4	(28,351)	(8,330)	(28,351)	(8,330)
Net change in fair value - financial asset at fair value through profit or loss	12.4	(63,738)	(13,855)	(63,738)	(13,855)
Change in fair value of investment property	12.4	-	-	(23,500)	(22,000)
Interest expense		563,215	662,703	46,336	35,665
Interest income	14.1	(165,499)	(88,404)	(139,301)	(81,127)
Dividend income from equity investments	13	(11,994)	(10,536)	(11,481)	(9,533)
Dividend received from a subsidiary	13	-	-	(51,000)	(43,031)
Impairment on trade receivables and losses on warranty claims	12.3	(60,820)	24,214	107,396	(12,116)
Provision for employee benefit obligations	32	65,091	51,906	50,296	44,959
Amortisation of right-of use assets	21	140,296	162,316	39,015	145,427
Return on reimbursable right	32.6	(2,837)	(4,557)	(2,221)	(3,823)
Write-down of inventory to lower of cost or Net Realisable Value (NRV)	12	103,846	124,355	70,540	14,560
Gain on bargain purchase of subsidiary		(9,323)	-	-	-
Work-in-progress write offs	18	-	188	-	188
Fair value adjustment on unit trust and commercial papers	12.4	(14,196)	(3,053)	(51,525)	(156,501)
Operating profit before working capital changes		386,291	732,235	535,792	806,203
Decrease/(increase) in inventories		1,783,863	566,487	349,083	(300,096)
Decrease/(increase) in trade and other receivables		838,817	448,360	(299,746)	29,677
Decrease(increase)/ in amounts due from related parties		5,845	(5,845)	(371,606)	(7,402)
Increase in amounts due to related parties		-	-	5,268	22,035
Decrease in trade and other payables		(322,570)	(2,371,573)	(21,589)	(562,918)
Cash inflow/(outflow) from operating activities		**2,692,246**	**(630,336)**	**197,202**	**(12,501)**

38.2 Reconciliation of Labilities Arising from Financing Activities

	Group		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	LKR '000	LKR '000	LKR '000	LKR '000
Bank borrowings				
At the beginning of the year	2,900,790	1,849,399	-	-
Acquisition of a subsidiary	926,557	-	-	-
Proceeds from borrowings	34,970,739	8,404,990	2,872,399	768,726
Repayments of borrowings	(34,819,821)	(7,353,599)	(2,872,399)	(768,726)
At the end of the year	**3,978,265**	**2,900,790**	-	-

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 31.03.2024 LKR '000	Outstanding as at 31.03.2023 LKR '000
Unimo Enterprises Limited	Sampath Bank PLC	Letter of credits, overdraft and term loans	1,770,000	1,147,020	1,248,727
	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
	Hatton National Bank PLC	Letter of credits, overdraft and term loans	1,500,000	1,405,675	1,420,871
	Pan Asia Banking Corporation PLC	Letter of credits, overdraft and term loans	1,000,000	390,192	594,192
	Commercial Bank of Ceylon PLC	Letter of credits, overdraft and term loans	1,000,000	1,000,000	1,000,000
	Nations Trust Bank PLC	Letter of credits, overdraft and term loans	3,000,000	285,347	725,995
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	90,000	-

Unimo Enterprises Limited has given bank guarantees to Sri Lanka Customs amounting to LKR 1,293 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 2.7 million as at the reporting date.

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

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	
	2024 LKR.'000	2023 LKR.'000	2024 LKR.'000	2023 LKR.'000
Short term employment benefits	358,414	288,835	343,144	255,106
Post employment benefits-defined contribution plans	29,870	29,200	28,260	25,155
	388,284	318,035	371,404	280,261

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 and termination benefits 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 2023/24 LKR' 000	Aggregate value of related party transactions as a % of net revenue	Terms and conditions of the related party transactions
Unimo Enterprises Limited	Subsidiary	Intercompany loans granted/ settled and investment in commercial papers	1,395,000	23%	11.5% - 25%
U M L Heavy Equipment Limited	Subsidiary	Intercompany loans granted/ settled and investment in commercial papers	517,316	8%	11.5% - 25%

