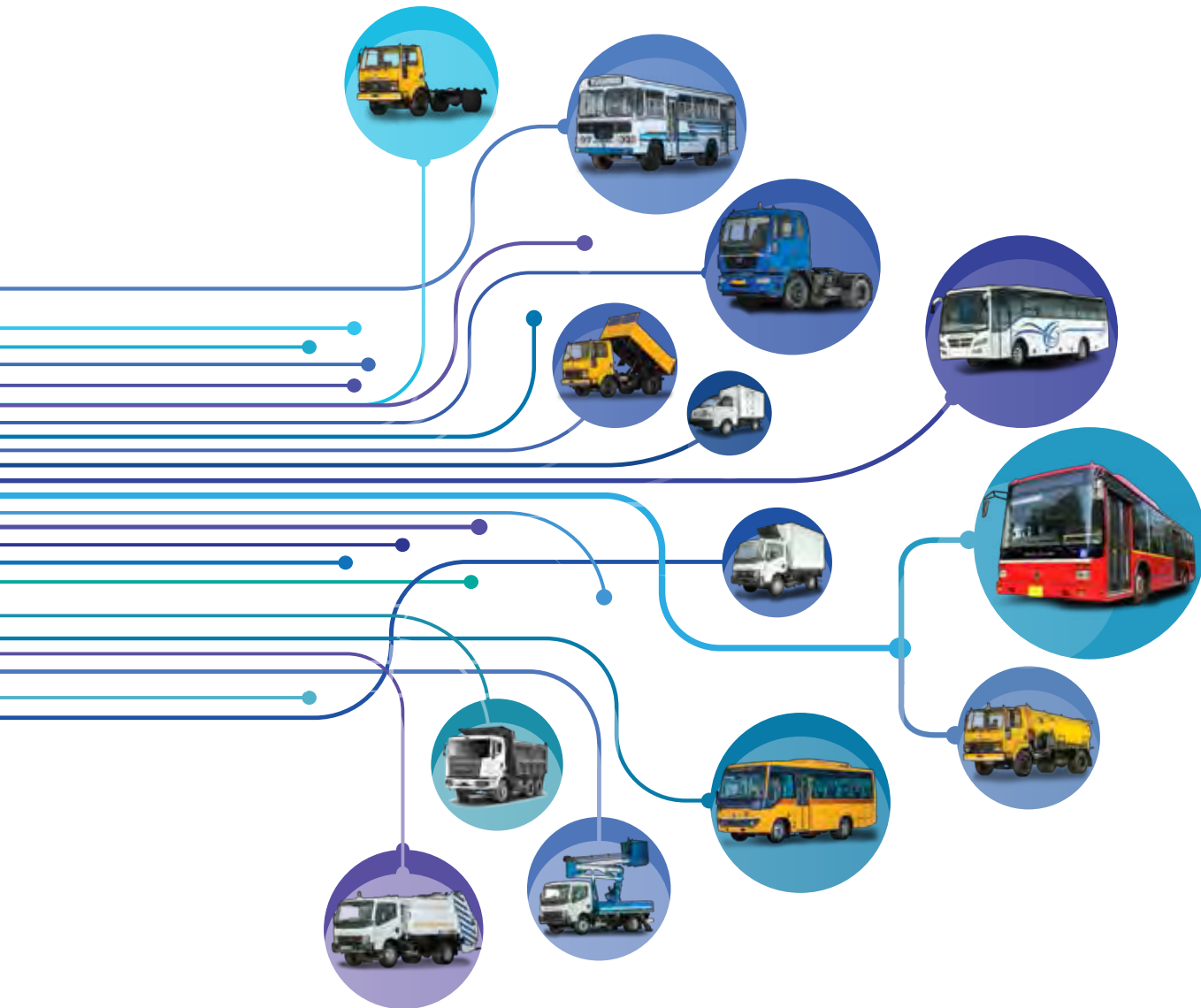




LAL LANKA ASHOK LEYLAND PLC



VISION

To be the leading Corporate stakeholder in
nation's transportation infrastructure

MISSION

To cultivate a flexible and productive
workforce centered on our customer's
needs and requirements, capable to quickly
adapt and innovate transport solutions to
become the most trusted partner for mobility
solutions in the Country

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ABOUT THE COMPANY

Lanka Ashok Leyland PLC was incorporated in 1982, with 41.77% of Share Capital held by Lanka Leyland Limited, a fully owned Company of the Government of Sri Lanka and 27.85% of the Share Capital held by Ashok Leyland Limited - India. The Company was Listed in Colombo Stock Exchange in 1983. Lanka Ashok Leyland PLC has 16 sales outlets 22 authorized service centers spread throughout the country and the main factory compound is located at Panagoda, Homagama.

MAIN ACTIVITIES

The main activities are:

Import and marketing of Commercial Vehicles, Spare Parts and Power Generators.

Assembly and progressive manufacture of Ashok Leyland commercial vehicles, with technical assistance from Ashok Leyland Limited, India.

Fabrication of bowzers, other steel and aluminum bodies for Trucks.

Truck body building for special requirements and building of driver's cabins.

Rehabilitation of old and accidental vehicles.

Provide day to day running repairs and services.

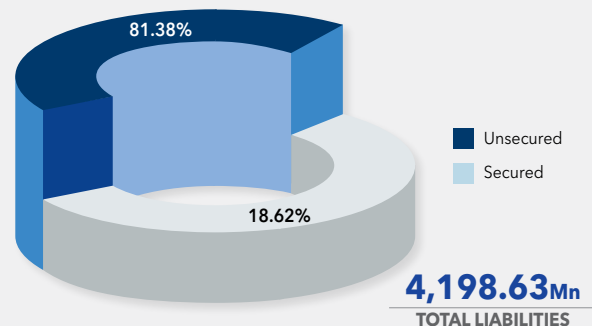
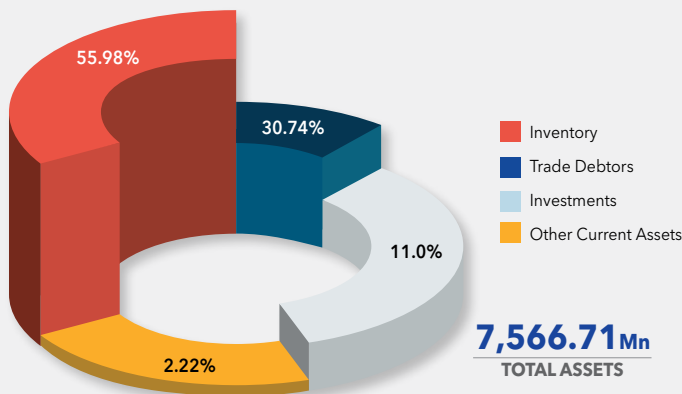
Let vehicles on hire.

Lanka Ashok Leyland PLC is an ISO 9001:2015 certified Company on Quality Management System of Marketing, Body Building and Repair of Commercial Vehicles.



FINANCIAL HIGHLIGHTS

3,368.09_{Mn}
NET WORTH



INVESTMENTS / OTHER NON CURRENT ASSETS	VALUE (Rs.)
Fixed Assets / Right-of-use Assets	645,336,980
Intangible Assets	9,729,965
Financial Investments	11,490,056
Deferred Tax Asset	170,720,440
SUBTOTAL	837,277,441

INVENTORY	VALUE (Rs.)
Vehicles	3,591,996,618
Spare Parts	481,160,613
Generators	25,099,310
Cabins / Bodies & Work in Progress	37,079,247
Goods in Transit	100,272,585
SUBTOTAL	4,235,608,373

TRADE DEBTORS	VALUE (Rs.)
Lease Customers	2,045,486,904
Other Customers	280,187,647
SUBTOTAL	2,325,674,551

OTHER CURRENT ASSETS	VALUE (Rs.)
VAT Recoverable	57,617,048
Advance / Deposit / Margin / Pre-payment	60,975,031
Other Receivables	41,639,113
Cash and Cash Equivalent	7,920,473
SUBTOTAL	168,151,665

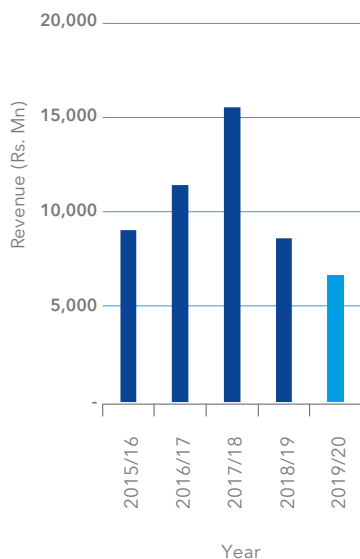
UNSECURED	VALUE (Rs.)
Retirement Benefits	91,493,075
Trade Payables	242,315,240
Accrued Expenses	63,611,501
Income Tax Liability	3,334,486
Amount due to Related Party	81,514,793
Other Payables & Warranty Provision	195,283,455
Lease Liability	104,306,010
SUBTOTAL	781,858,560

SECURED	VALUE (Rs.)
Import Loans	3,360,660,856
Bank Overdraft	56,107,020
SUBTOTAL	3,416,767,876

FINANCIAL HIGHLIGHTS (Contd.)

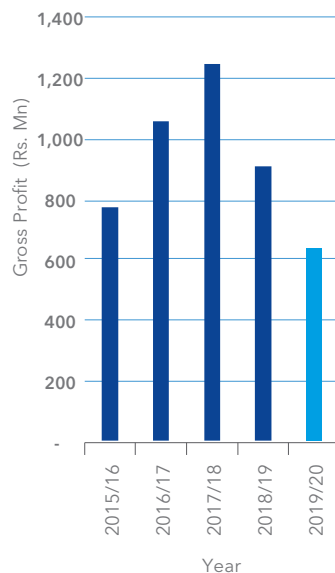
TURNOVER (Rs.)

6,718,236,808



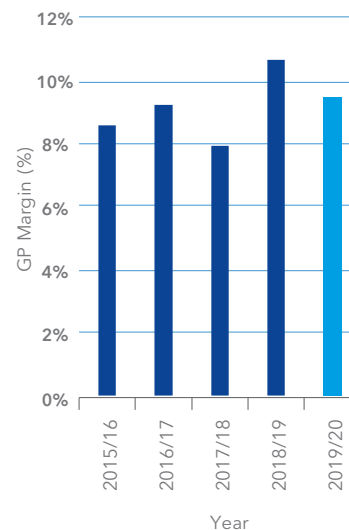
GROSS PROFIT (Rs.)

639,632,334



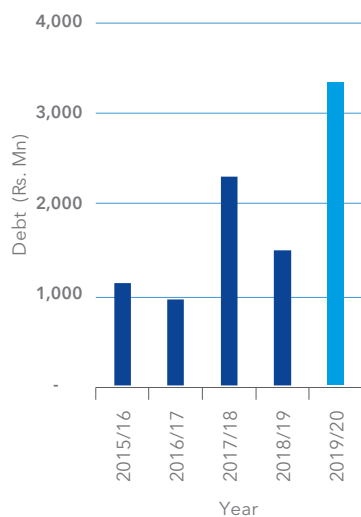
GP MARGIN

9.5%



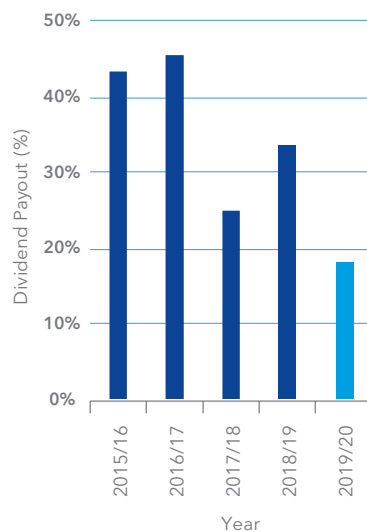
DEBT (Rs.)

3,360,660,856



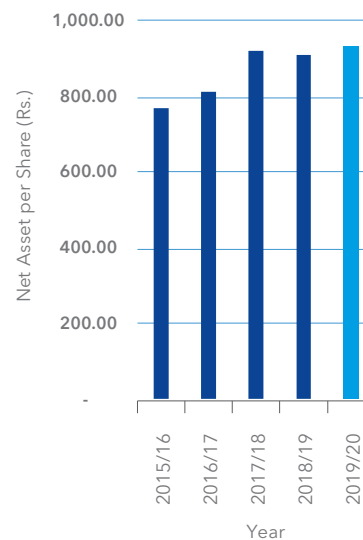
DIVIDEND PAYOUT






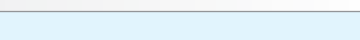







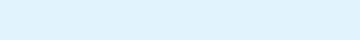




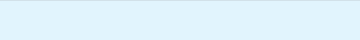

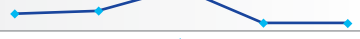
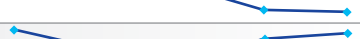




18%



NET ASSET PER SHARE (Rs.)

930.19



KEY PERFORMANCE INDICATORS	THIS YEAR (2019 / 20)	LAST YEAR (2018 / 19)		% CHANGE	5 YEAR TREND
OPERATING RESULTS					
TURNOVER (Rs.)	6,718,236,808	8,627,775,017	↓	-22%	
GROSS PROFIT (Rs.)	639,632,334	914,300,700	↓	-30%	
OPERATING PROFIT (Rs.)	244,731,830	332,883,307	↓	-26%	
PROFIT BEFORE TAX (Rs.)	20,620,061	116,928,902	↓	-82%	
PROFIT AFTER TAX (Rs.)	103,412,945	107,461,195	↓	-4%	
DIVIDEND (Rs.)	18,104,215	36,208,430	↓	-50%	
CAPITAL STRUCTURE					
EQUITY (Rs.)	3,368,085,594	3,313,629,235	↑	2%	
DEBT (Rs.)	3,360,660,856	1,523,125,333	↑	121%	
PROFITABILITY INDICATOR RATIOS					
GP MARGIN (%)	9.5%	10.6%	↓	-10%	
NP MARGIN (%)	1.5%	1.2%	↑	24%	
ROA (%)	1.4%	1.8%	↓	-24%	
ROE (%)	3.1%	3.2%	↓	-5%	
ROCE (%)	3.6%	6.9%	↓	-47%	
LIQUIDITY MEASUREMENT RATIOS					
CURRENT RATIO (NO OF TIMES)	1.26	2.07	↓	-39%	
QUICK RATIO (NO OF TIMES)	0.21	0.24	↓	-14%	
DEBT RATIOS					
GEARING RATIO (%)	50%	31%	↑	59%	
INTEREST COVER (NO OF TIMES)	1.08	1.51	↓	-29%	
EQUITY RATIOS					
NET ASSET PER SHARE (Rs.)	930.19	915.15	↑	2%	
EPS (Rs.)	28.56	29.68	↓	-4%	
DPS (Rs.)	5.00	10.00	↓	-50%	
PE RATIO	24.33	21.16	↑	15%	
DIVIDEND PAYOUT (%)	18%	34%	↓	-48%	
MARKET VALUE PER SHARE (Rs.)	695.00	628.00	↑	11%	
HIGHEST MARKET VALUE (Rs.)	960.00	1,000.00	↓	-4%	
LOWEST MARKET VALUE (Rs.)	600.00	600.00	→	0%	
MARKET CAPITALIZATION (Rs.)	2,516,485,885	2,273,889,404	↑	11%	

THE CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Stakeholder,

As we close the year, we review what has undoubtedly been a very challenging one for Sri Lanka and Lanka Ashok Leyland. The fiscal year began with a tragic loss of life through multiple bomb blasts targeting churches and hotels on 21st April 2019. The year ended with a complete shutdown of economic activity as the government enforced a mandatory lock-down to contain and control the spread of COVID-19 Corona-virus. Whilst adhering to instructions imposed by the Government, we complied with the work from the home option by using our technological solutions to ensure continuity of our business operations. The Risks associated with 'COVID 19' and the mitigating measures taken by the Company are addressed in Risk Management Report.

Despite the unprecedented disruption, I am proud of our Company for rising up to such adversity and persevering through the year. As we herald a new fiscal year, I know that Lanka Ashok Leyland will meet the challenge with diligence, care and courage. It is with this pride in our team and organization that I am pleased to present the annual review of Lanka Ashok Leyland for the fiscal year 2019/20.

Global Economy in 2019

The global economy grew 2.9% in 2019 amidst ongoing trade tensions between the United State and China. Emerging economies like China and India fared better but still underperformed with growth rates 6.1% and 4.2% respectively while the United States and the European Union managed 2.3% and 1.7% respectively.

The onset of the COVID-19 global pandemic in late 2019 has set the tone for 2020's outlook as mitigation efforts have resulted in a global economic downturn with the IMF forecasting global GDP growth to contract by 3%. The global health crisis has superseded all other macroeconomic and geopolitical considerations that would, under normal circumstances, inform our future outlook. Global trade and investment, tourism and industrial activity are now functions of how a country responds to its health crisis.

Sri Lankan Economy in 2019

As per Central Bank, Sri Lanka's GDP grew 2.3% in 2019 down from 3.3% and 3.6% in 2018 and 2017 respectively. Poor weather conditions during the year affected the agricultural sector which grew 0.6% cf. 6.5% a year earlier while fallout from the Easter attacks negatively affected the services sector which grew only 2.3% as opposed to 4.6% in 2018. Industrial activity grew by 2.3% in 2019 driven by manufacturing and an uptick in construction from a year earlier.

In November 2019, Sri Lanka elected a new president who enacted a slew of interest rate cuts and tax reductions to boost economic activity going into the New Year which would have been positive for economic activity however this has been upended by mitigation efforts in controlling the spread of COVID-19 in Sri Lanka.

Nevertheless, Sri Lanka is facing down a precarious external debt schedule with USD 5 Bn. on average to be paid over the next 3 years. A sharp fall in imports, mainly motor vehicles and gold, narrowed the trade deficit to USD 8 Bn. in 2019 compared to



THE CHIEF EXECUTIVE OFFICER'S REVIEW (Contd.)

USD 10.3 Bn. in 2018 whilst foreign Direct inflow in 2019 stood at USD 1.2 Bn., down 50% from 2018 and net receipts from tourism fell to USD 1.9 Bn., down from USD 2.7 Bn. a year earlier. Significant inflows through sovereign bond issuances, and IMF assistance helped mitigate some of the shortfalls and compensate for the outflows resulting in gross official reserves of USD 7.5 Bn., or 4-6 months of imports, at the end of March 2020 whilst the currency depreciated 7.1% to LKR 188.62 as of 31st March 2020 compared to LKR 176.13 at the end of March 2019.

Interest rates fell through the year as the government attempted to boost economic activity with the Standing Deposit Rate and Standing Lending Facility Rate both decreasing 100 basis points in 2019 to stand at 7% and 8% respectively.

The Central bank expects Sri Lanka to grow by 1.5% in 2020 with the growth coming in the final 2nd quarters of the year, however such with the uncertainty we face, it is difficult to ascertain the full impact of the lock-down and its impact on the economy going forward.

Transport Sector in 2019

The Easter Sunday attacks had a notable impact on the transport sector reducing the overall displacement for goods and people in the aftermath. Both passenger and goods transportation through road, railway and aviation modes declined during 2019 due to reduced activity in the economy. The effects of the government lock-down will have a more severe impact and will only be captured at the end of 2020.

The total operated Kilometrage of public and private bus transport decreased by 3.4% and 2.2% to 431.3 Mn. km and 1.1 Bn. km respectively in 2019, while total passenger Kilometrage recorded a significant reduction of 22.7% and 2.2% to 12 Bn. km and 54.2 Bn. km respectively compared to the preceding year.

The total number of buses owned by the SLTB increased by 4.3 per cent to 7,251, while the average number of buses operated by the SLTB declined by 2.8 per cent to 5,079 in 2019. Further, the total number of buses owned by the private sector declined marginally by 0.3 per cent to 19,979 from 20,030 of 2018. Lanka Ashok Leyland continues to be the dominant market leader in this space.

Road infrastructure picked up in 2019 from earlier years and the total length of National Highways (A and B class roads) maintained by the Road Development Authority (RDA) was approximately 12,220 km while the total length of expressways was 217.8 km, as at end 2019. The construction work related to the national expressway network continued during 2019 which included Phase III of the Outer Circular Highway (OCH), a 9.6 Km road between the Kadawatha and Kerawalapitiya interchanges with a link to the Colombo-Katunayake Expressway, was completed and opened to the public on 09th November 2019. Further, the extension of the Southern Expressway from Matara to Hambantota, including the expressway link to Mattala was completed and was opened to the public in February 2020 effectively connecting the country's two main ports and airports.





THE CHIEF EXECUTIVE OFFICER'S REVIEW (Contd.)

Financial Highlights

As the fiscal year began, Lanka Ashok Leyland anticipated sluggish demand as the country prioritized fiscal consolidation over higher economic output. Furthermore 2019 was a presidential election year, and it is normal for demand to weaken in the run-up as most of the business adopt a wait-and-see approach to investment decisions. The situation was also compounded by the tragic bombings which froze demand as companies held off on capital investment. Despite these economic headwinds, Lanka Ashok Leyland recorded a top line of LKR 6.7 Bn. in 2019, a 22% drop from a year earlier. Commercial vehicle sales made up 93% of total turnover with the balance 7% attributable to repair and maintenance, spare parts, generator sales and hiring income.

Excluding vehicle sales, the Company was able to show a modest increase across its other verticals posting a turnover of LKR 503.4 Mn., an improvement of 9% year on year driven by strong performance in the spare parts segment.

Higher input costs and aggressive provisioning resulted in a 30% reduction in gross profit to LKR 640 Mn. from LKR 914.3 Mn. a year ago leading to a gross profit margin contraction to just under 10%. The Company recognized a sizable surplus through the sale of depreciated inventory and scrap sales, which stood at LKR 293.6 Mn., a 471% increase compared to LKR 51.4 Mn. a year ago.

An increase in borrowings tied directly to revenue generating operations saw net interest expenses increase marginally by 4% to LKR 224.1 Mn. during the year while an income tax reversal was recorded during the year offsetting the higher interest expense. As a result net profit for the year 2019/20 stood at 103.4 Mn.

Even in the worst of times, the Company has continued to maintain a healthy balance sheet and this year is no exception. In light of the challenging months ahead the company has retained more liquidity while inventory fell 11% to LKR 4.2 Bn. Interest bearing liabilities have jumped 121% to LKR 3.36 Bn., the bulk of this is tied to an ongoing order which is being fulfilled.

Our healthy inventory position stands to benefit us as the Government has imposed import restrictions. We believe that our strong position will help us respond quickly to any pockets of demand across the island in the near term. We are proud to announce an island wide tie up with a financial institution to market our Light Commercial Vehicle – Dost across Sri Lanka as we hope to leverage our market position and our fiscal position to make inroads in this segment.

Corporate Social Responsibility

We understand that all our stakeholders are going through hardship and economic anxiety and have committed ourselves to prioritizing the welfare of our staff, their families and the communities we serve. We have begun extending support and assistance to our contract employees, dealers, suppliers and our customers who face hardships during this time.

Furthermore, we are in strict accordance with all the health and safety guidelines to ensure that our employees, and customers have all the necessary precautions when they are in our premises.

We have made provisions to support our affiliated educational institute where the continued education of the next generation of technicians will continue unhampered.

LAL Welfare Society continues with meaningful projects beneficial to the community and this year especially after the Easter attack and during COVID 19 pandemic their commitment, involvement and support to society was very well recognized and appreciated by all the stakeholders.

Looking Ahead

The current health crisis has already taken a severe toll on the economy and we will see the extent of this in the coming months. Most of the restrictions are expected to relax by August in time for the general election which will hopefully establish a stable government for the next few years. After August, economic activity is expected to gradually pick up in the tail end of the fiscal year.

There remains the risk of a resurgence of the virus which can lead to a reintroduction of mitigation protocols however we believe Sri Lanka may not have the appetite for another complete shutdown, and instead measures will be taken to balance economic activity with health and safety precautions going forward.

We remain hopeful in our ability to rise above adversity and are committed to ensuring that Lanka Ashok Leyland continues to be recognized as the leading commercial vehicle of choice in Sri Lanka.

Acknowledgments

Navigating this year could not have been possible without the untiring efforts of all our employees at Lanka Ashok Leyland. I would like to thank our principal Ashok Leyland, Joint Venture partner Lanka Leyland Limited, our Board of Directors and Management for their diligence, perseverance and guidance in steering the Company this year.

My sincerest gratitude to our employees who have been the life blood of the Company espousing the values this Company is built on through their dedication, grit and spirit. They have banded together despite their own personal hardships to form the tireless engine on which the Company runs on.

To our bankers, suppliers, shareholders and other stakeholders, I would like to thank you for your support and loyalty throughout the year. The strongest bonds are built through fire and adversity and I hope our relationships will be strengthened as we face the challenges ahead.

Finally, Lanka Ashok Leyland is where we are thanks to the trust, confidence and patronage of our customers and we remain thankful and committed to deliver to you the best transportation solution through our superior product range, and dedicated customer service. As we face the challenges ahead together, we are committed to repaying the faith you have placed in us.

Umesh Gautam
Chief Executive Officer
14th August 2020

BOARD OF DIRECTORS



Mr. A K S A JAYASENA

Chairman (Appointed w.e.f 29th January 2020)

Mr. Jayasena was appointed as the Non-Executive Non-Independent Chairman to the Board of Lanka Ashok Leyland PLC on 29th January 2020 and he also serves as the Chairman of Lanka Leyland Limited.

Mr. Jayasena has served as a Director-Business Development at Sustain Energy-New York and prior to that he was the Managing Director of Global Group of Companies in Sri Lanka and Singapore.

He has over 20 years' experience in mobile telecom industry, high tech digital technology and solar energy. Further, he is experienced in modern and high confidential security solutions and health & beauty care equipment.

Mr. Jayasena has completed his Bachelor's Degree in Accountancy and Finance at the University of Sabaragamuwa and he holds a Doctorate of Business Management (Honorary) from Holistic Medical Academy Chennai-India.



Mr. S L DEEN

Chairman (10th July 2019 - 29th January 2020)

Mr. S L Deen was appointed as the Non Executive Chairman to the Board of Lanka Ashok Leyland PLC on 10th July 2019. He has also served as a Director for Lanka Leyland Limited from 2010 - 2016 and as Chairman of Lanka Leyland Limited from July 2019.

Mr. Deen has also held the position of Executive Director State Trading Corporation Limited from 2015-2019.

He has served in Northern Province since 1982 and has held various positions including Regional Commissioner - Northern Province and Member of Provincial Public Service Commission.

Mr. Deen has graduated from University of Kelaniya and holds a Bachelor's Degree in Arts.



DR. M S MEERASAHIB

Chairman (Resigned w.e.f 21st May 2019)

Dr. Meerasahib was appointed as the Non-Executive Chairman to the Board of Lanka Ashok Leyland PLC on 12th November 2016 and he served as the Chairman of Lanka Leyland Limited. Dr. Meerasahib is the Founder Chairman of Metropolitan College and he is a Consultant for the Ministry of Industry and Commerce and is the former Mayor of Kalmunai Municipal Council.

Dr. Meerasahib holds a PhD in Education Management from Metropolitan University and a Master of Business Administration from Girne American University. He also holds a Post Graduate Diploma in Management Studies from City of London College, Diploma in Business Administration and a Diploma in Business Management from East London College.

Dr. Meerasahib holds fellow Memberships of OTHM Qualifications (FOTHM), UK 2015 - Ofqual-regulated awarding body - UK, Institute of Administrative Management (IAM) UK and the Association of Business Executives - UK.

He is also conferred with Sama Sri, Desamanya, Lanka Putra, Makkal Nasar, Samuga Jothi and Marytha Mani fellowships and awards.

BOARD OF DIRECTORS (Contd.)



MR. D P KUMARAGE

Independent Director

Mr. Kumarage was appointed as a Non-Executive Independent Director to the Board of Lanka Ashok Leyland PLC in July 2009. He was formerly CEO of People's Leasing & Finance PLC since 1997. He was also the Managing Director of many other subsidiary companies of People's Leasing and Finance PLC. Mr. Kumarage is the Vice President of the Asian Leasing and Finance Association.

Mr. Kumarage has over 39 years' experience in Banking and Finance and the former Chairman of the Leasing Association of Sri Lanka. Prior to joining People's Leasing and Finance PLC he served People's Bank as the Deputy General Manager. He holds a Postgraduate Diploma in Modern Banking and is a passed Finalist of the Chartered Institute of Management Accountants, UK.



MR. N SUNDARARAJAN

Independent Director

Mr. Sundararajan was appointed in July 2009, as a Non-Executive Independent Director on the Board of Lanka Ashok Leyland PLC. Mr. Sundararajan was formerly the Executive Director and Company Secretary of Ashok Leyland, India.

He is currently also Independent Director of CMIFPE Ltd, India, (Manufacturers of cold rolling mills, etc. for steel plants) and of Global TVS Bus Body Builders Ltd., India, (Manufacturers of specialised bus bodies).

He is a Commerce Graduate, Cost Accountant, and a Management Professional, with background in Law also. He has over 40 years of full-time industrial experience in varied industries such as iron & steel, textiles, rubber, batteries, and transport, and has handled several international acquisitions, joint ventures, etc. He has also been a Senior Assessor of Business Excellence, and has been a member of several all-India Committees on General Insurance.



MR. GOPAL MAHADEVAN

Non-Executive Director

Mr. Gopal Mahadevan was appointed as a Non-Executive Director to the Board of Lanka Ashok Leyland PLC in September 2013. He is the President - Finance, CFO and also Whole Time Director of Ashok Leyland Limited, India.

Prior to Ashok Leyland, Mr. Gopal was working with Thermax Ltd, Pune, as Group CFO, where he had a 7 year stint. Prior to Thermax, he was Group CFO of Amara Raja Batteries Ltd, an equal Joint Venture with Johnson Controls Inc, USA, for over 5 years. During his career Gopal has worked in Sify, Sanmar Group as well as in TTK Pharma.

Mr. Gopal Mahadevan is a Chartered Accountant and a Company Secretary with over 29 years' experience in Finance function across a variety of industries. He was awarded The Best CFO (Capital Goods & Engineering Industry) by the Institute of Chartered Accountants of India in 2011. He was also awarded the best CFO in the year 2010 by YES Bank Business Today and in 2012 by CNBC TV18 respectively.

BOARD OF DIRECTORS (Contd.)



MR. D A ABEYAWARDENE

Independent Director

Mr. Abeyawardene was appointed as a Non-Executive Independent Director to the Board of Lanka Ashok Leyland PLC in November 2016. He is the Proprietor of D A Abeyawardene Associates, Chartered Accountants and is also a Partner at Hulangamuwa & Cooray, Chartered Accountants.

Mr. Abeyawardene is the Managing Director of Siyasee (Pvt) Limited and also a Director of Corporate Strategic Solutions (Pvt) Limited.

Mr. Abeyawardene has over 48 years' experience in Financial Management positions in several disciplines including manufacturing, shipping, garment industry, government boards etc. He joined Lanka Ashok Leyland PLC at the time of inception as the Finance Manager / secretary and held the position of General Manager / Secretary till 1999.

Mr. Abeyawardene is a Fellow member of the institute of Chartered Accountants of Sri Lanka.



MR. W H C P S WIJESEKARA

Non-Executive Director (Appointed w.e.f 29th January 2020)

Mr. Wijesekara was appointed as a Non-Executive Non-Independent Director to the Board of Lanka Ashok Leyland PLC on 29th January 2020 and currently he serves as a Director of Lanka Leyland Limited.

Mr. Wijesekara has over 22 years of experience in holding managerial positions in multiple hotels in Dubai and Maldives and also expertise in purchasing, supply chain management and logistics. Further he has experience in handling Health and Safety issues in the Hospitality industry.



MR. NITIN SETH

Non-Executive Director (Appointed w.e.f 29th January 2020)

Mr. Nitin Seth was appointed as a Non-Executive Director to the Board of Lanka Ashok Leyland PLC on 29th January 2020. He is the Chief Operating Officer of Ashok Leyland Limited, India.

Mr. Nitin Seth completed his Bachelors in Engineering from Birla Institute of Technology and Science, Pilani and Post-Graduation in Business Management from University of Mumbai. He is a recipient of Full bright - CII fellowship from Carnegie Mellon University, Pittsburg (USA) and has also undergone leadership Training at the Harvard Business School, Wharton School in USA.

Mr. Nitin Seth has over 30 years of experience in the automotive industry in the realms of sales and marketing in Domestic and International Markets & Product Development. Prior to joining Ashok Leyland, he was the Head (Sales and Marketing) for Cars (Indica, Indigo & Nano) at Tata Motors and has additionally held various key leadership positions. He was one of the key members in launching the passenger car business at Tata Motors in 1999.

BOARD OF DIRECTORS (Contd.)



MR. A K M JAHANSER

Non-Executive Director (Resigned w.e.f 29th January 2020)

Mr. Jahanser was appointed as a Non-Executive Director to the Board of Lanka Ashok Leyland PLC on 12th November 2016 and he served as an Executive Director of Lanka Leyland Limited.

He has served as Public Relations Officer to the Hon. Minister of Industry and Commerce during 2012-2014 and as Coordinating Secretary since 2014 to date.

He holds a Bachelor's degree from GIRNE American University and he also holds a Diploma in Business Management from OTHM UK.



MR. RAJIVE SAHARIA

Non-Executive Director (10th July 2019 - 29th January 2020)

Mr. Rajive was Non-Executive Director to the Board of Lanka Ashok Leyland PLC. He is the President, International Operation of Ashok Leyland Limited, India.

Having held senior positions in leading organizations, both in India and overseas, Mr. Rajive has a comprehensive experience in the automotive sector. He joined Ashok Leyland in the year 2007 as Executive Director - Marketing. After having been at the helm of the trucks division as President - Global Trucks/Buses from 2013 to 2016, he has currently taken over the portfolio of President - International Operations and is based out of the organizations IO headquarters in Dubai.

Mr. Rajive is currently holds directorships in M/s Ashok Leyland (UAE) L.L.C., U.A.E, M/s Ashok Leyland West Africa SA, Ivory Coast and M/s Ashok Leyland L.L.C., Russia.

Mr. Rajive earned his BE in Mechanical Engineering from the University of Mumbai.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors is pleased to present the **Thirty Seventh** Annual Report of your Company together with the audited Financial Statements and the Auditor's Report for the financial year ended 31st March 2020 confirming to all relevant statutory and compliance requirements.

The details set out herein provide the related information required by the Companies Act, No. 07 of 2007, Colombo Stock Exchange Listing Rules and are guided by recommended best practices on Corporate Governance.

The table of disclosures in pages 20 to 27 given under Corporate Governance, list out the disclosures required by the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

PRINCIPAL ACTIVITIES AND STATE OF AFFAIRS OF THE COMPANY

The principal activities of the Company include import and marketing of Ashok Leyland buses, trucks, truck chassis, spare parts, power generators, accessories and let vehicles on hire. The Company also carries out repairs and restoration of commercial vehicles including body fabrication on goods and passenger chassis.

There was no significant change in the nature of principal activities of the Company during the year under review that may have significant impact on the state of affairs of the Company.

VISION, MISSION AND VALUE STATEMENT

The Company's vision and mission statements are available on page 01. The strategic directions are developed in line with the vision and the employees are guided according to the mission and values of the Company. The operations of the Company are conducted with the highest level of ethical standards and integrity at all times.

REVIEW OF PERFORMANCE AND FUTURE DEVELOPMENTS

A review of performance of the year under review and the future prospects including goals and strategies of the Company is contained in the Chief Executive Officer's Review and in the Financial Performance Review of the Company.

Information on future developments and an assessment, to the extent possible considering the current volatile and evolving landscape relating to the COVID-19 pandemic, are contained in the Chief Executive Officer's Message of this Annual Report. The Board also assessed the financial outlook for the businesses of the Company and evaluated the impact on cash flows and the financial position of the Company and the various measures to ensure maintenance of the financial health of the Company.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company to present a true and fair view of the state of its affairs.

The Statement of Directors' Responsibility for Financial Reporting is given on page 41 which forms an integral part of the Annual Report of the Board of Directors.

DISCLOSURES

The Annual Report of the Company fulfills the disclosure requirements of the Sri Lanka Accounting Standards (SLFRs / LKASs), Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

FINANCIAL STATEMENTS

The Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRs / LKASs), Companies Act, No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange.

The Statements of Profit or Loss and Other Comprehensive Income, Financial Position, Cash Flows, Accounting Policies and Notes to the Financial Statements are given on pages 46 to 99. The aforementioned Financial Statements for the year ended 31st March 2020 signed on behalf of the Board by the Chairman, a Director, Chief Executive Officer and Manager - Finance are given on page 47.

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

M/s. KPMG performed the statutory audit of the Financial Statements and the Auditor's Report is given on pages 43 to 45.

SIGNIFICANT ACCOUNTING POLICIES

Preparation of the Financial Statements of the Company has been consistent with the previous financial year. The significant accounting policies adopted in the Financial Statements are given on pages 50 to 64 of this Annual Report.