40.6 Recurrent Related Party Disclosures

Transactions with subsidiaries and related entities.

a. Transactions with subsidiaries

Company	UEL LKR '000	U M P D L LKR '000	U M L Heavy LKR '000	DLE LKR '000	Total 2023/24 LKR '000	Total 2022/23 LKR '000
Sale of spare parts	3,467	-	-		3,467	7,441
Purchase of tyres	7,575	-	-		7,575	1,971
Sale of fixed assets	-	-	50		50	64
Purchase of spare parts	702	-	-		702	-
Sale of lubricants	692	-	54,666	270	55,628	1,986
Repairs and services provided	223,744	-	1,603	129	225,476	127,649
Services obtained	-	-	2,083		2,083	2,002
Purchase of vehicles	9,250	-	-		9,250	-
Interest received	232,148	-	124,188		356,336	595,766
Interest paid	-	3,167	-		3,167	4,997
Expenses incurred	632,740	2,769	27,455		662,964	88,807
Reimbursement of expenses	6,560	-	-		6,560	7,023
Hiring income received	7,090	-	1,670		8,760	4,279
Hiring rentals paid for vehicles	801	-	-		801	801
Rentals received for premises occupied	37,787	-	-		37,787	40,396
Rentals paid for premises occupied	-	98,043	-		98,043	98,043
Commission on sales	-	-	961		961	-
Fees on financial services provided	82,856	-	7,301		90,157	90,600
Dividend received	-	51,000	-		51,000	43,031
Investments in commercial papers	610,000	-	-		610,000	1,753,800
Settlement of commercial papers including interest	2,736,334	-	406,940		3,143,274	1,547,847
Loans granted	785,000	-	517,316		1,302,316	73,600
Loans settlements	785,000	-	180,000		965,000	73,600

b. Transactions between subsidiaries

Unimo Enterprises Limited with U M L Heavy Equipment Limited

	Total 2023/24 LKR '000	Total 2022/23 LKR '000
Reimbursement of expenses	5,926	1,265
Sale of spare parts	1,078	-
Sale of fixed assets	-	3,469
Services obtained	881	
Expenses incurred	1,893	-

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

	Total 2023/24 LKR '000	Total 2022/23 LKR '000
United Motors Lanka PLC		
Repairs and services provided	2,088	1,979
Unimo Enterprises Limited		
Reimbursement of expenses	-	67
Sale of vehicle	-	8,845

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

	Total 2023/24 LKR '000	Total 2022/23 LKR '000
Repairs and services provided	820	369

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 usually paid within 30 - 60 days.

41. CONSOLIDATION

The consolidated financial statements of the Company's shareholding as at 31 March 2024 are in the proportions indicated below.

Subsidiary	Ownership interest	
	2024	2023
Unimo Enterprises Limited	100%	100%
U M L Property Developments Limited	100%	100%
U M L Heavy Equipment Limited	100%	100%
Dutch Lanka Trailer Manufacturers Limited	100%	-
Dutch Lanka Engineering Private Limited	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	
	2024	2023
	LKR '000	LKR '000
Parent company	355,875	552,516
Subsidiaries	(730,793)	(717,380)
	(374,918)	(164,864)
Inter-company elimination	101,971	33,773
Consolidated loss after income tax expenses	**(272,947)**	**(131,091)**

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 first and final dividend of LKR. 1.50 per share for the year ended 31 March 2024 amounting to LKR. 151,350,939 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 2024.

Appointment of Director

Mr. V. Govindasamy has been appointed to the Board as an Independent Non-Executive Director w.e.f. 15 May 2024.

Other matters

Temporary suspension of Imports

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

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

SHARE INFORMATION

The audited income statement for the year ended 31 March 2024 and the audited statement of financial position as at March 31, 2024 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 2022/23).

The Company duly submitted the audited interim financial statements for the year 2023/24 to the CSE within applicable statutory deadlines (The Company also duly complied with this requirement for 2022/23).