Except for the changes set out in Note 3.1 there were no changes in the accounting policies adopted by the Company during the year under review.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

PROFIT AND APPROPRIATIONS

	2019/20 Rs.	2018/19 Rs.
Profit		
Profit after taxation	103,412,945	107,461,195
Other Comprehensive Income	4,113,004	7,258,666
Total Comprehensive Income for the year	107,525,949	114,719,861
Profit brought forward from previous year	2,376,906,585	2,388,916,229
Adjustment on Initial Application SLFRS 16	(19,325,423)	-
Profit available for appropriation	2,465,107,111	2,503,636,090
Appropriations		
Unclaimed Dividend Reversed	2,464,263	-
Dividend Paid for previous year	(36,208,430)	(126,729,505)
Un-appropriated profit carried forward	2,431,362,944	2,376,906,585

DIVIDENDS

The Board of Directors have recommended payment of a first and final dividend of Rs. 5.00 per share (50%) (2018/19- Rs. 10.00 per share i.e. 100% on the paid-up value) for the year ended 31st March 2020.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act, No. 07 of 2007 for the final dividend proposed. The Solvency certificates have been obtained from the Auditors in respect of the final dividend proposed.

PUBLIC HOLDING AND THE MARKET VALUE OF SHARES

The last transaction prior to close of business on 31st March 2020, on the trading floor of the Colombo Stock Exchange was at a price of Rs. 695 per share. (Corresponding price on 31st March 2019 was Rs. 628 per share)

The number of ordinary shares held by the public as at 31st March 2020 was 1,100,011 (31st March 2019 - 1,100,011) which represent 30.38% (31st March 2019 - 30.38%) of the issued Share Capital of the Company.

RATIOS AND MARKET PRICE INFORMATION

Ratios relating to equity and debt and the market price information are given on pages 07 and 103 to 104.

STATED CAPITAL AND RESERVES

The Stated Capital of the Company as at 31st March 2020 amounted to Rs. 49,375,150 (31st March 2019 - Rs. 49,375,150), details of Stated Capital and Reserves are available in note 25 & 26 to the Financial Statements.

There has been no change in the Stated Capital during the year. Movements of the Reserves are shown in the Statement of Changes in Equity in the Financial Statements.

SHARE INFORMATION

Information relating to distribution of shareholdings, market value, public shareholding and top twenty shareholders are available on pages 101 to 102.

PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

The net book value of Property, Plant & Equipment and the Intangible Assets amounts to Rs. 655.07 Mn.

An analysis of the Company's Property, Plant & Equipment, and Intangible Assets are given in Note 15 and 16 to the Financial Statements.

MARKET VALUES OF THE PROPERTIES

The freehold land and buildings of the Company have been revalued by independent qualified valuers. The most recent valuation was conducted in 2016 and the values are disclosed under Note 15.1.1 to the Financial Statements in page 70.

CAPITAL EXPENDITURE

The total Capital Expenditure incurred on the acquisition of Fixed Assets and Intangible Assets during the year is given in Note 15 & 16 to the Financial Statements.

BOARD OF DIRECTORS

The Board of Directors consisted of 7 members during the year. The names of the Directors who held office during the financial year are given below. The profiles of directors appear on pages 11 to 14 and their memberships on the Board committees of the Company are given in page 18.

- Mr. A K S A Jayasena - Chairman (Non-Executive) - Appointed w.e.f 29th January 2020
- Mr. S L Deen - Chairman (Non-Executive) - 10th July 2019 to 29th January 2020
- Dr. M S Meerasahib - Chairman (Non-Executive) - Resigned w.e.f 21st May 2019
- Mr. D P Kumarage - Independent Director (Non-Executive)

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

- Mr. N Sundararajan - Independent Director (Non-Executive)
- Mr. Gopal Mahadevan - Director (Non-Executive)
- Mr. D A Abeyawardene - Independent Director (Non-Executive)
- Mr. W H C P S Wijesekara - Director (Non-Executive) - Appointed w.e.f 29th January 2020
- Mr. Nitin Seth - Director (Non-Executive) - Appointed w.e.f 29th January 2020
- Mr. A K M Jahanser - Director (Non-Executive) - Resigned w.e.f 29th January 2020
- Mr. Rajive Saharia - Director (Non-Executive) - 10th July 2019 to 29th January 2020

NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS DURING THE YEAR

During the year Dr. M S Meerasahib, Mr. Vinod K Dasari & Mr. A K M Jahanser were resigned from the Board and Mr. A K S A Jayasena, Mr. W H C P S Wijesekara & Mr. Nitin Seth were appointed to the Board.

Also Mr. S L Deen and Mr. Rajive Saharia were appointed to the Board on 10th July 2019 and resigned from the Board with effect from 29th January 2020.

RETIREMENT AND RE-ELECTION OF DIRECTORS

In terms of the Article 84 of the Article of Association of the Company, Mr. N Sundararajan retires by rotation and being eligible offers himself for re-election.

The agenda for the Annual General Meeting includes two separate ordinary resolutions to be taken up to re-elect as a Director, Mr. D P Kumarage and Mr. N Sundararajan, who are over the age of 70 years, as a Director by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not apply to Mr. D P Kumarage and Mr. N Sundararajan who are over the age of 70 years and that they be re-elected as Directors of the Company.

DIRECTORS' INDEPENDENCE

The Board carried out its annual evaluation of the Independence of Directors and accordingly Mr. D P Kumarage, Mr. N Sundararajan and Mr. D A Abeyawardene were confirmed to be Independent as per the provisions of the Listing Rules of the Colombo Stock Exchange. Each of the Independent Directors complied with the independence requirements under the Rules and has submitted signed declarations to this effect.

The periods of service of Mr. D P Kumarage and Mr. N Sundararajan as Board Members exceed nine years, the Board is of the view that the periods of service of the aforesaid Independent Directors do not compromise their independence and objectivity in discharging their functions as Directors and, therefore, has

determined that Mr. D P Kumarage and Mr. N Sundararajan are 'Independent' as per the Listing Rules.

Details of the Directors considered as Non-Independent Directors of the Company are given in page 22 to the Annual Report.

DIRECTORS' MEETINGS

The Directors' meetings comprises Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and Related Party Transactions Review Committee meetings. Details of number of Board and other Committee meetings held during the year and the attendance of Directors at these meetings are given on pages 21 to 23 of the Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHARE HOLDING

None of the Directors or Chief Executive Officer held Shares of the Company during the year under review or during the last financial year.

INTEREST REGISTER

The Company maintains an interest register in compliance with the Companies Act, No. 07 of 2007. All Directors have made necessary declarations in conformity with Section 192 (2) of the Companies Act. The interest register is available for inspection by the shareholders.

PARTICULARS OF DIRECTORS INTERESTS IN CONTRACTS

The particulars of Directors interests in contracts and other related party transactions are given in Note 34 to the Financial Statements. The Directors have no other direct or indirect interest in contract/s or a proposed contracts with the Company other than those disclosed under Related Party Transactions.

DIRECTORS' REMUNERATION AND FEES

Details of Directors' emoluments are given in Note 10 to the Financial Statements. All fees and remuneration have been duly approved by the Board of Directors of the Company. The Directors have not taken any loans from the Company during the year under review.

RELATED PARTY TRANSACTIONS

Related Party Transactions of the Company are reviewed by the Related Party Transactions Review Committee and the Company is compliant with the requirements of the listing rules of the Colombo Stock Exchange on Related Party Transactions. During the year there was an instant of non-recurrent Related Party Transaction which exceeded in value, the lower of 10% of equity or 5% of the total assets of the Company and there were instances which the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross Revenue of the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

Accordingly, the Company has disclosed the transactions that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard - LKAS 24, in Note 34 on pages 85 to 90 to the Financial Statements.

BOARD COMMITTEES

The Board of Directors of the Company while assuming the overall responsibility and accountability for the management of the Company has formed the following Committees to ensure oversight and control over the affairs of the Company conforming to corporate governance code and best practices.

• AUDIT COMMITTEE

Mr. D P Kumarage - Chairman
 Mr. N Sundararajan
 Mr. Gopal Mahadevan
 Mr. D A Abeyawardene
 Mr. A K S A Jayasena (Appointed w.e.f 29th January 2020)
 Mr. S L Deen (10th July 2019 to 29th January 2020)
 Dr. M S Meerasahib (Resigned w.e.f 21st May 2019)

• REMUNERATION COMMITTEE

Mr. N Sundararajan - Chairman
 Mr. D P Kumarage
 Mr. D A Abeyawardene
 Mr. W H C P S Wijesekara (Appointed w.e.f 29th January 2020)
 Mr. Nitin Seth (Appointed w.e.f 29th January 2020)
 Mr. A K M Jahanser (Resigned w.e.f 29th January 2020)
 Mr. Rajive Saharia (10th July 2019 to 29th January 2020)

• NOMINATION COMMITTEE

Mr. N Sundararajan - Chairman
 Mr. D P Kumarage
 Mr. D A Abeyawardene
 Mr. W H C P S Wijesekara (Appointed w.e.f 29th January 2020)
 Mr. Nitin Seth (Appointed w.e.f 29th January 2020)
 Mr. A K M Jahanser (Resigned w.e.f 29th January 2020)
 Mr. Rajive Saharia (10th July 2019 to 29th January 2020)

• RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. N Sundararajan - Chairman
 Mr. D P Kumarage
 Mr. Gopal Mahadevan
 Mr. D A Abeyawardene
 Mr. A K S A Jayasena (Appointed w.e.f 29th January 2020)
 Mr. S L Deen (10th July 2019 to 29th January 2020)
 Dr. M S Meerasahib (Resigned w.e.f 21st May 2019)

RISK MANAGEMENT

The Board has established an adequate risk management and internal control system. The risk exposure of the Company and a detailed overview is given in the Risk Management Report on pages 34 to 39.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge, are satisfied that all statutory payments due to the Government, other regulatory institutions and in relation to employees have been made up to date.

DONATIONS

There were no donations granted during the year under review (2018/19 - Nil).

DECLARATION

The Directors declare that

• Compliance with laws and regulations

To the best of the knowledge and belief the Board of Directors confirms that the Company has complied with all applicable laws, rules and regulations in the conduct of its operations and has not engaged in any activity, which contravenes laws and regulations of the country.

• Directors' interests in contracts

The directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

• Equitable Treatment

The Company has made all endeavors to ensure that all shareholders are treated equitably.

• Going Concern

In determining the basis of preparing the Financial Statements for the year ended 31st March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Company and the appropriateness of the use of the going concern basis. In March 2020, the Company evaluated the resilience of its businesses considering a wide range of factors relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services to ensure businesses continue as least impacted as possible.

After due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

The Directors also hereby confirm (as required in Section 57 (1) (a) of Companies Act, No. 07 of 2007) that the Company is in a position to pay its debts, as they become due in the normal course of business.

- **Effectiveness of Internal Controls**

The Board of Directors has conducted a review of the internal controls covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and proper adherence.

- **Corporate governance**

The Board of Directors is committed to maintain an effective corporate governance culture within the Company in compliance with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. A detailed report on corporate governance is provided on pages 20 to 27.

EMPLOYMENT AND INDUSTRIAL RELATIONS

The Company continues to invest in human resource development and effective HR practices to ensure achieving corporate goals. The number of permanent employees as at 31st March 2020 was 179. (31st March 2019 - 182).

There were no material issues pertaining to employees or industrial relations during the year.

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 steps that are necessary to safeguard the environment from any pollution that could arise during the course of the business of the Company.

CONTINGENT LIABILITIES AND OUTSTANDING LITIGATION

Details of contingent liabilities and litigations and claims are listed in Notes 36 and 37 to the Financial Statements. These will not have any material adverse impact on the financial results of the Company or its future operations.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that require adjustments to or disclosures in the Financial Statements, except disclosure given in Note 38 to the Financial Statements.

INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

The Company's Independent External Auditors, Messrs. KPMG, who were re-appointed by a resolution passed at the last Annual General Meeting audited the Financial Statements of the year under review, offer themselves for reappointment.

A sum of Rs. 1,950,000 in addition to reimbursement of out of pocket expenses were payable at the year-end as audit fees for the year under review. In addition, they were paid Rs. 75,000 (2018/19 - Rs. 285,000) and Rs. 380,000 (2018/19 - Rs. 1,415,000/-) by the Company for Audit Related work and non-audit related work respectively.

As far as the Directors are aware, the Auditors do not have any relationships (other than that of an auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

In accordance with the Companies Act, No. 07 of 2007, a resolution related to the appointment of external auditors and to determine their remuneration is being proposed at the forthcoming Annual General Meeting to be held on 25th September 2020.

ANNUAL GENERAL MEETING

The thirty seventh Annual General Meeting will be held on 25th September 2020. The notice of Annual General Meeting is given on page 108.

ACKNOWLEDGMENT

The Directors wish to express their gratitude and appreciation to the Government of Sri Lanka, bankers, financial institutions, shareholders, valued customers, M/s. Lanka Leyland Limited, and M/s. Ashok Leyland Limited - India, for their co-operation, valuable guidance, assistance and the continued support.

The Directors also wish to thank all the employees for their contribution, support and co-operation throughout the year.

By order of the Board



A K S A Jayasena
Chairman



D P Kumara
Director



D A Abeyawardene
Director / Secretary

Colombo
14th August 2020

CORPORATE GOVERNANCE

The Board of Directors and the Management of Lanka Ashok Leyland PLC are committed to maintain very high standards of corporate governance. This statement describes Lanka Ashok Leyland's governance principles and practices.

This statement also describes how Lanka Ashok Leyland PLC has applied the principles set out in the Corporate Governance Best Practice Guidelines jointly issued by the Institute of Chartered Accountants of Sri Lanka, and the Securities and Exchange Commission of Sri Lanka (SEC), and the Listing rules (Section 7.6, 7.10 and Section 9) issued by Colombo Stock Exchange (CSE).

BOARD OF DIRECTORS

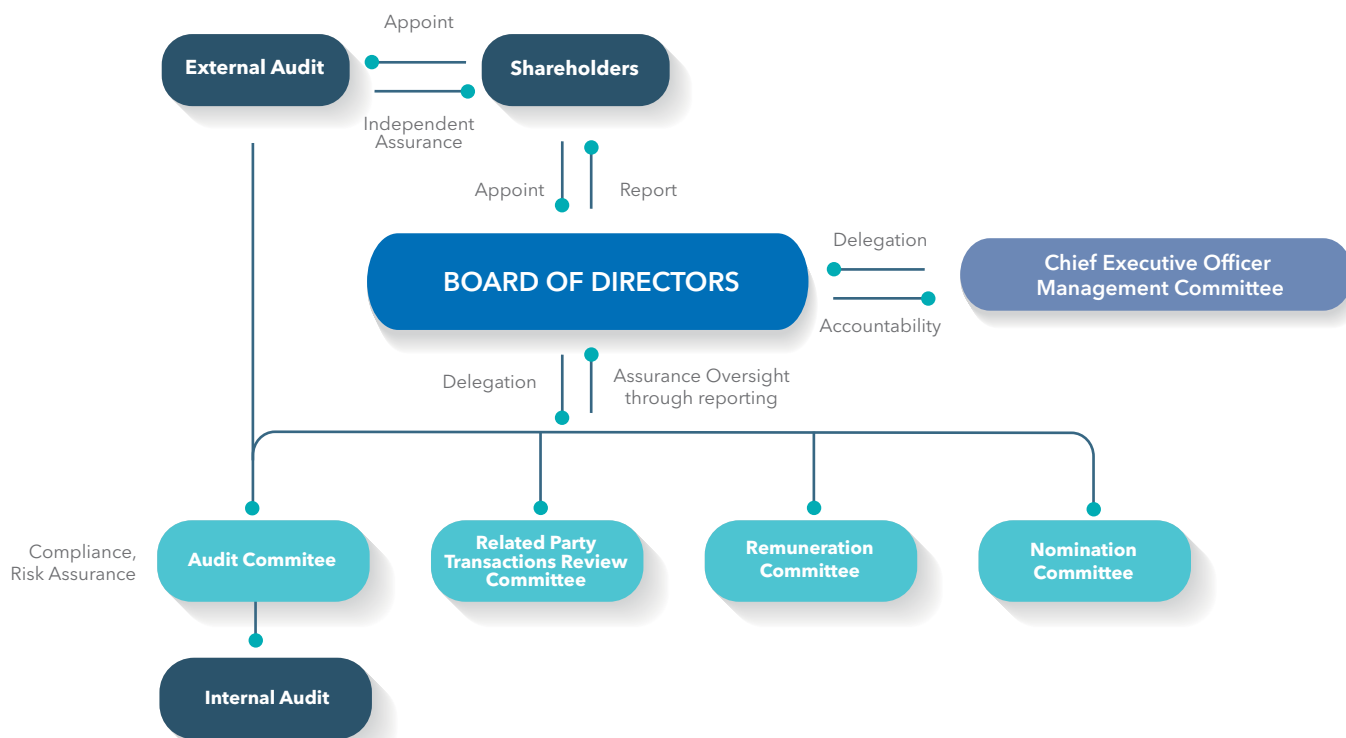
The Board of Directors of Lanka Ashok Leyland PLC is collectively responsible for the long term success of the Company. Its role is essentially threefold - to provide leadership, to oversee management and to ensure that the Company provides its stakeholders with a balanced and understandable assessment of the Company's current position and prospects.

The Board has delegated responsibilities to the Chief Executive Officer and to the team of Management of the Company. The main areas where decisions remain with the Board include approval of the annual strategy statement, the Financial Statements, annual budgets (including capital expenditure), acquisitions and dividends. The Board is also responsible for setting and monitoring the Company's risk management policy.

On a broader level the Board has delegated some of its responsibilities to its Committees. The composition and activities of these Committees are detailed in their individual reports on pages 28 to 32. The Board reviews periodic updates presented by the Chairman of each of these Committees at the Board meetings.

The Board currently consists of seven Directors including the Chairman. All the Directors are Non-Executive Directors and three of them are Independent Directors. The composition of the Board and brief profile of the Directors highlighting the range of expertise they bring to the Board are set out on pages 21 and 11 to 14.

CORPORATE GOVERNANCE FRAMEWORK



CORPORATE GOVERNANCE (Contd.)

The current members of the Board and their membership on the Board Committees of the Company are as follows;

Name of the Director	Category				Board Committees as Chairman or Member			
	Executive	Non - Executive	Independent	Non - Independent	Audit Committee	Remuneration Committee	Nomination Committee	Related- Party Transactions Review Committee
Mr. A K S A Jayasena (Chairman)	-	✓	-	✓	Member	-	-	Member
Mr. D P Kumarage	-	✓	✓	-	Chairman	Member	Member	Member
Mr. N Sundarajan	-	✓	✓	-	Member	Chairman	Chairman	Chairman
Mr. Gopal Mahadevan	-	✓	-	✓	Member	-	-	Member
Mr. D A Abeyawardene	-	✓	✓	-	Member	Member	Member	Member
Mr. W H C P S Wijesekara	-	✓	-	✓	-	Member	Member	-
Mr. Nitin Seth	-	✓	-	✓	-	Member	Member	-

Number of Board meetings held during the year and the attendance of Directors are furnished below;

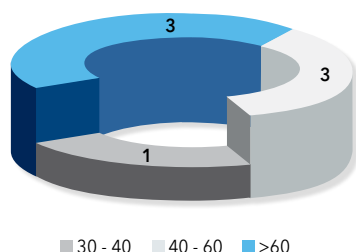
Name of the Director	Board Meetings	
	No. held	No. attended
Mr. A K S A Jayasena - Chairman (Appointed w.e.f 29 th January 2020)	1	1
Mr. D P Kumarage	2	1
Mr. N Sundarajan	2	1
Mr. Gopal Mahadevan	2	2
Mr. D A Abeyawardene	2	2
Mr. W H C P S Wijesekara (Appointed w.e.f 29 th January 2020)	1	-
Mr. Nitin Seth (Appointed w.e.f 29 th January 2020)	1	1
Mr. S L Deen (10 th July 2019 to 29 th January 2020)	1	1
Mr. A K M Jahanser (Resigned w.e.f 29 th January 2020)	1	1
Mr. Rajive Saharia (10 th July 2019 to 29 th January 2020)	1	1

NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS

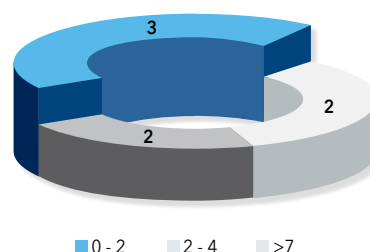
During the year Dr. M S Meerasahib, Mr. Vinod K Dasari & Mr. A K M Jahanser resigned from the Board and Mr. A K S A Jayasena, Mr. W H C P S Wijesekara & Mr. Nitin Seth were appointed to the Board.

Also Mr. S L Deen and Mr. Rajive Saharia were appointed to the Board on 10th July 2019 and resigned from the Board with effect from 29th January 2020.

Directors' Age Diversity



Directorship Tenure Diversity



CORPORATE GOVERNANCE (Contd.)

DIRECTORS' INDEPENDENCE REVIEW

The Board carried out its annual evaluation of the independence of Directors and accordingly Mr. D P Kumarage, Mr. N Sundararajan and Mr. D A Abeyawardene were confirmed to be independent as per the provisions of the Listing Rules of the Colombo Stock Exchange. Each of the Independent Directors complied with the independence requirements under the Rules and has submitted signed declarations in this regard.

Following Directors are considered as Non-Independent Directors of the Company;

Name	Reason for Non-Independence
Mr. A K S A Jayasena	Chairman of Lanka Leyland Limited, which holds 41.77% of the total share capital of Lanka Ashok Leyland PLC.
Mr. Gopal Mahadevan	Chief Financial Officer and also Whole Time Director of Ashok Leyland Limited, India which holds 27.85% of the total share capital of the Company and is also the main supplier to Lanka Ashok Leyland PLC.
Mr. W H C P S Wijesekara	Director of Lanka Leyland Limited, which holds 41.77% of the total share capital of Lanka Ashok Leyland PLC.
Mr. Nitin Seth	Chief Operating Officer of Ashok Leyland Limited, India which holds 27.85% of the total share capital of the Company and is also the main supplier to Lanka Ashok Leyland PLC.

AUDIT COMMITTEE

The Audit Committee is comprised of five Non-Executive Directors, of whom three are Independent Directors.

The Chairman of the Audit Committee Mr. D P Kumarage, has experience in Banking and Finance sector. The other members of the Audit Committee have a blend of experience in business management, accounting, and auditing and risk management. The Board is of the view that the members of the Audit Committee have the necessary and relevant accounting and related financial management expertise and also adequate experience to discharge the Committee's functions.

A separate report by the Chairman of the Audit Committee is given on page 28 of the Annual Report.

Table below gives the Committee composition and the attendance of members at the meetings.

Name of the Director	Audit Committee Meetings	
	No. held	No. attended
Mr. D P Kumarage (Chairman)	2	1
Mr. N Sundararajan	2	1
Mr. Gopal Mahadevan	2	2
Mr. D A Abeyawardene	2	2
Mr. A K S A Jayasena (Appointed w.e.f 29 th January 2020)	1	1
Mr. S L Deen (10 th July 2019 to 29 th January 2020)	1	1

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of five Non-Executive Directors, three of whom are Independent Directors.

Remuneration Committee is responsible for developing policies for executive remuneration, ensuring a formal and transparent procedure for performance evaluation, and for fixing the remuneration packages of Key Management Personnel.

Payments made to Directors and Key Management Personnel of the Company are disclosed in Note 34.5 to the Financial Statements.

A separate Report by the Chairman of the Remuneration Committee is given on page 29 of the Annual Report.

Below table gives the composition and attendance of the Committee members at the meetings.

Name of the Director	Remuneration Committee Meetings	
	No. held	No. attended
Mr. N Sundararajan (Chairman)	2	1
Mr. D P Kumarage	2	1
Mr. D A Abeyawardene	2	2
Gopal Mahadevan	2	2
Mr. W H C P S Wijesekara (Appointed w.e.f 29 th January 2020)	1	-
Mr. A K M Jahanser (Resigned w.e.f 29 th January 2020)	1	1

CORPORATE GOVERNANCE (Contd.)

NOMINATION COMMITTEE

The Nomination Committee is comprised of five Non-Executive Directors, three of whom are Independent Directors.

The Nomination Committee is responsible for review the structure and composition of the Board and make recommendations to the Board on new Board appointments as per the Articles of Association of the Company. And also to ensure that the Board possesses the correct mix of expertise for its effective functioning, the Committee assesses the Board composition to ascertain whether the combined knowledge, skills mix and experience of the Board matches the strategic demands facing the Company.

A separate report by the Chairman of the Nomination Committee is given on page 30 of the Annual Report.

Below table gives the composition and attendance of the Committee members at the meetings.

Name of the Director	Nomination Committee Meetings	
	No. held	No. attended
Mr. N Sundararajan (Chairman)	2	1
Mr. D P Kumarage	2	1
Mr. D A Abeyawardene	2	2
Mr. Gopal Mahadevan	2	2
Mr. W H C P S Wijesekara (Appointed w.e.f 29 th January 2020)	1	-
Mr. A K M Jahanser (Resigned w.e.f 29 th January 2020)	1	1

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee is comprised of five Non-Executive Directors, three of whom are Independent Directors.

Related Party Transactions Review Committee is responsible for reviewing the ongoing and proposed transactions with related parties and assists the Board of Directors in laying down, reviewing and overseeing policies and procedures relating to related party transactions of the Company, the disclosures and filings to be made by the Company periodically and their implementation by the Management, and also to identify and avoid conflicts of interests, if any.

A separate report by the Chairman of the Related Party Transactions Review Committee is given on pages 31 to 32 of the Annual Report.

Below table gives the composition of the Committee and the attendance at the meetings.

Name of the Director	Related Party Transactions Review Committee Meetings	
	No. held	No. attended
Mr. N Sundararajan (Chairman)	1	1
Mr. D P Kumarage	1	-
Mr. Gopal Mahadevan	1	1
Mr. D A Abeyawardene	1	1
Mr. A K S A Jayasena (Appointed w.e.f 29 th January 2020)	-	-
Mr. S L Deen (10 th July 2019 to 29 th January 2020)	1	1

INTERNAL AUDIT

The Internal Audit focuses on providing an independent risk based oversight to the Audit Committee on the processes and controls within the Company. M/s. Ernst & Young Advisory Services (Pvt) Limited, Chartered Accountants, have been functioning as the internal auditors to monitor and report on the adequacy of the Financial and Operational Controls, and identifying areas for improvement. They present their findings to the Management and the responses and actions are noted; thereafter, the highlights are presented to the Audit Committee. Actions are decided based on the Committee's advice and regular follow-up is done to close/resolve the identified issues.

EXTERNAL AUDIT

M/s. KPMG, Chartered Accountants have been appointed by the shareholders, as the external auditors, to review and express their opinion on the truth and fairness of the Annual Financial Statements of the Company. They submit their report to the shareholders, for consideration at the Annual General Meeting. Further they issue an annual Management Letter to the Board, highlighting priority areas for attention and improvement, and other significant observations, if any. This Management Letter is also reviewed by the Audit Committee and the actions are decided and completed based on the Committee's advice.

DISCLOSURES

The tables given below provide the details and disclosures on the level of compliance with the requirements of the Companies Act, No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the code of best practices issued by the Securities & Exchange Commission of Sri Lanka.

CORPORATE GOVERNANCE (Contd.)

DISCLOSURE REQUIREMENTS UNDER THE COMPANIES ACT, NO. 07 OF 2007

Level of compliance with Section 168 of Companies Act, No. 07 of 2007, pertaining to Corporate Governance.

Rule No.	Disclosure Requirement	Reference to the Annual Report
Section 168 (1) a	Changes during the accounting period in the nature of the business of the Company.	15 / 50
Section 168 (1) b	Financial Statements for the accounting period completed and signed in accordance with section 151.	46 - 99
Section 168 (1) c	Auditor's report on the Financial Statements	43 - 45
Section 168 (1) d	Change in accounting policies made during the accounting period.	52 - 53
Section 168 (1) e	Particulars of entries in the interests register made during the accounting period.	17
Section 168 (1) f	Remuneration and other benefits of directors during the accounting period	66
Section 168 (1) g	Amount of donations made by the Company during the accounting period.	18
Section 168 (1) h	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period.	16 - 17
Section 168 (1) i	Amounts payable by the Company to the auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that firm.	19
Section 168 (1) j	Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company.	19
Section 168 (1) k	Sign the Annual Report on behalf of the Board by two Directors of the Company and the Secretary of the Company.	15 -19

DISCLOSURES SPECIFIED BY SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Level of compliance with Section 7.6 of Listing Rules of the Colombo Stock Exchange;

Rule No.	Disclosure Requirement	Reference to the Annual Report
Rule 7.6 (i)	Names of persons who during the financial year were Directors of the Entity.	16 - 17
Rule 7.6 (ii)	Principal activities of the Entity during the year and any changes therein.	15 / 50
Rule 7.6 (iii)	The names and the number of shares held by the 20 largest holders of shares and the percentage of such shares held.	101
Rule 7.6 (iv)	The float adjusted market capitalisation, public holding percentage(%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	102
Rule 7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Entity at the beginning and end of financial year.	17
Rule 7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	34 - 39
Rule 7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	19
Rule 7.6 (viii)	Extent, locations, valuations of land and buildings and investment properties.	70
Rule 7.6 (ix)	Number of shares presenting the Entity's stated capital.	79
Rule 7.6 (x)	Distribution schedule of the number of holders in each class of security, and the percentage of their holding as per given categories	101
Rule 7.6 (xi)	Ratios and market price information	7 / 102 / 104
Rule 7.6 (xii)	Significant changes in the Entity's fixed assets and the market value of land if differs substantially from the book value.	70 - 71
Rule 7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6. c	25 - 26
Rule 7.6 (xvi)	Details of Related party transactions as per the specified criteria.	85 - 90

CORPORATE GOVERNANCE (Contd.)

DISCLOSURE REQUIREMENTS UNDER SECTION 7.10 OF THE LISTING RULES OF COLOMBO STOCK EXCHANGE (CSE) ON CORPORATE GOVERNANCE

Level of compliance with Section 7.10 of Listing Rules of the Colombo Stock Exchange, pertaining to Corporate Governance.

Rule No.	Subject	Applicable Requirement	Details	Compliance Status
7.10.1(a)	Non-Executive Directors	At least two or one third of the Directors, whichever is higher, should be Non-Executive Directors.	All the Directors are Non- Executive Directors as at 31 st March 2020.	Complied
7.10.2(a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be independent.	Three out of Seven Non-Executive Directors are independent as at 31 st March 2020.	Complied
7.10.2(b)	Independence Declaration of Directors	Each Non-Executive Director should submit a declaration of Independence/ Non-Independence.	All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE listing rules.	Complied
7.10.3(a)	Disclosures relating to Directors	The names of Independent Directors should be disclosed in the Annual report.	Refer page 21 to the Annual Report.	Complied
7.10.3(b)	Independence of Directors	The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director.	The Board has determined that Three (3) Non-Executive Directors satisfy the criteria for "Independence" set in the Listing Rules.	Complied
7.10.3(c)	Disclosures relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Board of Directors' resume is given in pages 11 to 14 to the Annual Report.	Complied
7.10.3(d)	Appointment of new Directors	A brief resume of new Directors appointed to the Board to be provided to Colombo Stock Exchange.	The Company has submitted the brief resume of newly appointed directors to Colombo Stock Exchange.	Complied
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	The Company has a Remuneration Committee. Refer page 29 to the Annual Report.	Complied
7.10.5(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom will be Independent.	The Remuneration Committee comprised of five (5) Non-Executive Directors out of which three (3) are Independent.	Complied
7.10.5(b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Directors and the Chief Executive Officer.	The Company does not have Executive Directors; the Committee recommends the remuneration payable to Chief Executive Officer and Senior Management Personnel.	Complied
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out the names of the Directors comprising the Remuneration Committee, Statement of Remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Names of Remuneration Committee members are given in Corporate Governance on page 22. The report of the Remuneration Committee is given on page 29 and the remuneration paid to Directors is given in the Note 10 to the Financial Statement on page 66.	Complied
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	The Company has an Audit Committee. Refer page 28 to the Annual Report.	Complied

CORPORATE GOVERNANCE (Contd.)

Rule No.	Subject	Applicable Requirement	Details	Compliance Status
7.10.6(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom will be independent.	The Audit Committee comprised of five (5) Non-Executive Directors out of which three (3) are Independent.	Complied
		Shall appoint Non-Executive Director as a Chairman to the Committee.	Composition of the Committee is given under Corporate Governance Report on page 22 to the Annual Report.	Complied
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	The Chief Executive Officer, Manager - Finance attend Audit Committee meetings by invitation.	Complied
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	One member of the Audit Committee is a member of The Institute of Chartered Accountants of India and other member of the committee is a member of The Institute of Chartered Accountants of Sri Lanka.	Complied
7.10.6(b)	Functions of Audit Committee	Functions outlined in the Section 7.10.6 (b) of the Listing Rules.	Audit Committee functions are stated in the Audit Committee Report on page 28.	Complied
7.10.6(c)	Disclosure in the Annual Report relating to the Audit Committee	The Annual Report should set out the names of the Directors comprising the Audit Committee, shall make a determination of the independence of the Auditors and disclose the basis for such determination and Annual Report shall contain a Report of the Audit Committee.	Refer the Audit Committee report on page 28 to the Annual Report.	Complied

Level of compliance with the Code of Best practices on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

Rule No.	Subject	Applicable Requirement	Details	Compliance Status
9.2.1	Related Party Transactions Review Committee (RPTRC)	Related Party Transactions should be reviewed by the RPTRC.	Refer RPTRC Report on pages 31 to 32 to the Annual Report.	Complied
9.2.2	Composition of RPTRC	Shall comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. Chairman of the committee should be Independent Non-Executive Director.	The RPTRC comprised of five (5) Non-Executive Directors out of which three (3) are independent including the Chairman of the Committee.	Complied
9.2.3	Involvement of Parent Company's RPTRC	Parent Company's RPTRC may be permitted to function as Parent Company's RPTRC of the subsidiary.	Not Applicable.	Not Applicable
9.3.1	Immediate Disclosures	As outlined in the Section 9.3.1 of the Listing Rules.	There was an instance of Non- recurrent Related Party Transactions during the year under review which required immediate disclosure to the Exchange. Accordingly, the Company has made an immediate disclosure to the Exchange. Refer RPTRC report on pages 31 to 32 to the Annual Report.	Complied

CORPORATE GOVERNANCE (Contd.)

Rule No.	Subject	Applicable Requirement	Details	Compliance Status
9.3.2(a)	Disclosure -Non recurrent Related Party Transactions	Disclosure of Non recurrent Related Party Transactions, if aggregate value of the Non-recurrent Related Party Transactions exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the listed entity as per the latest Audited Financial Statements.	During the year, there was an instance of non-recurrent Related Party Transactions with aggregate value exceeding 10% of the equity or 5% of the Total assets, whichever is lower. Accordingly, required Disclosure has been made in note 34.3 to the Financial Statements.	Complied
9.3.2(b)	Disclosure -Recurrent Related Party Transactions	Disclosure of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the Gross Revenue/ Income as per the latest Audited Financial Statements.	During the year, there were instances where aggregate recurrent Related Party Transactions value exceeded the threshold of 10% of Gross Revenue. Accordingly, required Disclosure has been made in note 34.1 to the Financial Statements.	Complied
9.3.2(c)	Report by the RPTRC	Committee report shall include; Names of Committee members, statement that Committee has reviewed the RPTs and communicated observations to the Board, policies and procedures adopted in reviewing RPTs and number of times Committee met during the year.	Refer pages 31 to 32 for the Related Party Transactions Review Committee report.	Complied
9.3.2(d)	A declaration by the Board of Directors in the Annual Report.	This should be an affirmative statement of the compliance and full disclosure of Related Party Transactions or a negative statement in the event the entity does not have Related Party Transactions.	Refer pages 17 to 18 of the Annual Report of the Board of Directors.	Complied

ETHICAL STANDARDS

The Board is committed to maintain highest ethical standards in conducting its business and to communicate its values to its employees and dealers, and always strive to ensure their conduct is based on such values.

COMPLIANCE

The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards and other statutory regulations. Interim Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders. The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made to date.

By order of the Board



D A Abeyawardene
Director / Secretary

Colombo
14th August 2020

AUDIT COMMITTEE REPORT

The Audit Committee was constituted by the Board of Directors in accordance with the Best Corporate Governance Practices and the requirements of the Colombo Stock Exchange. The membership of the Committee during the financial year 2019/20 comprised of the following Non-Executive Directors;

- Mr. D P Kumarage - Chairman Non-Executive Independent Director
- Mr. N Sundararajan - Member Non-Executive Independent Director
- Mr. Gopal Mahadevan - Member Non-Executive Director
- Mr. D A Abeyawardene - Member Non-Executive Independent Director
- Mr. A K S A Jayasena - Member Non-Executive Director (Appointed w.e.f 29th January 2020)
- Mr. S L Deen - Member Non-Executive Director (10th July 2019 to 29th January 2020)
- Dr. M S Meerasahib - Member Non-Executive Director (Resigned w.e.f 21st May 2019)

The members have a well-balanced blend of experience in the Legal, Commercial, Financial, Corporate Governance and Audit sector. Chairman of the Audit Committee Mr. D P Kumarage has extensive experience in Banking and Finance sectors.

Brief profile of each member is provided on pages 11 to 14.