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 2024 was 3,632 (3,609 as at 31 March 2023).

a) Resident/non-resident as at 31 March 2024

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	2,381	796,799	0.79	29	15,066	0.01	2,410	811,865	0.80
1,001 - 10,000	1,039	3,609,053	3.58	19	76,823	0.08	1,058	3,685,876	3.66
10,001 - 100,000	131	3,096,814	3.07	8	341,149	0.34	139	3,437,963	3.41
100,001 - 1,000,000	17	3,616,501	3.58	--	-	0.00	17	3,616,501	3.58
Over 1,000,000	6	78,232,768	77.53	2	11,115,653	11.02	8	89,348,421	88.55
Total	**3,574**	**89,351,935**	**88.55**	**58**	**11,548,691**	**11.45**	**3,632**	**100,900,626**	**100.00**

b) Individuals/institutions

	31 March 2024			31 March 2023		
	No of shareholders	Total holdings No. of shares	% of total holdings	No of shareholders	Total holdings (No. of shares)	% of Total holdings
Individuals	3,495	36,537,866	36.21	3,471	36,557,407	36.23
Institutions	137	64,362,760	63.79	138	64,343,219	63.77
Total	**3,632**	**100,900,626**	**100.00**	**3,609**	**100,900,626**	**100.00**

c) Public shareholding

	31 March 2024	31 March 2023
Percentage (%)	24.48	24.47
No. of shareholders	3,567	3,593
The float adjusted market capitalization (LKR)	1,432,417,474	1,479,333,109

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

SHARE INFORMATION

3. SHARE TRADING

	2023/24	2022/23	2021/22	2020/21	2019/20
Market					
Number of transactions	3,134,737	4,720,261	8,698,799	4,762,434	1,255,759
Number of shares traded	15,191,687,864	21,853,709,928	54,819,648,085	37,966,240,706	10,255,022,162
Value of shares traded (LKR million)	376,004	500,918	1,151,628	675,136	186,176
Market days	238	235	240	229	231
Company					
Number of transactions	2,198	2,139	6,874	5,455	1770
Number of shares traded	736,305	1,858,045	6,843,652	6,282,463	1,662,689
Value of shares traded (LKR million)	47	107	600	409	109
Market days	214	211	234	210	204

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
2023/24	14,625	100.90	5,852.24	4,534.65	0.13	112
2022/23	14,240	100.90	6,043.95	3,903.54	0.15	107
2021/22	13,812	100.90	5,559.62	3,826.50	0.15	107
2020/21	13,315	100.90	5,821.97	3,111.26	0.19	99

b) Market prices

	2023/24	2022/23	2021/22	2020/21	2019/20
Highest (LKR)	80.00 (22.08.2023)	67.50 (05.04.2022)	110.00 (16.12.2021)	83 (18.12.2020)	80.00 (29.07.2019)
Lowest (LKR)	50.00 (31.05.2023)	50.00 (29.08.2022)	55.00 (20.04.2021)	45.00 (01.06.2020)	45.00 (20.03.2020)
Last Traded Prices (LKR)	58.00 (28.03.2024)	59.90	55.10	57.70	66.80

5. DIVIDENDS PAID

	2023/24	2022/23	2021/22	2020/21	2019/20
Dividends (LKR'000)	126,126	151,351	252,252	151,351	403,603
Profit (LKR'000)	355,875	552,516	272,806	766,639	117,327
Dividends payout ratio	35.44	27.39	92.47	19.74	344.83
Dividends per share (LKR)	1.25	1.50	2.50	1.50	4.00

6. VALUE CREATION FOR SHAREHOLDERS

	2023/24	2022/23	Change %
Net asset value per share - Company (LKR)	144.95	141.12	2.71
Earnings per share - Company (LKR)	3.53	5.48	(35.58)
Market price per share - Company (LKR)	58.00	59.90	(3.17)
Return on equity (%) after tax - Company (LKR)	2.43	3.88	(37.37)