ROLE OF THE AUDIT COMMITTEE

The Audit Committee, with its main objective being to assist the Board of Directors in carrying out their responsibilities, is responsible for;

- Ensuring that the internal control system in place is adequate and properly implemented.
- Ensuring that a sound financial reporting system is in place in compliance with Sri Lanka Accounting Standards,
- Ensuring that the Company complies with the applicable laws and regulations and
- Ensuring that the Company's management reporting system is efficient enough to give accurate, appropriate and timely information regarding the present and foreseeable governance, risks and compliance requirements.

MEETINGS

The Audit Committee met two times during the year ended 31st March 2020 and the attendance details are given in page 22 as part of the Corporate Governance report.

The meetings were attended by the Chief Executive Officer and Manager - Finance of the Company by invitation. The proceedings of the Audit Committee are regularly reported to the Board.

INTERNAL AUDIT

The internal audit function is outsourced to M/s. Ernst & Young Advisory Services (Pvt) Limited. The Audit Committee meets the internal auditors on a quarterly basis and reviews their findings in order to identify the effectiveness of the internal controls and risks attached to different areas of operation. Follow-up reports on the previous observations are also reviewed by the Committee. The key risks associated with the business are given in the Risk Management Report in pages 34 to 39. The internal auditor's reports are made available to the external auditors as well.

STATUTORY AUDIT

M/s. KPMG, Chartered Accountants were appointed as the statutory auditors and the Audit Committee reviewed their independence and objectivity. The Audit Committee also reviewed the observations and recommendations on the Management Letter issued by them.

The statutory auditors have given a declaration as required by section 163 (3) of the Companies Act, No. 07 of 2007, that they do not have any interest or relationship with the Company, which may have a bearing on the independence of their role as auditors. The Committee reviewed the non-audit services and its impact on the independence of the External Auditors. The Audit Committee has recommended to the Board that M/s. KPMG be re-appointed as the Independent External Auditor and that the re-appointment be included in the agenda of the Annual General Meeting, for securing the approval of the shareholders.

FINANCIAL REPORTS

By giving due consideration to audit findings, quarterly and annual financial reports are reviewed by the Audit Committee prior to their publication, with the objective of ensuring the accuracy, compliance with the standards and other regulatory requirements and the ability to continue as a going concern.

CONCLUSION

The Audit Committee is of the opinion that adequate internal controls and procedures are in place in the Company to provide reasonable assurance that its assets are safeguarded, and to ensure that the financial position and the results disclosed in the Audited Financial Statements are free from material misstatements.


D P Kumarage
 Chairman - Audit Committee

Colombo
 14th August 2020

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Remuneration Committee consists of following Non-executive Directors of the Board.

- Mr. N Sundararajan - Chairman Non-Executive Independent Director
- Mr. D P Kumarage - Member Non-Executive Independent Director
- Mr. D A Abayawardene - Member Non-Executive Independent Director
- Mr. W H C P S Wijesekara - Member Non-Executive Director (Appointed w.e.f 29th January 2020)
- Mr. Nitin Seth - Member Non-Executive Director (Appointed w.e.f 29th January 2020)
- Mr. Rajive Saharia - Member Non-Executive Director (10th July 2019 to 29th January 2020)
- Mr. M Jahanser - Member Non-Executive Director (Resigned w.e.f 29th January 2020)

Brief profile of each member is given on pages 11 to 14.

The Company Secretary acts as the Secretary to the Committee. Chief Executive Officer of the Company assists the Remuneration Committee by providing market survey data and Key Result Area reports except on occasions where conflict of interest arises.

ROLE OF THE REMUNERATION COMMITTEE

The scope of the Committee is to give recommendations to the Board for deciding compensation of the Chief Executive Officer and the Senior Executives of the Company who constitute the Management Committee. The Committee also reviews the policy pertaining to the perquisites of the employees and propose guidelines and parameters for periodic revisions in the compensations of all other employees.

REMUNERATION POLICY

The Remuneration Policy aims to attract and retain a highly qualified and experienced workforce, and reward performance accordingly, against the backdrop of industry norms. These compensation packages are commensurate with each employee's level of expertise and contribution, bearing in mind business performance and shareholder returns.

The Remuneration package includes basic salary, traveling allowance or transport facility, fixed monthly allowances, performance based monthly incentives and healthcare insurance. The Committee meets from time to time to review and assure alignment of the Company's compensation structure and human resource requirements with the strategic decisions taken by the Board and compensation offered by competitors.

DIRECTORS' EMOLUMENTS

All Independent Directors receive a fixed honorarium per month plus a fee for attending Board meetings and for serving on Board Committees. Details of Directors' emoluments are disclosed in Note 10 on page 66.

MEETINGS

The Committee held two meetings during the year under review and the attendance details are given on page 22 as part of the Corporate Governance Report.



N Sundararajan

Chairman - Remuneration Committee

Colombo
14th August 2020

NOMINATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Nomination Committee consists of the following Non-executive Directors of the Board;

- Mr. N Sundararajan - Chairman Non-Executive Independent Director
- Mr. D P Kumarage - Member Non-Executive Independent Director
- Mr. D A Abayawardene - Member Non-Executive Independent Director
- Mr. W H C P S Wijesekara - Member Non-Executive Director (Appointed w.e.f 29th January 2020)
- Mr. Nitin Seth - Member Non-Executive Director (Appointed w.e.f 29th January 2020)
- Mr. Rajive Saharia - Member Non-Executive Director (10th July 2019 to 29th January 2020)
- Mr. M Jahanser - Member Non-Executive Director (Resigned w.e.f 29th January 2020)

Brief profile of each member is given on pages 11 to 14.

The Company Secretary acts as the Secretary to the Committee.

PURPOSE OF THE COMMITTEE

The Committee is established to review the structure and composition of the Board and make recommendations to the Board on all new Board appointments. To ensure that the Board possesses the correct mix of expertise for its effective functioning, the Committee assesses the Board composition to ascertain whether the combined knowledge, skills mix and experience of the Board matches the strategic demands facing the Company.

TERMS OF REFERENCE AND KEY ACTIVITIES

The terms of reference of the Nomination Committee include the following;

- To regularly review the structure, size, composition and competencies (including the skills, knowledge and the experience) of the Board and make recommendations to the Board regarding required changes.
- To identify and recommend suitable Directors appointments to the Board based on the nominations by the Promoter shareholders and the provisions of Articles of Association of the Company. In line with the Promoters' Joint Venture Agreement, Government of Sri Lanka and Ashok Leyland Limited have the right to nominate Directors on the Board, and the Committee goes by such Promoters' choice of Directors.

- To advise the Board on selection and appointment of Chairmans of Board Sub-committees in case a vacancy arises.
- To consider and recommend (or not recommend) the re-appointment of current Directors, taking into account the statutory requirements and provide advice and recommendations to the Board on any such appointment.
- To look into and make recommendations on any other matters referred to it by the Board of Directors.

CONCLUSION

The Committee is satisfied that the combined knowledge and experience of the Board matches the demands facing the Company.

MEETINGS

The Committee held two meetings during the year under review and the attendance details are given on page 23 as part of the Corporate Governance Report.



N Sundararajan
Chairman - Nomination Committee

Colombo
14th August 2020

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Committee assists the Board in establishing and reviewing policies and procedures related to Related Party transactions and helps to ensure avoidance of conflict of interest and monitors the management making appropriate disclosures in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

COMPOSITION OF THE COMMITTEE

The Committee consisted of five Non-Executive Directors of whom three were Independent; the composition was in compliance with the Listing Rule No 9.2.2 of the Colombo Stock Exchange. The composition of the RPTRC is given on page 18 and a brief profile of each member is provided in pages 11 and 14.

SCOPE OF THE COMMITTEE

The Related Party Transactions Review Committee has been mandated, to ensure compliance with the Code of Best Practices on Related Party Transactions issued by the Securities Exchange Commission of Sri Lanka (the Code), and to facilitate the disclosures as required under LKAS 24.

- The Committee reviews the ongoing and proposed Related Party transactions, (other than those transactions explicitly exempted in conformity with the Code), which are not of an ongoing or recurrent nature; and in cases where the Related Party transactions are of an on-going or recurrent nature, the Committee establishes guidelines for the senior management to follow.
- The Committee normally reviews and updates the Board of Directors once in every quarter about its review and its findings on the Related Party Transactions.
- Where applicable, the Committee has laid down guidelines for the Management to make immediate market disclosure on applicable Related Party Transactions as required by Section 9 of the continuing Listing requirements of Colombo Stock Exchange.

The Committee is responsible for making appropriate disclosure on Related Party Transactions in the Annual Report to the shareholders, as required by Section 9 of the continuing Listing requirements of Colombo Stock Exchange.

POLICIES AND PROCEDURES

The Promoters (Lanka Leyland Limited and Ashok Leyland Limited, India) of the Company and the parties related to the Lanka Leyland Limited and Ashok Leyland Limited, India are directly identified as the Related Parties of the Company. The information related to

the related parties of the Promoters are periodically obtained and updated in the database of the Company, and these are used in identifying, tabulation and evaluation the transactions between them and the Company.

The members of the Board of Directors of the Company and the Chief Executive Officer have been identified as the Key Management Personnel. Periodic declarations are obtained from the Key Management Personnel of the Company to identify the parties, if any, related to them who may have had any transactions relevant for this purpose.

The Company uses data from the declarations and the data retrieved from the ERP system to ensure compliance.

MEETINGS OF THE COMMITTEE

Unlike in the earlier years where the Committee met every quarter, during the year 2019-20, the Committee could hold only one meeting due to various constraints, including the COVID-19 travel restrictions in the last quarter; the attendance details of the members is given in page 23 as part of the Corporate Governance Report.

Findings and recommendations of the Committee were reported to the Board of Directors, soon after the meetings of the Committee. The Board reviewed the findings and has accepted the recommendations for implementation by the Management and also expressed satisfaction regarding disclosures.

RELATED PARTY TRANSACTIONS DURING THE YEAR 2019/20

Non-recurrent Related Party Transactions that exceeded the thresholds requiring immediate market disclosure or shareholder approval as stipulated under Section 9 of the Continuing Listing Requirements of the Colombo Stock Exchange are given in Note 34.3 to the Financial Statements.

Related Party Transactions of the Company are reviewed by the Related Party Transactions Review Committee and the Company is compliant with the requirements of the listing rules of the Colombo Stock Exchange on Related Party Transactions. During the year there was an instance of non-recurrent Related Party Transactions which exceeded in value, the lower of 10% of equity or 5% of the total assets of the Company and there were instances which the aggregate value of the recurrent Related Party Transactions exceeds 10% of the Gross Revenue of the Company. Accordingly, the Company has disclosed the transactions that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard - LKAS 24, in Note 34 on pages 85 to 90 to the Financial Statements.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT (Contd.)

Since most of the purchase and sales transactions of the Company were only with / related Parties, the focus was on proper documentation and disclosure. Government of Sri Lanka, and its associated organizations have always been the major customers and hence, extension of credit and accommodating delays in payments were inevitable, as would happen with any major customer. Therefore, the significant overdue outstanding from Government of Sri Lanka is to be understood in the above context, and in the overall context of the country's economy and the COVID-19 exceptional situations. However, the Committee has been assured by the Management that there are no risks of bad debts or non-recovery of the dues from Government of Sri Lanka only the delay and the consequent interest costs are being reckoned with as part of business operations.

DECLARATION

A declaration by the Board of Directors in the Annual Report as an affirmative statement to the effect that related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered into by the Company during the year, is given in the Annual Report of the Board of Directors on pages 17 to 18. All related party transactions that could be classified as related party transactions in terms of LKAS 24 - 'Related Party Disclosures', are given in Note 34 to the Financial Statements.



N Sundararajan

Chairman - Related Party Transactions Review Committee

Colombo

14th August 2020

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Section D.1.5 & D.2.4 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Statement on Internal Controls in the Annual Report.

Responsibility

The Board of Directors is responsible for formulating and implementing a sound system of internal controls and for periodically reviewing its effectiveness and integrity in terms of mitigating any risks associated and also to ensure sound system of Internal Controls to safeguard shareholders' investment and Company's assets while confirming effective system of Internal Controls over financial reporting.

The Board identify significant risks on an ongoing basis and takes necessary steps for implementation of appropriate procedures to evaluate and manage the identified risks.

Key Internal Control Processes

The Management assists the Board in the implementation of Board's policies and procedures pertaining to internal controls over financial reporting by identifying and assessing the risks faced, and in the design, operation and monitoring suitable internal controls. In assessing the internal control system, identified officers of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. The internal audit function of the Company continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

The Audit Committee of the Company reviews internal control issues identified by the outsourced internal audit function, regulatory authorities and management and evaluates the adequacy and effectiveness of the internal control systems.

The recommendations made by the external auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement them.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting and preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) and regulatory requirements.

By order of the Board



D P Kumara
Chairman - Audit Committee



D A Abeyawardene
Director / Secretary

Colombo
14th August 2020

MANAGEMENT OF RISK

OVERVIEW

Risk is an integral part of any business and Lanka Ashok Leyland believes that in a successful enterprise Risk Management initiative can minimize the likelihood and consequences of risks getting materialized. Risk Management is a continuous and developing process which runs throughout the Company's strategic initiatives and the implementations, to maintain a balance between the risks of uncertainty and change necessary to grab opportunities.

A successful approach towards Risk Management results in compliance, assurance and better-informed decision-making which will help the Company in improving the effectiveness of strategy and efficiency of operations.

RISK GOVERNANCE AND OVERSIGHT

The Board being primarily responsible for the overall Risk Management of the Company, approves the strategy and policies for effective Risk Management which is converted to action in the manner outlined in the following framework.

The Board has delegated its responsibility to the Audit Committee to oversee the system of Risk Management, compliance and controls to mitigate risks. The Company has appointed an independent professional organization, as internal Auditors who provide in-depth reports to the Audit Committee.

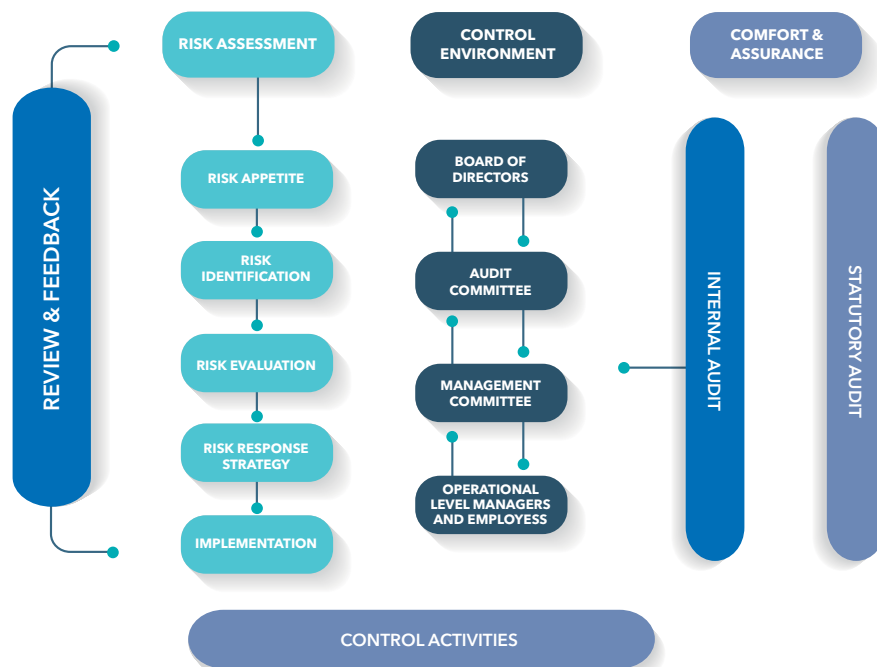
The Audit Committee reviews the internal audit reports and assesses the effectiveness of laid down risk assessment process, suggested requirements, mitigation plans and gives directions to the management.

The Senior Management of the Company is responsible for implementing the Risk Management directives given by the Audit Committee and for the establishment of appropriate systems to ensure that enterprise risks are identified, measured, monitored, and controlled effectively.

RISK MANAGEMENT PROCESS

Control Environment, Risk Assessment, Control Activities, Communication and Monitoring establish the foundation for sound internal control system within the Company. The various risks faced by the Company are identified and assessed routinely at all levels and within all functions in the Company. Control activities and other mechanisms are pro-actively designed to address and mitigate the significant risks. Information critical to identifying risks and meeting business objectives is communicated through established channels up, down and across the Company. The entire system of internal control is monitored continuously and possible weaknesses are addressed timely. Accordingly, the Risk Management Framework of the Company is presented below.

Risk Management Framework



MANAGEMENT OF RISK (Contd.)

Control Environment

The control environment of Lanka Ashok Leyland PLC is headed by the Board of Directors, assisted by an Audit Committee with well-balanced blend of experience, and the management committee. The Board with the assistance of the Audit committee, sets the necessary tone at the top to ensure an effective control environment ensuring continuous monitoring and improvements. The Management Committee implements the control objectives and gives necessary feedback to both the Audit Committee and to the operational level managers.

Risk Assessment

Risk assessment starts with management discussions, event analysis, internal audit reports and other internal and external communications for risk identification and continues to assess the impact and finally proceeds to risk response. Risk Assessment is all about measuring and prioritizing risks so that risk levels are managed within defined tolerance thresholds without being over controlled or foregoing desirable opportunities.

Control Activities

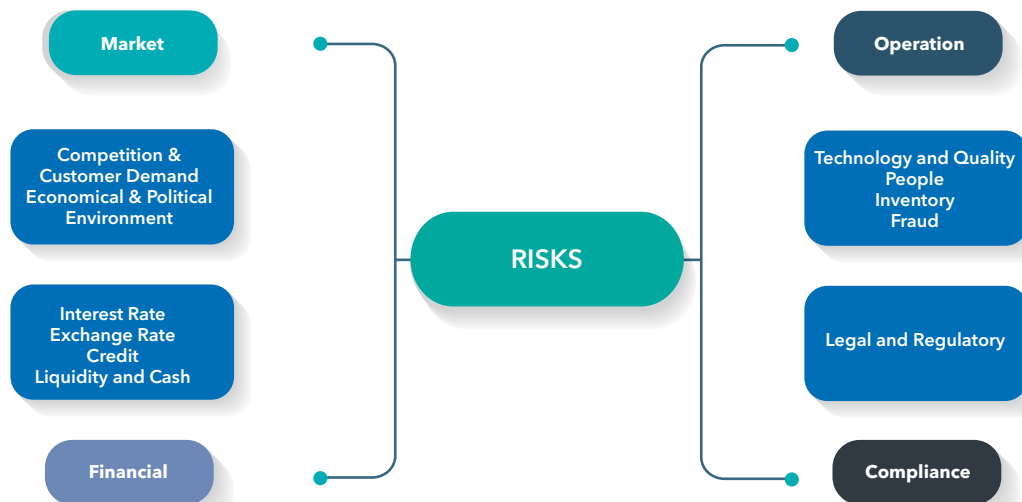
Control activities established through policies and procedures are performed at all levels of the company at various stages within business processes, and over the technology environment. They may be preventive or detective in nature. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities.

Management Committee is responsible in placing an effective internal control system in accordance with the policies set by the Board of Directors based on the recommendations of the Audit Committee and the Internal and External Auditors.

Communication and Monitoring

Learning through experience, opinions from professionals such as internal auditors, external auditors and other internal and external stakeholders are given due importance by the Audit Committee in monitoring and reviewing the risks. The Audit Committee, which has the ultimate responsibility of monitoring the process of risk management, reviews the risks and action plans on a quarterly basis and makes recommendations to the Board.

The following diagram summarizes the key risks that could be most relevant to LAL's business.



MANAGEMENT OF RISK (Contd.)

RISK MANAGEMENT ACTIONS

The table below sets out the categories of risks, along with specific risk elements Lanka Ashok Leyland PLC is exposed to and the potential implications of the same as well as the risk management treatment/s in placed.

Market Risk		
Risk	Potential Impact	Treatment
Competition and Customer Demand	Decline in market share, new rivals and industry over-capacity in a high growth competitive environment.	The Company maintains long and well established relationships with major transport operators in the industry and with individual clients. Launching of new products with latest technology and designs which attract existing and potential customers while focusing on continuous improvements.
Economical & Political Environment.	Negative impact on the Company due to changes in the economic and political environment.	Economic and political variables / potential fluctuations are continuously evaluated during the Company's future "strategies and objectives" evaluation sessions.
Financial Risk		
Risk	Potential Impact	Treatment
Interest Rate	Possibility of an adverse impact on cost of funds and profitability.	Regular monitoring of interest rate fluctuations to enable necessary back-up plans to be ready in advance to mitigate the risk. Ensuring that the import loans are settled within a shortest possible period by improving the working capital cycle and negotiating best possible rates with the banks.
Exchange Rate	Possibility of Exchange rate fluctuations, and its effects on Company operations and profitability.	Regular monitoring of exchange rate movements and entering into forward contracts when necessary.
Credit	Risk of financial loss to the Company as a result of customers not settling their dues.	Strict implementation and continuous monitoring of the credit policy. Strict follow-up of outstanding on ongoing basis.
Liquidity and Cash Flow	Possibility of risk that the Company encounters difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering Cash or another Financial Asset.	Ensuring that the Company always have sufficient liquidity to meet its liabilities by forecasting the cash flows. Tight working capital management and periodic reviews to ensure cash flow alignment.

MANAGEMENT OF RISK (Contd.)

Compliance Risk		
Risk	Potential Impact	Treatment
Legal and Regulatory	Regulatory risk arises when the Company does not comply with regulatory requirements which are subject to change from time to time.	<p>The Management reviews changes in regulations and assesses the business impact of such changes.</p> <p>A compliance statement is presented to every Board Meeting.</p> <p>Company officials closely work with Regulators to ensure that regulatory requirements are fully understood and complied with.</p> <p>Seek professional advice from external consultants such as legal, and tax consultants as and when needed.</p>

Operational Risk		
Risk	Potential Impact	Treatment
Technology and Quality	Possibility of products or processes being outdated or obsolete due to advanced technology.	<p>Keep pace with current technological developments in the industry.</p> <p>Upgrade knowledge of technical staff through trainings and seminars.</p> <p>Ensure strong supplier and customer relationship to meet customers' changing requirements and suppliers' new developments.</p>
People	Impact on business competitiveness due to difficulties in attracting, developing and retaining employees with the appropriate skills, experience and aptitude.	<p>Recruitment of high caliber staff and effective communication lines are developed in the Company's culture to foster good employer employee relationships.</p> <p>Regular training programs are carried out in order to infuse motivation, commitment and empowerment among the staff.</p> <p>Maintain healthy relationship with employees at all levels through joint consultative committees and welfare activities.</p>
Inventory	Risk of carrying inventory that is not salable.	<p>Maintain optimum levels in all possible categories of inventory.</p> <p>Ensure required quality standards are met at all stages of inventory to maintain quality until the product is delivered.</p>
Fraud	The risk that the internal control weaknesses leading to corruption and employees abusing entrusted power for private gain and in turn leading to misappropriation of assets or fraudulent financial reports.	<p>Conduct periodic internal audits by an independent firm of Chartered Accountants.</p> <p>Formation of an Audit Committee which reviews internal audit reports and other financial and non-financial reports on a quarterly basis.</p> <p>Establishment of stringent procedures and internal control measures and their continuous improvement.</p>

MANAGEMENT OF RISK (Contd.)

Risks Associated with COVID-19 and Mitigation Strategies

COVID 19 outbreak has severe impact on countries across the globe and continue to create devastating health and economic crisis in many countries. Depending on the nature of the crisis countries have taken extreme measures including lock-down of cities, boarder closure, closure of ports and airports etc. These extreme measures while generating overwhelming pressures on public health care systems have severe economic impacts on global economies resulting disrupted supply chains, massive demand decline, cutting down or stopping production lines resulting job losses and cash flow constraints.

The Company through its risk assessment process was proactive in identifying and facing this global pandemic. All possible steps towards preserving cash flows and managing inventory was taken and wherever possible jobs were carried out remotely leveraging on the electronic platforms readily available. Work resumed after curfew on 11th May 2020 ensuring all the health and safety protocols to safeguard the employees, customers and other stakeholders. We have implemented recommended measures such as checking of temperature at the entry, social distancing, and regular washing of hands and sanitation of premises on a daily basis, etc.

The Company continue to assess the COVID-19 pandemic related risks and has taken the following mitigation measures. Also the Company has sufficient banking facilities and continue to focus on effectively managing the cash flow and preserving the position pro-actively ahead of future requirements.

Risk	Potential Impact	Treatment
Credit Risk	Possibility of increase in credit risk associated with the trade receivables due to the post-lock-down economic implication of COVID-19 pandemic	<p>The Company considers evidence of impairment of assets at both individual and collective level in line with SLFRS 09. As part of the Company wide control and cash management efforts set up to manage the COVID-19 impact on working capital and collections, impairment of the individual receivable balances were re-assessed and specific provisions were made wherever necessary. The Company assessed how the timing and amount of cash flows generated by outstanding trade receivables might be affected and deferred the expected cash flows accordingly.</p> <p>Further the Company considered following factors in identifying and mitigating the risk.</p> <p>Customers who are affected directly with COVID 19, were excluded from collective assessment and considered under individual assessment for impairment and cash flow projection were adjusted accordingly.</p>
Liquidity and Cash Flows	Possibility of increase in Liquidity and Cash Flow Risk due to COVID-19 Pandemic	Financial implications of the pandemic for the Company include declining profitability and tightening liquidity. The Company has also implemented a variety of other measures to preserve cash flow including limiting all capital expenditure and curtailing discretionary expenses. These wide-ranging measures are expected to support cash flow during the next financial year. The Company will continue to focus on managing and enhancing funding arrangements pro-actively ahead of future requirements.

MANAGEMENT OF RISK (Contd.)

Risk	Potential Impact	Treatment
Exchange Rate	Possibility of Exchange Rate fluctuation due to COVID-19 pandemic	The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar in March 2020 on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. Therefore the Company regularly monitor the forex market movements and take necessary actions.
Supply Chain and Customer Demand	Due to the spread of COVID-19 pandemic, the Company experiences negative impact on demand and supply.	The Management is of the view that the existing stock position of LAL can meet the demand for the next 09 months.
Health, Safety and Well Being	Safety of employees at work and customers entering our business locations will be a priority while the threat of the pandemic remains. We value our employees and all stakeholders and recognize our responsibility to provide a safe working environment.	<p>Following health and safety protocols recommended by GOSL are implemented;</p> <p>Awareness of protocols and ensuring compliance by staff and visitors.</p> <p>Daily sanitising of office and factory premises.</p> <p>Temperature checks and record them in a register on entry for all staff and visitors coupled with mandatory wearing of face masks.</p> <p>Carry out hazard identification inspections, allocate risk levels and implement required control measures to ensure the workplace is safe and healthy for all stakeholder.</p>

FINANCIAL REPORTS

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THE STATEMENT OF DIRECTORS' RESPONSIBILITIES

While the responsibility of the auditors in relation to the Financial Statements is set out in the Report of the Auditors, the responsibility of the Directors in relation to the Financial Statements is set out in the following statement.

The Financial Statements comprise of:

- a Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year;
- a Statement of Profit or Loss and Other Comprehensive Income of the Company which presents a true and fair view of the profit or loss of the Company for the financial year;
- a Statement of Changes in Equity depicting all changes in shareholders' funds of the Company during the year under review;
- a Statement of Cash Flows providing the information to the users, on the generation of cash and cash equivalents and the utilization of those cash flows, during the year under review, and
- Notes to the Financial Statements comprising accounting policies and other explanatory information.

The Companies Act, No. 07 of 2007 requires the Directors to prepare and present Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss of the Company for the financial year. The Directors are required to confirm that the Financial Statements have been;

- prepared using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- presented in accordance with the Sri Lanka Accounting Standards; and
- prepared with reasonable and prudent judgments and estimates so that the form and substance of transactions are properly reflected; and
- prepared to provide the information required by, and otherwise comply with, the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have the responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to prevent and detect frauds and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered appropriate to enable them to give their audit opinion. Further, as required by Section 56 (2) of the Companies Act, No. 07 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to recommending a dividend of Rs. 5/- per share as the first and final dividend for the financial year ended 31st March 2020 .

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company, as at the reporting date had been paid, or where relevant, provided for.

By order of the Board



D A Abeyawardene
Director / Secretary

Colombo
14th August 2020

FINANCIAL CALENDAR 2019/2020

	2019/20	2018/19
Annual Report	04 th September 2020	16 th August 2019
Annual General Meeting to be held / held	25 th September 2020	06 th September 2019
Final Dividend to be Declared / Declared	25 th September 2020	06 th September 2019
Final Dividend to be Paid / Paid	19 th October 2020	18 th September 2019

SUBMISSION OF INTERIM FINANCIAL STATEMENTS IN TERMS OF THE RULE 7.4 OF THE COLOMBO STOCK EXCHANGE

	2019/20	2018/19
01 st Quarter Report	13 th August 2019	10 th August 2018
02 nd Quarter Report	14 th November 2019	10 th October 2018
03 rd Quarter Report	30 th January 2020	28 th January 2019
04 th Quarter Report	16 th June 2020	24 th May 2019

INDEPENDENT AUDITOR'S REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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To the Shareholders of Lanka Ashok Leyland PLC Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lanka Ashok Leyland PLC ("the Company"), which comprise the statement of financial position as at 31st March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 46 to 99 of this annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2020, and of its financial performance and its 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 are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

1. Carrying Value of Inventories

Refer to significant accounting policies in Note 3.10 and explanatory note in Note 20 of the financial statements. The Company held inventories which comprised several different vehicles, generators and spare parts with an aggregate carrying value of Rs. 4,235,608,373 as at 31st March 2020.

Changes in economic sentiment or consumer preferences, demands and the introduction of newer models with the latest design and technologies could result in inventories in hand no longer being sought after or being sold at a discount below their cost. Estimating for future demand and the related selling prices of vehicles, generators and spare parts are inherently subjective and uncertain because it involves management estimating the extent of markdown of selling prices necessary to sell the older or slow moving models in the period subsequent to the reporting date. We identified the valuation of inventories as a key audit matter because of the significant judgment exercised by management in determining appropriate carrying value of inventories.

Our audit procedures included;

- Assessing whether the inventory provisions at the end of the reporting period were determined in a manner consistent with the Company's inventory provision policy by recalculating the inventory provisions based on the percentages and other parameters in the Company's inventory provision policy.
- Assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing category by comparing individual items with the underlying goods receipt notes.
- Enquiring of management about any expected changes in plans for markdowns or disposals of slow moving or obsolete inventories and comparing their representations with actual transactions subsequent to the reporting date and assumptions adopted in determining the inventory provisions;

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

INDEPENDENT AUDITOR'S REPORT (Contd.)



- Comparing, on a sample basis, the carrying value of inventories with sales prices subsequent to the end of the reporting period.
- Observing inventory counts conducted subsequent to easing of lockdown restrictions and performing a roll back procedure in order to ensure the existence and condition of inventories as at the reporting date.

2. Recoverability of Rental and Trade Receivables

Refer to significant accounting policies in Note 3.5.1 and explanatory notes in Notes 18 & 21 (Rental Receivable from Trade Debtors & Trade and Other Receivable) of the financial statements. The carrying value of Rentals from Trade Debtors was Rs. 2,045,486,904 and Trade receivables was Rs. 280,187,647 as at 31st March 2020.

Assessing the allowance for impairment of Rental and Trade Receivable remains one of the most significant judgments made by management particularly in light of the uncertain economic outlook in Sri Lanka and due to the as at the reporting date potential impact of Global COVID 19 outbreak. We identified assessing the recoverability of trade debtors as a key audit matter because of the significance of trade debtors to the financial statements as a whole and the assessment of the recoverability of trade debtors is inherently subjective and requires significant management judgment in accordance with SLFRS 09, which increases the risk of error or potential management bias.

As described in note 3.5, management provisioning methodology is based on an Expected Credit Loss (ECL) model as required under SLFRS 9 "Financial Instruments".

Our audit Procedures included;

- Reviewing the appropriateness of the provisioning methodology used by management in determining the impairment allowances against the requirements of SLFRS 09 and the Guidelines issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) on the accounting considerations due to COVID 19 outbreak.
- Recomputing management's calculation for the impairment allowance determined based on the expected credit loss method.
- Challenging management's assumptions for the expected cash flows and the timing of the expected cash flows in the scenario-based probability weighted impairment assessment of individually significant customers.

- Assessing the reasonableness of the assumptions used in the provisioning methodology by comparing them with historical data adjusted for current market conditions.
- Assessing, on a sample basis, whether items in the debtors ageing report were classified within the appropriate ageing category by comparing individual items with the underlying invoices.
- Calling for confirmations from major debtors and/or verifying subsequent settlements as an alternative procedure.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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, 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 financial statements, management is responsible for assessing the Company'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 or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (Contd.)



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 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 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 to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1798.



Chartered Accountants

Colombo, Sri Lanka
14th August 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 st March	Note	2020 Rs.	2019 Rs.
Revenue	5	6,718,236,808	8,627,775,017
Cost of Sales		(6,078,604,474)	(7,713,474,317)
Gross Profit		639,632,334	914,300,700
Other Income	6	293,632,415	51,432,451
Selling and Distribution Expenses	7	(41,539,708)	(49,439,020)
Administrative Expenses		(469,158,399)	(492,583,182)
Impairment (Charge) / Reversal on Trade Receivables	8	(108,772,941)	13,079,413
Other Operating Expenses		(69,061,871)	(103,907,055)
Profit from Operations		244,731,830	332,883,307
Net Finance Cost	9	(224,111,769)	(215,954,405)
Profit Before Tax	10	20,620,061	116,928,902
Income Tax Reversal / (Expense)	11	82,792,884	(9,467,707)
Profit for the Year		103,412,945	107,461,195
Other Comprehensive Income			
Items that will Never be Reclassified to Profit or Loss			
Re-measurement of Employee Benefits - Actuarial Gain	27.2	5,712,505	10,081,480
Deferred Tax Charge on Defined Benefit Plan	11.3	(1,599,501)	(2,822,814)
Total Other Comprehensive Income, net of Tax		4,113,004	7,258,666
Total Comprehensive Income for the Year		107,525,949	114,719,861
Basic and Diluted Earnings Per Share	12	28.56	29.68
Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (Adjusted EBITDA)	14	378,931,926	448,876,145

The Notes annexed form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 st March	Note	2020 Rs.	2019 Rs.
ASSETS			
Non Current Assets			
Property, Plant & Equipment	15	645,336,980	548,284,634
Intangible Assets	16	9,729,965	13,067,782
Financial Investments	17	11,490,056	75,566
Rental Receivable from Trade Debtors	18.1	1,659,274,059	8,840,463
Deferred Tax Asset	19	170,720,440	32,635,423
Total Non Current Assets		2,496,551,500	602,903,868
Current Assets			
Inventories	20	4,235,608,373	4,781,316,960
Trade and Other Receivables	21	379,443,808	429,606,304
Rental Receivable from Trade Debtors	18.2	386,212,845	86,513,901
Deposits and Prepayments	22	60,975,031	78,228,741
Current Tax Asset	30	-	20,561,934
Amount due from Related Party	23	-	153,273
Cash & Cash Equivalents	24.1	7,920,473	9,823,924
Total Current Assets		5,070,160,530	5,406,205,037
Total Assets		7,566,712,030	6,009,108,905
EQUITY & LIABILITIES			
Equity			
Stated Capital	25	49,375,150	49,375,150
General Reserve	26	887,347,500	887,347,500
Retained Earnings		2,431,362,944	2,376,906,585
Equity attributable to Owners of the Company		3,368,085,594	3,313,629,235
Non Current Liabilities			
Employee Benefits	27	91,493,075	84,498,498
Lease Liability	28.1	75,165,670	-
Total Non Current Liabilities		166,658,745	84,498,498
Current Liabilities			
Trade and Other Payables	29	498,549,837	502,494,840
Current Tax Liabilities	30	3,334,486	-
Provision for Warranty	31	2,660,359	2,270,002
Short-Term Borrowings	32	3,360,660,856	1,523,125,333
Lease Liability	28.1	29,140,340	-
Amount due to Related Party	33	81,514,793	540,890,074
Bank Overdrafts	24.2	56,107,020	42,200,923
Total Current Liabilities		4,031,967,691	2,610,981,172
Total Liabilities		4,198,626,436	2,695,479,670
Total Equity & Liabilities		7,566,712,030	6,009,108,905
Net Assets per Share		930.15	915.15


The Notes annexed form an integral part of these Financial Statements.


It is certified that the Financial Statements have been prepared and presented in compliance with the requirements of the Companies Act, No. 07 of 2007.