7. TWENTY LARGEST SHAREHOLDERS

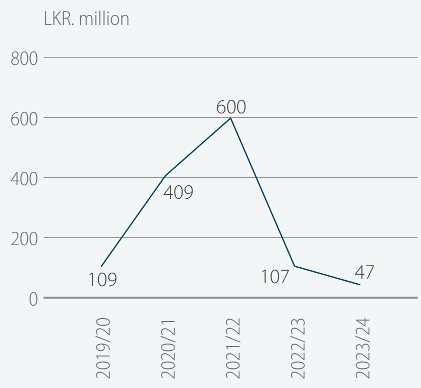
Shareholder	31 March 2024		31 March 2023	
	No. of shares	%	No. of shares	%
R I L Property PLC	51,459,320	51.00	51,459,320	51.00
Ms. R.R. Takahashi	11,762,041	11.66	11,762,041	11.66
Mr. M.A. Yaseen	11,178,511	11.08	11,178,511	11.08
Ms. S.M. Chrysostom	6,945,471	6.88	6,945,471	6.88
Mitsubishi Motors Corporation	4,937,142	4.89	4,937,142	4.89
Mr. C. Yatawara	1,696,193	1.68	1,696,193	1.68
Mr. A.M. Weerasinghe	1,369,743	1.36	1,369,743	1.36
Amana Bank PLC/Mr. M.Z.M. Ghouse	636,500	0.63	636,000	0.63
Rubber Investment Trust Ltd A/C No.01	389,427	0.39	389,427	0.39
Seylan Bank PLC /Mr. M.N. Deen	359,175	0.36	359,175	0.36
Amana Bank PLC/Mr. M.N. Deen	255,683	0.25	255,683	0.25
Mr. S.D. Yaseen	243,300	0.24	243,300	0.24
Ms. L.E.M. Yaseen	200,000	0.20	200,000	0.20
Mr. M.S. Bahaudeen	200,000	0.20	184,497	0.18
Hatton National Bank PLC/Mr. Mohamed Zulficar Mohamed	171,000	0.17	171,000	0.17
Mr. P. Rathnayaka	156,000	0.16	156,000	0.16
Mercantile Investments and Finance PLC	150,000	0.15	150,000	0.15
Mr. S.A.C. Keerthisinghe & Ms. D.M.J.S. Dissanayaka	141,000	0.14	131,000	0.13
Akbar Brothers Pvt Ltd A/C No. 1	136,648	0.14	136,648	0.14
Mr. M. Anndreino Yaseen	119,430	0.12	119,430	0.12
Total	92,506,584	91.70	92,480,581	91.67

SHARE INFORMATION

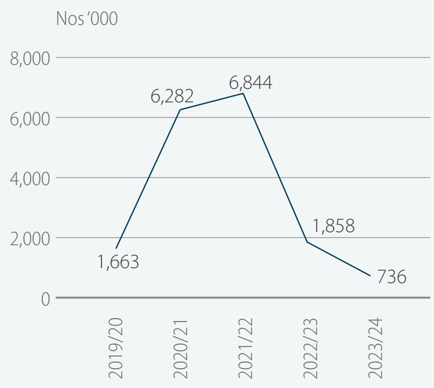
8. DIRECTORS' SHAREHOLDING

Name of Director	Capacity	No of shares as at 01 April 2023	% of total holdings	Movement during the year	No of shares as at 31 March 2024	% 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. Thushara Jayasekara	Executive Director	-	-	-	-	-

LAST TRADED PRICES



VALUE OF SHARES TRADED



NUMBER OF SHARES TRADED

TEN YEAR SUMMARY - GROUP

(in LKR '000)