G R Jayalath
 Manager - Finance


U Gautam
 Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
 Approved and signed for and on behalf of the Board of Directors of Lanka Ashok Leyland PLC;


A K S A Jayasena
 Chairman


D A Abeyawardene
 Director

Colombo, 14th August 2020

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	General Reserves Rs.	Available for Sale Reserves Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 31 st March 2018	49,375,150	887,347,500	107,878	2,401,829,016	3,338,659,544
Adjustment on Initial Application of SLFRS 09	-	-	(107,878)	(12,912,787)	(13,020,665)
Adjusted Balance as at 01 st April 2018	49,375,150	887,347,500	-	2,388,916,229	3,325,638,879
Total Comprehensive Income					
Profit for the year	-	-	-	107,461,195	107,461,195
Other Comprehensive Income for the year	-	-	-	7,258,666	7,258,666
Total Comprehensive Income	-	-	-	114,719,861	114,719,861
Transactions with Owners of the Company					
Contribution / Distribution					
Dividend	-	-	-	(126,729,505)	(126,729,505)
Total Transactions with Owners of the Company	-	-	-	(126,729,505)	(126,729,505)
Balance as at 31 st March 2019, as Previously Reported	49,375,150	887,347,500	-	2,376,906,585	3,313,629,235
Adjustment on Initial Application of SLFRS 16 (Note 42), net of Tax	-	-	-	(19,325,423)	(19,325,423)
Adjusted Balance as at 01 st April 2019	49,375,150	887,347,500	-	2,357,581,162	3,294,303,812
Total Comprehensive Income					
Profit for the year	-	-	-	103,412,945	103,412,945
Other Comprehensive Income for the year	-	-	-	4,113,004	4,113,004
Total Comprehensive Income	-	-	-	107,525,949	107,525,949
Transactions with Owners of the Company					
Contribution / Distribution					
Unclaimed Dividend Reversed	-	-	-	2,464,263	2,464,263
Dividend	-	-	-	(36,208,430)	(36,208,430)
Total Transactions with Owners of the Company	-	-	-	(33,744,167)	(33,744,167)
Balance as at 31 st March 2020	49,375,150	887,347,500	-	2,431,362,944	3,368,085,594

The Notes annexed form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the Year Ended 31 st March	Note	2020 Rs.	2019 Rs.
Cash flows from Operating Activities			
Profit Before Tax		20,620,061	116,928,902
Adjustment For :			
Depreciation of Property, Plant and Equipment	15.1	112,347,784	115,462,535
Amortization of Intangible Assets	16	3,337,817	530,303
Depreciation of Right-of-Use Assets	15.2	18,514,495	-
Provision for Employee Benefits	27.1	14,310,201	12,785,531
Impairment Provision / (Reversal) on Trade & Other Receivables	8	108,772,941	(13,079,413)
Charge for Provision for Inventory	20.1	94,819,587	42,056,679
Finance Costs	9.2	267,385,322	229,858,975
Interest Income	9.1	(1,738,236)	(334,994)
Lease Interest Income	6	(236,467,241)	(10,761,939)
Gain on Sale of Property, Plant and Equipment	6	(7,801,053)	(8,286,915)
Reversal for Provision for Free Service	29.1	(1,604,299)	(8,689,611)
Charge / (Reversal) of Warranty Provision	31	390,357	(4,167,539)
Provision for Tax Assessment	29.2	14,583,275	12,985,997
Fixed Assets Write Offs		-	575,383
		386,850,950	368,934,992
Operating Profit before Working Capital Changes		407,471,011	485,863,894
Working Capital Changes in			
Inventories		319,806,400	721,875,991
Trade and Other Receivables		(1,994,249,118)	266,867,726
Amount due from Related Party		153,273	-
Trade and Other Payables		(14,459,715)	(139,828,502)
Amounts due to Related Party		(459,375,281)	(155,304,945)
		(2,148,124,441)	693,610,270
Cash Generated from / (Used in) Operations		(1,740,653,430)	1,179,474,164
Interest Paid		(254,509,943)	(229,819,246)
Employee Benefits Paid	27	(1,603,119)	(1,762,275)
Payments / Set off of Income Taxes	30	(26,553,044)	(95,412,901)
		(282,666,106)	(326,994,422)
Net Cash Generated from / (Used in) Operating Activities		(2,023,319,536)	852,479,742
Cash flows from Investing Activities			
Interest Received		236,777,421	11,096,933
Investment in Debentures		(10,000,000)	-
Proceeds from Sale of Property, Plant and Equipment		23,976,185	12,802,710
Acquisition of Property, Plant and Equipment & Intangible Assets		(15,947,972)	(51,552,590)
Net Cash Flows Generated from / (Used in) Investing Activities		234,805,634	(27,652,947)
Cash Flows from Financing Activities			
Short Term Loans obtained during the year	32.1	5,233,034,219	6,781,472,536
Short Term Loans repaid during the year	32.1	(3,395,498,696)	(7,578,835,291)
Payment for Lease Liability	28.3	(28,622,739)	-
Dividend Paid		(36,208,430)	(126,729,505)
Net Cash Flows Generated from / (Used in) Financing Activities		1,772,704,354	(924,092,260)
Net Decrease in Cash & Cash Equivalents		(15,809,548)	(99,265,465)
Net Cash & Cash Equivalents at the beginning of the year		(32,376,999)	66,888,466
Net Cash & Cash Equivalents at the end of the year	24	(48,186,547)	(32,376,999)
Analysis of Cash & Cash Equivalents at the end of the year			
Cash & Cash Equivalents	24.1	7,920,473	9,823,924
Bank Overdrafts	24.2	(56,107,020)	(42,200,923)
		(48,186,547)	(32,376,999)

The Notes annexed form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile & Legal Form

Lanka Ashok Leyland PLC ("the Company") is a Quoted Public Limited Liability Company incorporated and domiciled in Sri Lanka under the provision of Companies Act, No. 17 of 1982 and re-registered under the New Companies Act, No. 07 of 2007. The registered office of the Company is located at Panagoda, Homagama.

1.2 Principal Activities and Nature of Operations

The Company is involved in selling of commercial vehicles, diesel generators, spare parts and provision of after sales services and ancillary services for Ashok Leyland motor vehicles and let vehicles on hire.

There were no significant changes in the nature of principal activities of the Company during the financial year under review.

The number of employees at the end of the year was 179 (2019 - 182).

1.3 Ultimate Holding Company

The Company is a quoted public limited liability Company with 41.77% of the Share Capital held by Lanka Leyland Limited and 27.85% of the Share Capital held by Ashok Leyland Limited - India.

1.4 Financial Year

The Company's financial year ends on 31st March.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (referred "SLFRS/LKAS") as laid down by the Institute of Chartered Accountants of Sri Lanka (CASL) and the requirements of the Companies Act, No. 07 of 2007.

These Financial Statements include the following components:

- Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review.
- Statement of Financial Position providing the information on the financial position of the Company as at the year-end.

- Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company.
- Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

This is the first set of Financial Statements in which SLFRS 16 "Leases" has been applied. The related changes to significant accounting policies are described in Note 3.1.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company as per the provisions of the Companies Act, No. 07 of 2007 and Sri Lanka Accounting Standards (SLFRSs/LKASs).

The Board of Directors acknowledges this responsibility as set out in the Report of the Directors under "Directors' Responsibility for Financial Statements".

2.3 Approval of Financial statements

The Financial Statements of the Company for the year ended 31st March 2020 were approved and authorised for issue by the Board of Directors on 14th August 2020.

2.4 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following material items in the statement of financial position;

Item	Basis of Measurement
Retirement Benefit Obligation	Measured at its present value, based on an actuarial valuation as explained in Note 27. The accounting policy is described in Note 3.12.
Equity instruments	Fair Value

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

2.5 Functional and Presentation Currency

The Company's Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency and no level of rounding have been used in presenting amounts in the Financial Statements, otherwise indicated.

2.6 Materiality and Aggregation

Each material class of similar items is presented in aggregate in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.7 Use of Judgments and Estimates

The preparation of the Financial Statements in conformity with LKAS / SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are included in the following notes;

2.7.1 Useful Life Time of Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.7.2 Deferred Taxation

Deferred Tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred Tax Liabilities are recognized for taxable temporary differences and for deferred tax assets judgment as to its recoverability is performed for recognition purposes.

2.7.3 Defined Benefit Plans

The cost of the defined benefit obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates, etc. Due to the long term nature of this obligation, such estimates are subject to significant uncertainty.

2.7.4 Provisions for Obsolete and Slow-Moving Items

Management's judgment is used in the estimation of the amount and percentages of slow-moving items when determining the Provisions for obsolete and slow-moving items. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision made.

2.7.5 Impairment Losses on Trade Receivables and Rental Receivable from Trade Debtors

The Company reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ.

If impairment is not required based on the individual assessment all such individually significant balances are then assessed collectively, in groups of assets with similar risk characteristics.

The Company measures loss allowances using Expected Credit Loss (ECL). When estimating ECL, Company determines whether the credit risk of a financial asset has increased significantly since initial recognition. For this, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and including forward-looking information.

The post-lock-down economic implications on the country's economy and how businesses and consumers respond to the same are uncertain. There could be a possible increase in credit risk due to the loss of income by some of the businesses and the individuals who are our customers, which would delay the settlements of customer dues while increasing the possibility of default.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The Company considers evidence of impairment for assets at both individually and at collective level in line with SLFRS 09. As part of the Company wide control and cash management efforts set up to manage the COVID-19 impact on working capital and collections, impairment for the individual receivable balances were re-assessed and specific provisions were made wherever necessary. The Company assessed how the timing and amount of cash flows generated by outstanding trade receivables might be affected and deferred the expected cash flows accordingly.

2.7.6 Estimation Uncertainty in Preparation of Financial Statements due to the post-lock-down Economic Implications of COVID-19 Pandemic

The post-lock-down implications have increased the uncertainty of estimates made in preparation of the Financial Statements. The estimation uncertainty is associated with;

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

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to expected credit losses, as explained in note 2.7.5.

2.8 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future and do not foresee a need for liquidation or cessation of trading.

The full extent and duration of the impact of COVID-19 on the Company's operations and financial performance is currently unknown and depends on future developments that are uncertain and unpredictable.

As the normalcy restores and economic activities slowly restart, Lanka Ashok Leyland PLC is confident in the health of its Financial Position and our ability to navigate the next few quarters with subdued demand. Going into the new fiscal year, we have ongoing business to support its operations until further demand picks up while the ban imposed by the Government on importation of vehicles is expected to have a positive impact on clearing the existing inventory which can meet demand for the next 09 Months.

Furthermore, the Management is not aware of any material uncertainties including impact of COVID 19 that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Directors consider it appropriate to prepare the Financial Statements on a going concern basis. In making the Company's going concern assessment, the Directors have considered a wide range of detailed information relating to present and potential conditions, including profitability, cash flows, capital requirements and capital resources.

In addition, the objectives, policies and processes for managing credit, liquidity and market risk are set out in the " Financial Risk Management note 44'.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes set out in Note 3.1 the Company has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

3.1 Changes in Significant Accounting Policies

The Company applied SLFRS 16 with a date of initial application of 01st April 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company applied SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 01st April 2019. Accordingly, the comparative information presented for 2018/19 is not restated i.e. it is presented as previously reported under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below, additionally the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.1.1 Definition of Lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under International Financial Reporting Interpretations Committee 4 (IFRIC 4). Under SLFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.16.

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of lease under SLFRS 16 was applied only to contracts entered into or changed on or after 01st April 2019.

3.1.2 As a Lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under SLFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

Leases classified as operating leases under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 01st April 2019. Right-of-use assets are measured at their carrying amount as if SLFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Company has tested its right of use assets for impairment on the date of transition and has concluded that there is no indication that the right of use assets are impaired.

The Company used the following practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

- Applied the practical expedient to not recognise right-of-use assets and lease liabilities for low value leases
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3.1.3 As a Lessor

The Company is not required to make any adjustments on transition to SLFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with SLFRS 16 from the date of initial application.

Under SLFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company did not have any sub lease arrangements.

3.1.4 Impacts on Financial statements

The details of the transitional impact on adoption of SLFRS 16 to the financial statements is disclosed in Note 42 separately.

3.2 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency applying exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of the functional currency prevailing at the reporting date. Foreign currency differences are generally recognised in profit or loss.

Statement of Financial Position

3.3 Current Versus non-current Classification

The Company presents Assets and Liabilities in Statement of Financial Position based on current / non-current classification.

An asset as current when it is:

- Expected to be realized or intended to sell or consume in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- It does not have an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax liabilities and employee benefit liabilities are classified as non-current liabilities.

3.4 Financial Instruments

3.4.1 Recognition and Initial Measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.4.2 Classification and Subsequent Measurement

On initial recognition, financial assets are classified as Amortised Cost, FVOCI - Debt Investment, FVOCI - Equity Investment or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset measured at amortised cost comprises Trade and Other Receivables, Rental Receivable from Trade Debtors, Amounts due from Related Party, and Cash and Cash Equivalents.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

FVTPL comprises investments in equity shares.

Financial Assets - Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial Assets - Assessment whether Contractual Cash Flows for Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial Assets - Subsequent Measurement and Gains and Losses

Financial Assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial Assets at Amortised Cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

3.4.3. Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.4.4 Derecognition

Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4.5 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.5 Impairment

3.5.1 Non-Derivative Financial Assets

Financial Instruments

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

Credit-Impaired Financial Assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor or issuer;
- adverse changes in the payment status of the debtor;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation

Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Financial Assets Measured at Amortized Cost

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) on specific assets, accordingly all individually significant assets are assessed for specific impairment.

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.5.2 Non-Financial Assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

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 amortization, if no impairment loss had been recognized.

3.6 Stated Capital Ordinary Shares

Ordinary shares are classified as equity. Costs attributable to the issue of ordinary shares are recognized as an expense.

3.7 Property, Plant & Equipment

Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

a) Cost

All Property, Plant and Equipment are initially recorded at cost and stated at historical cost less depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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 its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Expenditure incurred to replace a component of an item of Property, Plant and Equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized.

Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied in the item of Property, Plant and Equipment will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of Property, Plant and Equipment are recognized in the profit or loss as incurred.

b) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

The Company provides depreciation from the date the assets are available for use whereas depreciation of asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives of the different types of assets.

Factory Building	2.5%
Machinery & Equipment	5%
Factory Equipment	5%
Data processing Equipment	25%
Office Equipment & City office equipment	10%
Furniture & Fittings	10%
Motor Vehicles	20%
Freehold land is not depreciated.	

All assets carrying amounts are written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

c) Derecognition

An item of Property, Plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

d) 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, whilst the capital assets which have been completed during the year and put to use have been transferred to Property, Plant & Equipment.

3.8 Intangible Assets

a) Cost

Intangible assets wholly consists of cost of computer software acquired by the Company and have finite useful life. Intangible assets are measured at cost less accumulated amortization and impairment losses.

b) Subsequent Expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

c) Amortization

Intangible assets are amortized on a straight line basis in the profit or loss from the date when the assets available for use, over the best estimate of its useful economic life. The estimated useful life of software is four years.

3.9 Capital Commitments

Capital commitments of the Company are disclosed in the Note 35 to the Financial Statements.

3.10 Inventories

Inventories are valued at lower of cost and net realizable value, after making due provisions for obsolete and slow-moving items.

Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Cost includes expenses incurred in acquiring the inventories and bringing them to their existing location and condition.

Work-in-progress refers to jobs remaining incomplete in the workshop and stated at cost. Cost includes all expenditure related directly to specific projects.

The Cost of each category of inventory is determined on following basis;

- | | |
|--------------------|----------------------------|
| - Spare Parts | - At Weighted Average Cost |
| - Vehicles | - At Actual Cost |
| - Goods In Transit | - At Estimated Cost |

3.11 Goods-in-Transit

Inventory items shipped, but not received by the Company as at the reporting date are treated as goods-in transit. In such situations, estimates are made for unpaid bills in order to value goods-in-transit.

3.12 Employee Benefits

3.12.1 Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.12.2 Defined Benefit Plan- Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Company is liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983. Under the said Act, the liability to an employee arises only on completion of 5 years of continued service.

The liability recognized in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

3.12.3 Defined Contribution Plans- Employees Provident Fund & Employees Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

All the employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employer's contribution to the defined contribution plans are recognized as an expense in the profit or loss when incurred.

The Company contributes 12% and 3% of the salary of each employee to the Employees' Provident Fund and Employees' Trust Fund respectively.

3.13 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.14 Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.15 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the Financial Statements.

3.16 Leases

The Company has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately as they are different from those under SLFRS 16 and the impact of changes is disclosed in Note 42.

Policy applicable from 01st April 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either: the Company has the right to operate the asset; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a Lessee

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of Property, Plant and Equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on a rate, initially measured using the rate as at the commencement date; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in a rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents Right-of-use Assets in 'Property, Plant and Equipment' and Lease Liabilities in 'Lease Liability' in the Statement of Financial Position.

Short-term leases and leases of low-value assets

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

As a Lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 01st April 2019

For contracts entered into before 01st April 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets; and

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a Lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a Lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Statement of Profit or Loss and Other Comprehensive Income

3.17 Revenue

3.17.1 Revenue Streams

The Company's revenue comprises only the revenue from contracts with customers. Revenue from contract with customers generates primarily from New vehicle sales. The streams of Diesel generator set sales, Repair income, spare part sales, vehicle hiring income and agency commission income are the other sources of income included under revenue from contracts with customers.

3.17.2 Disaggregation of Revenue from Contract with Customers

Revenue from contract with customers is disaggregated by sales by type of counter-party, major products and service lines and timing of revenue recognition under Note 05.

3.17.3 Performance Obligations and Revenue Recognition Policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or services to the customer.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of Product / Service	Nature and Timing of Satisfaction of Performance Obligations, Including Significant Payment Terms	Revenue Recognition Policies
Sale of Vehicles with Free Services	The Company provides two free services within two months of the sale, for the vehicles sold and price of these free services is in-built in the selling price. The Company may recognize Revenue from free services when the service is rendered.	The Company allocates a portion of the consideration received to free services. This allocation is based on the relative stand-alone selling prices. The amount allocated to the free services is deferred, and is recognized as revenue when the services are rendered.
Spare Parts Sales	The Company sells spare parts through their stalls in several locations. The goods are realized when the goods are transported out, and the invoice is raised afterwards.	Revenue from spare parts sales are recognized at the dispatch point when the Company transfer the control of spare parts to the customer.
Body Parts Construction	The Company constructs some of the body parts in resalable nature, where it is less customized to the particular customer. The Company also constructs the body parts fully customized to the specifications provided by the customer. The Company has a guaranteed right to payment by the advance or the full payment charged from the customer.	The Company transfers the control of the goods over time. However, the time consumed for construction and sale of body part is insignificant. Therefore the revenue is recognized at the point of transfer of body parts.
Local Agency Commission	The Company acts as an indent agent for Ashok Leyland - India. LAL receives a commission from its indent principal for arranging the transaction.	The Company act as an agent for Ashok Leyland - India. Therefore the commission is recognized at the date of bill of lading except for any consideration received on behalf of the parent.
Diesel Generator Set Sales	The Company provides generator sets and installation services to the customers. The price for the installation service is in-built in the price of the generator set.	Revenue from sale of generators are recognized at the point of delivery. Revenue from installation service is also qualified for at a point in time revenue recognition, Since there is no significant time gap for installation to be taken place.
Hiring Income	Company provides vehicles on hire basis to government sectors	Revenue from hiring is recognized over time due to the fact that the entity identifies the receipts and simultaneous consumption of benefits from the services provided to the customer.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.18 Sale of Goods under Finance Lease

In accordance with paragraph 73 of SLFRS 16 - "Leases", the selling profit or loss is recognized in the period of sales in accordance with the policy followed for outright sales. When low rate of interest are quoted, selling profit is restricted to that which would apply if a market rate of interest were changed. Cost incurred in connection with negotiating and arranging the lease is recognized as an expense when the selling profit is recognized.