Reported as per	SLFRS / LKAS									
For the year ended 31 March	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Turnover	11,577,471	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
Profit before taxation	(244,212)	(312,436)	449,235	646,392	(547,882)	423,468	866,458	1,438,602	2,353,603	1,625,881
Income tax	(28,735)	181,345	(134,217)	(142,717)	138,207	12,455	(197,558)	(312,495)	(651,380)	(363,549)
Profit for the year	(272,947)	(131,091)	315,018	503,675	(409,675)	435,923	668,900	1,126,107	1,702,223	1,262,332
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	6,051,377	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
Other components of the equity and retained earnings	7,037,536	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
Shareholders' funds	13,425,748	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
Total equity	**13,425,248**	**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**
Assets employed										
Current assets	9,453,053	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
Non current assets	11,070,504	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
Total assets	20,523,557	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
Current liabilities	(5,654,039)	(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)
Non current liabilities	(1,444,270)	(1,210,085)	(809,258)	(782,089)	(671,926)	(360,265)	(252,790)	(212,865)	(181,188)	(181,374)
Total liabilities	(7,098,309)	(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)
Net assets	**13,425,248**	**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**
Profitability										
Earnings per share (LKR)	(2.71)	(1.30)	3.12	4.99	(4.06)	4.32	6.63	11.16	16.87	12.51
Net assets per share *										
At the year end (LKR)	133.05	135.07	137.55	131.81	126.08	127.64	125.87	106.46	102.20	103.42
Return on average										
Net assets (%)	(2.03)	(0.96)	2.27	3.79	(3.32)	3.38	5.27	10.48	16.51	12.10
Others										
Market price per share (LKR)	58.00	59.90	55.10	57.70	45.40	66.80	76.00	78.00	83.00	88.10
Price-to-earnings ratio	(21.44)	(46.11)	17.66	11.56	(11.18)	15.46	11.46	6.99	4.92	7.04
Annual sales growth (%)	7.83	(16.67)	(4.83)	37.50	(22.90)	(13.23)	(17.90)	17.13	45.22	(4.55)
Current ratio (times)	1.67	2.12	1.93	2.06	1.62	2.10	2.39	1.70	1.90	2.88

* *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 2024*

INVESTOR INFORMATION

Year		Shares at the beginning	Issued during the year	Stated Capital	Market Value Per Share (Last Traded Price)
				(LKR)	(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
2023/2024		100,900,626	-	336,335,420	58.00

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

ACCRUAL BASIS
Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

ACTUARIAL GAINS AND LOSSES
Is the effect of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

AMORTIZATION
The systematic allocation of cost of an intangible asset over its useful life.

AMORTIZED COST
Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

CAPITAL RESERVES
Reserves identified for specific purposes and considered not available for distribution.

COLLECTIVE IMPAIRMENT
Impairment assessment on a collective basis for receivables with similar risk characteristics that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date.

CONTINGENCIES
Conditions or situations at the reporting date, the financial effects of which are to be determined by the future events which may or may not occur.

CURRENT RATIO
Current assets divided by current liabilities.

CURRENT SERVICE COST
Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

DEFERRED TAXATION
Sum set aside for income tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

DEPRECIATION
The systematic allocation of the depreciable amount as an asset over its useful life.

DIVIDEND COVER
Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

DIVIDEND PAY-OUT
Dividend per share as a percentage of the earnings per share.

DIVIDEND YIELD
Dividend earned per share as a percentage of market price of the share.

EARNINGS PER SHARE
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

EFFECTIVE TAX RATE
Income tax expenses divided by profit from ordinary activities before tax.

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

EXPECTED CREDIT LOSSES (ECLS)
ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted outcome of the probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

EXPOSURE AT DEFAULT
The exposure at default represent the expected exposure in the event of a default.

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

GLOSSARY OF FINANCIAL TERMS

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.

LOSS GIVEN DEFAULT
The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. Net assets value against the total exposure of the borrower is considered for the loss given default.

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.

PROBABILITY OF DEFAULT
The probability of default is an estimate of likelihood of borrower defaulting on its financial obligations.

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.

SPECIFIC IMPAIRMENT PROVISIONS
Impairment is measured individually for receivables that are individually significant.

NOTICE OF MEETING

Notice is hereby given that the Thirty-Fifth (35th) Annual General Meeting of United Motors Lanka PLC will be held on Friday, 28 June, 2024 at 9.00 a.m. at the Renuka City Hotel, No. 328, Galle Road, Colombo 3, 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 2024 and the Report of the Auditors thereon.

02. (i) To re-elect, Ms. Hiroshini Fernando who retires by rotation in terms of Article 83 of the Articles of Association of the Company.

    (ii) To re-elect, Mr. V. Govindasamy in terms of Article 89 of the Articles of Association of the Company.

03. To declare a first & final dividend of LKR 1.50 per share for the year ended 31 March 2024 as recommended by the Directors.

04. To re-appoint Messrs. Deloitte Partners, 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 2024/25.

06. To consider any other business of which due notice has been given.

By Order of the Board

RLHisham

Ms. Rinoza Hisham
Company Secretary

Colombo
28 May 2024

Notes

- Any member of the Company who is entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of him/her.
- To be valid the completed form of proxy must be deposited at the Registered Office of the Company situated at No. 100, Hyde Park Corner, Colombo 2 not less than forty eight (48) hours before the appointed hour of the meeting.
- A proxy need not be a member of the Company.
- A form of proxy is enclosed in this Report.

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FORM OF PROXY

I/We ....

of .... being a shareholder/ shareholders of

United Motors Lanka PLC, hereby appoint ....

of .... whom failing

1) Mututantrige Parakrama Devaka Cooray of Colombo or failing him
2) Chanaka Yatawara of Colombo or failing him
3) Ananda Wijetilaka Atukorala of Colombo or failing him
4) Ramesh Hiran Yaseen of Colombo or failing him
5) Ladduwa Kovisge Anne Hiroshini Fernando of Colombo or failing her
6) Stuart Anthony Chapman of Colombo or failing him
7) Miriam Coralie Pietersz of Colombo or failing her
8) Thushara Banda Abeykoon Jayasekara of Colombo or failing him
9) Visvanathamoorthy Govindasamy of Colombo or failing him

as my/our proxy to represent me/us and* .... to vote on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held on Friday, 28 June, 2024 at 9.00 a.m at the Renuka City Hotel, No. 328, Galle Road, Colombo 3, 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	Abstained
01.	To receive and consider the Annual Report of the Board of Directors, the Audited Financial Statements for the year ended 31 March 2024 and the Report of the Auditors thereon			
02.	To re-elect, Ms. Hiroshini Fernando as a Director of the Company			
03.	To re-elect, Mr. V. Govindasamy as a Director of the Company.			
04.	To declare a first & final dividend of LKR 1.50 per share for the year ended 31 March 2024, as recommended by the Directors.			
05.	To re-appoint Messrs. Deloitte Partners, Chartered Accountants, as the Auditors for the ensuing year			
06.	To authorize the Board of Directors to determine donations for 2024/25.			

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

....

Signature/s

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

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

INSTRUCTIONS 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 umlagm_egm2024@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
Messrs. Deloitte Partners
Charted Accountants
No. 100, Braybrook Place, Colombo 02

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

REGISTRARS
Central Depository Systems (Pvt) Limited
Ground Floor, M & M Center, 341/5, Kotte Road, Rajagiriya.
Tel: 0112356444
Email: registars@cse.lk

SUBSIDIARY COMPANIES
Unimo Enterprises Limited
U M L Heavy Equipment Limited
U M L Property Developments Limited
Dutch Lanka Trailer Manufacturers Limited
Dutch Lanka Engineering (Pvt) 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 *(Resigned w.e.f. 31 March 2024)*
Mr. Stuart Chapman
Ms. Coralie Pietersz
Mr. Junya Takami
Mr. Thushara Jayasekara
Mr. V. Govindasamy *(Appointed w.e.f.15 May 2024)*

Company Secretary
Ms. Rinoza Hisham

BOARD AUDIT AND RISK COMMITTEE
Ms. Coralie Pietersz - *Chairperson*
Ms. Hiroshini Fernando
Mr. Stuart Chapman

REMUNERATION COMMITTEE
Mr. Stuart Chapman - *Chairman*
Mr. Devaka Cooray *(Appointed w.e.f. 28 March 2024)*
Ms. Coralie Pietersz *(Appointed w.e.f. 28 March 2024)*
Ms. Hiroshini Fernando

NOMINATION AND GOVERNANCE COMMITTEE
Mr. Stuart Chapman - *Chairman*
Mr. Devaka Cooray *(Appointed w.e.f. 28 March 2024)*
Ms. Hiroshini Fernando

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE
Mr. Stuart Chapman - *Chairman*
Mr. Ananda Athukorala
Ms. Coralie Pietersz *(Appointed w.e.f. 28 March 2024)*

STRATEGY REVIEW COMMITTEE
Mr. Stuart Chapman - *Chairman*
Mr. Devaka Cooray
Ms. Hiroshini Fernando
Mr. Chanaka Yatawara
Mr.Thushara Jayasekara

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

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

Concept & Designed by
Copyline
a great equation

United
Motors

www.unitedmotors.lk