The finance income over and above the selling profit is recognized over the lease term.

3.19 Gain or Loss on Disposal of Property, Plant and Equipment

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognized net within "other income" in Profit or Loss.

3.20 Other Income

All other income is recognized on an accrual basis.

3.21 Expenditure Recognition

Expenses are recognized in the Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income.

All expenditure incurred in running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency is charged to profit or loss in arriving at the Profit / (Loss) for the year. Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the business or for the purpose of increasing earning capacity of the business has been treated as capital expenditure.

For the purpose of presentation of profit or loss the directors are of the opinion that "function of expenses method" presents fairly the elements of the enterprise's performance, and hence such presentation method is adopted.

3.21.1 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the specific asset.

3.22 Finance Income and Finance Costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, and overdraft interest expenses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.23 Income Tax Expense

Income Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3.23.1 Current Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years, also reflecting uncertainty related to income taxes, if any. Current tax payable also includes any tax liability arising from the declaration of dividends.

The Company is liable to taxation in accordance with the Inland Revenue Act, No. 24 of 2017.

3.23.2 Deferred Taxation

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that 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 realized, based on the level of future taxable profit forecasts and tax planning strategies.

3.24 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Number of Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable from the asset or liability either directly (as prices) or indirectly (derived prices)
- Level 3 - Inputs from the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

3.25 Events after the Reporting Period

All material and important events if any which occur after the reporting date have been considered and disclosed in Note 38 to the Financial Statements.

3.26 Cash Flow Statement

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with Sri Lanka Accounting Standard- LKAS 7 on 'Statement of Cash Flows'.

3.27 Cash and Cash Equivalent

Cash and Cash Equivalents comprise of cash at bank, cash in hand and fixed deposits with maturities of three months or less from the acquisition date, and are used by the Company in the management of its short-term commitments. Bank overdrafts that are repayable on demand and forming an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.28 Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.29 Dividends on Ordinary Shares

Final dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 01st January 2020. Accordingly, the Company has not applied the following new standards in preparing these financial statements.

1. Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards
2. Definition of a business (Amendments to SLFRS 3)
3. Definition of material (Amendments to LKAS 1 and LKAS 8)

The Company does not expect there will be a significant impact on its Financial Statements as a result of the above.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the Year Ended 31 st March		2020 Rs.	2019 Rs.
5	REVENUE		
5.1	Disaggregation of Revenue from Contract with Customers		
5.1.1	Major Products / Service Lines		
	New Vehicle Sales	6,214,808,454	8,164,643,937
	Diesel Generator Set Sales	42,788,250	32,138,172
	Vehicle / Generator Set Repair Income	139,316,147	155,434,844
	Spare Parts Sales	225,188,887	185,653,932
	Vehicle Hiring Income	96,135,070	89,904,132
		6,718,236,808	8,627,775,017
5.1.2	Sales by Type of Counter-party		
	Government Entities	2,713,832,270	698,286,604
	Corporate and Institutes	1,132,907,881	1,294,036,096
	Individuals	2,871,496,657	6,635,452,317
		6,718,236,808	8,627,775,017
5.1.3	Timing of Revenue Recognition		
	Products & Services Transferred at a Point in Time	6,622,101,738	8,537,870,885
	Product & Services Transferred Over Time	96,135,070	89,904,132
		6,718,236,808	8,627,775,017
6	OTHER INCOME		
	Profit on Sale of Property, Plant and Equipment	7,801,053	8,286,915
	Lease Interest Income	236,467,241	10,761,939
	Sundry Income	49,364,121	32,383,597
		293,632,415	51,432,451
7	SELLING AND DISTRIBUTION EXPENSES		
	Distribution Expenses Comprise of the Following;		
	Sales Promotions	2,296,041	2,691,480
	Discounts	15,692,401	6,567,874
	Advertising	1,326,421	4,360,784
	Other Selling Expenses	22,224,845	35,818,882
		41,539,708	49,439,020
8	IMPAIRMENT (CHARGE) / REVERSAL OF TRADE RECEIVABLES		
	Impairment (Charge) / Reversal of Rental Receivable from Trade Receivables (Note 18.3)	(94,088,613)	10,449,567
	Impairment (Charge) / Reversal of Trade Receivables (Note 21.2)	(14,684,328)	2,629,846
		(108,772,941)	13,079,413

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the Year Ended 31 st March		2020 Rs.	2019 Rs.
9	NET FINANCE COST		
9.1	Finance Income		
	Interest Income	1,738,236	334,994
	Net Foreign Exchange Gain	41,535,317	13,569,576
		43,273,553	13,904,570
9.2	Finance Cost		
	Interest Expense on Short Term Borrowings	(253,274,807)	(229,076,614)
	Interest Expense on Bank Overdrafts	(1,235,136)	(742,632)
	Interest Cost on Lease Liability	(12,861,813)	-
	Financial Assets at FVTPL - Net Change in Fair Value	(13,566)	(39,729)
		(267,385,322)	(229,858,975)
	NET FINANCE COST	(224,111,769)	(215,954,405)
10	PROFIT BEFORE TAX		
	Profit before tax is stated after charging all the expenses / (reversal) including followings;		
	Directors' Emoluments	10,560,549	12,950,500
	Auditors' Remuneration - Audit Services	1,950,000	1,950,000
	- Audit Related Services	75,000	285,000
	- Non Audit Services	380,000	1,415,000
	Staff Cost (Note 10.1)	283,783,466	317,119,507
	Depreciation of Property, Plant and Equipment (Note 15.1)	112,347,784	115,462,535
	Property, Plant & Equipment Written-off	-	575,383
	Depreciation of Right of Use Asset (Note 15.2)	18,514,495	-
	Amortization of Intangible Assets (Note 16)	3,337,817	530,303
	Provision for Slow Moving and Obsolete Stocks (Note 20.1)	94,819,587	42,056,679
	Reversal of Provision for Free Service (Note 29.1)	(1,604,299)	(8,689,611)
	Charge / (Reversal) of Warranty Provision (Note 31)	390,357	(4,167,539)
	Provision for Tax Assessment (Note 29.2)	14,583,275	12,985,997
10.1	Staff Cost		
	Salaries, Wages and Other Benefits	247,282,423	283,273,932
	Defined Contribution Plans - EPF	17,752,674	16,848,035
	Defined Contribution Plans - ETF	4,438,168	4,212,009
	Defined Benefit Plans (Note 27.1)	14,310,201	12,785,531
		283,783,466	317,119,507

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

11 TAX EXPENSE

The Company is liable to taxation at the rate of 28% on its taxable income in accordance with the Inland Revenue Act, No. 24 of 2017. The composition of income tax expense is as follows ;

For the Year Ended 31 st March	2020 Rs.	2019 Rs.
11.1 Tax Expense		
Income Tax on Profits for the year (Note 11.2)	54,078,181	43,624,416
Over Provision of Current Tax in Respect of Previous years	(3,628,717)	-
Deferred Tax Charge / (Reversal) (Note 11.3)	(133,242,348)	(34,156,709)
	(82,792,884)	9,467,707
11.2 Reconciliation of the Accounting Profit and Taxable Profit		
Profit Before Tax	20,620,061	116,928,902
Income from Other Sources and Exempt Income	(1,738,856)	(343,907)
Aggregated Expenses Disallowed for Taxation	315,770,531	191,765,600
Aggregated Deductible Expenses for Taxation	(143,253,610)	(152,884,104)
Total Statutory Income	191,398,126	155,466,491
Interest Income	1,738,236	334,994
Taxable Income	193,136,362	155,801,485
Taxation		
Income Tax at 28%	54,078,181	43,624,416
Income Tax on Profits for the year	54,078,181	43,624,416
11.3 Deferred Tax Reversal Recognized in Comprehensive Income		
Statement of Profit or Loss (Note 19)	133,242,348	34,156,709
Other Comprehensive Income (Note 19)	(1,599,501)	(2,822,814)
	131,642,847	31,333,895
11.4 Effective Tax Rate		
Effective Tax Rate Excluding Deferred Tax (Note 11.5)	262.26%	37.31%
Effective Tax Rate Including Deferred Tax (Note 11.5)	(383.92%)	8.10%
Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years (Note 11.5)	(401.52%)	8.10%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the Year Ended 31 st March		2020		2019	
		Rate	Rs.	Rate	Rs.
11 TAX EXPENSE (Contd.)					
11.5 Reconciliation of Effective Tax Rate					
Profit Before Tax			20,620,061		116,928,902
Tax Using the Company's Tax Rate	28.00%		5,773,617	28.00%	32,740,093
Exempted Income	0.00%		(174)	(0.0021%)	(2,496)
Disallowed Expenses	428.79%		88,415,748	45.92%	53,694,368
Deductible Expenses	(194.52%)		(40,111,011)	(36.61%)	(42,807,549)
Effective Tax Rate Excluding Deferred Tax	262.26%		54,078,181	37.31%	43,624,416
Temporary Differences	(646.18%)		(133,242,348)	(29.21%)	(34,156,709)
Effective Tax Rate Including Deferred Tax	(383.92%)		(79,164,167)	8.10%	9,467,707
Over Provision of Current Tax in Respect of Previous years	(17.60%)		(3,628,717)	0.00%	-
Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years	(401.52%)		(82,792,884)	8.10%	9,467,707

The Ministry of Finance has instructed on 31st January 2020 and 05th March 2020, that the revised income tax rates proposed to the Inland Revenue Act, No. 24 of 2017 (IRA) by Circular No. PN/IT/2020-03 (Revised), be implemented with effect from 01st January 2020, pending formal amendments being made to the IRA.

However, Institute of Chartered Accountants of Sri Lanka (CASL) has issued a separate guideline for the consideration of tax rate in determining the Income Tax and Deferred Tax. Accordingly CASL has advised to use the previous rate which is 28% for the Income Tax and Deferred Tax as the revised rate is not considered to be substantively enacted. Hence, Company has considered the 28% in computing the Income tax and Deferred Tax as at 31st March 2020.

12 EARNINGS PER SHARE

12.1 Basic Earnings per Share

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders 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.

For the Year Ended 31 st March	2020	2019
Profit Attributable to Ordinary Shareholders (Rs.)	103,412,945	107,461,195
Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
Basic and Diluted Earnings per Share (Rs.)	28.56	29.68

12.2 Diluted Earnings per Share

The calculation of diluted earning per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effect of all diluted ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year and previous year. Therefore, Diluted Earnings per Share is same as Basic Earnings per share shown above.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

13 DIVIDEND PER SHARE

After the reporting date, the following dividend was proposed by the Board of Directors. The Dividend has not been recognized as liability in the Financial Statements in compliance with LKAS 10 "Events After the Reporting Period".

For the Year Ended 31 st March	2020	2019
Dividend for the Year (Rs.)	18,104,215	36,208,430
Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
Dividend per Share (Rs.)	5.00	10.00

14 ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (ADJUSTED EBITDA)

The Directors of the Company have presented the performance measure adjusted EBITDA as they monitor this performance measure at high level and they believe this measure is relevant to an understanding of the Company's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of Taxation, Net Finance Costs, Depreciation, Amortization, Impairment Losses / Reversals related Intangible Assets, Property, Plant and Equipment.

Adjusted EBITDA is not a defined performance measure in SLFRS / LKAS. The Company's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of Adjusted EBITDA to Profit from Operations;

For the Year Ended 31 st March	Note	2020 Rs.	2019 Rs.
Profit from Continuing Operations		103,412,945	107,461,195
Income Tax Expense	11	(82,792,884)	9,467,707
Profit before Tax		20,620,061	116,928,902
Adjustments for:			
- Net Finance Costs	9	224,111,769	215,954,405
- Depreciation of Property, Plant & Equipment	10	112,347,784	115,462,535
- Depreciation of Right-of-Use Asset	10	18,514,495	-
- Amortisation of Intangible Assets	10	3,337,817	530,303
Adjusted EBITDA		378,931,926	448,876,145

15 PROPERTY, PLANT & EQUIPMENT

"Property, Plant and Equipment" comprise owned and leased assets that do not meet the definition of Investment Property.

As at 31 st March	2020 Rs.	2019 Rs.
Property, Plant & Equipment Owned (Note 15.1)	566,792,290	548,284,634
Right-of-use Assets (Note 15.2)	78,544,690	-
	645,336,980	548,284,634

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

15 PROPERTY, PLANT & EQUIPMENT (Contd.)

15.1 Property, Plant & Equipment Owned

For the Year Ended 31 st March 2020	As at 01 st April 2019 Rs.	Cost Additions Rs.	Disposals / Transfers Rs.	As at 31 st March 2020 Rs.
Freehold Land	10,700,810	-	-	10,700,810
Freehold Factory & Building	269,571,448	-	-	269,571,448
Data Processing Equipment	34,223,088	58,951	-	34,282,039
Machinery & Equipment	22,249,466	112,000	-	22,361,466
Factory Equipment	27,511,521	2,958,549	-	30,470,070
Office Equipment	6,660,699	125,998	-	6,786,697
Furniture & Fittings	21,943,090	-	-	21,943,090
Motor Vehicles	768,355,759	132,426,034	(33,881,520)	866,900,273
	1,161,215,881	135,681,532	(33,881,520)	1,263,015,893
Capital Work In Progress - Building	7,676,673	11,349,038	-	19,025,711
	1,168,892,554	147,030,570	(33,881,520)	1,282,041,604

For the Year Ended 31 st March 2019	As at 01 st April 2018 Rs.	Cost Additions Rs.	Disposals / Write Offs Transfers Rs.	As at 31 st March 2019 Rs.
Freehold Land	10,700,810	-	-	10,700,810
Freehold Factory & Building	232,588,995	36,982,453	-	269,571,448
Data Processing Equipment	31,178,046	7,614,671	(4,569,629)	34,223,088
Machinery & Equipment	20,991,295	1,408,171	(150,000)	22,249,466
Factory Equipment	25,500,069	2,801,471	(790,019)	27,511,521
Office Equipment	8,047,586	94,999	(1,481,886)	6,660,699
Furniture & Fittings	22,267,803	1,543,713	(1,868,426)	21,943,090
Motor Vehicles	682,219,575	106,912,044	(20,775,860)	768,355,759
	1,033,494,179	157,357,522	(29,635,820)	1,161,215,881
Capital Work In Progress - Building	20,852,336	36,008,152	(49,183,815)	7,676,673
	1,054,346,515	193,365,674	(78,819,635)	1,168,892,554

15.1.1 Market Value of the Freehold Land & Building

Property	Market Value	Valuation Surveyor	Date of Valuation	No of Buildings	Land Extent
Freehold Land & Building at Panagoda, Homagama	Rs. 505 Mn.	Mr. M.A. Ananda Sarath	31.03.2016	4	18 acres and 32 perches

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 01 st April 2019 Rs.	Accumulated Depreciation Charge for the year Rs.	On Disposal Rs.	As at 31 st March 2020 Rs.	Carrying Value As at 31 st March 2020 Rs.
-	-	-	-	10,700,810
40,275,360	6,739,286	-	47,014,646	222,556,802
24,838,949	2,863,259	-	27,702,208	6,579,831
11,128,454	1,056,613	-	12,185,067	10,176,399
10,379,473	1,369,042	-	11,748,515	18,721,555
3,979,818	557,088	-	4,536,906	2,249,791
15,397,218	1,900,676	-	17,297,894	4,645,196
514,608,648	97,861,820	(17,706,390)	594,764,078	272,136,195
620,607,920	112,347,784	(17,706,390)	715,249,314	547,766,579
-	-	-	-	19,025,711
620,607,920	112,347,784	(17,706,390)	715,249,314	566,792,290

As at 01 st April 2018 Rs.	Accumulated Depreciation Charge for the year Rs.	On Disposal / Write Offs Rs.	As at 31 st March 2019 Rs.	Carrying Value As at 31 st March 2019 Rs.
-	-	-	-	10,700,810
34,175,309	6,100,051	-	40,275,360	229,296,088
27,429,564	1,968,931	(4,559,546)	24,838,949	9,384,139
10,214,606	1,043,280	(129,432)	11,128,454	11,121,012
9,503,205	1,252,373	(376,105)	10,379,473	17,132,048
4,576,728	546,604	(1,143,514)	3,979,818	2,680,881
15,585,172	1,886,307	(2,074,261)	15,397,218	6,545,872
428,171,950	102,664,989	(16,228,291)	514,608,648	253,747,111
529,656,534	115,462,535	(24,511,149)	620,607,920	540,607,961
-	-	-	-	7,676,673
529,656,534	115,462,535	(24,511,149)	620,607,920	548,284,634

15.1.2 Seylan Bank PLC holds the primary mortgage on Factory Land, Building, Machinery and Other Equipment, amounting to Rs. 200 million.

15.1.3 During the year, Rs. 131,082,600 worth of Motor Vehicle have been capitalized from vehicle stock.

15.1.4 Property, Plant & Equipment included fully depreciated assets that are still in use having a gross amount of Rs. 347,975,793 as at 31st March 2020 (2018/19 - Rs. 322,431,739).

15.1.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 15,947,970 (2018/19 - Rs. 50,436,177) for cash.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

15 PROPERTY, PLANT & EQUIPMENT (Contd.)

15.1 Property, Plant & Equipment Owned (Contd.)

15.1.6 There is no permanent fall in the value of Property, Plant and Equipment which require a provision for impairment.

15.1.7 There were no capitalized borrowing costs related to the acquisition of Property, Plant and Equipment during the year (2018/19 - Nil).

15.1.8 During the year 2018/19, the Company has started construction of main gate and the surrounding area in the factory premises and total costs incurred up to 31st March 2020 is Rs. 19,025,711 and recorded under Capital Work-in-progress.

15.1.9 The Management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with COVID-19 pandemic for the next 12 months from the date of this report. Therefore, currently, the Company does not have an intention to discontinue any operation to which an asset belongs. Thus, there will be no change in the manner in which the asset is used or is expected to be used and the Management has concluded that no impairment is required on Property, Plant & Equipment.

15.2 RIGHT-OF-USE ASSETS

SLFRS 16 - "Leases", requires lessee to recognise all leases on their Statement of Financial Position as lease liabilities with the corresponding right-of-use assets with effect from 01st April 2019. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

As At 31 st March	2020 Rs.
Cost	
Balance as at 01 st April 2019	-
Effect of adoption of SLFRS 16 as at 01 st April 2019	97,059,185
Adjusted Balance as at 01 st April 2019	97,059,185
Additions and Improvements	-
Balance as at 31 st March 2020	97,059,185
Accumulated Depreciation	
Balance as at 01 st April 2019	-
Charge for the year	18,514,495
Balance as at 31 st March 2020	18,514,495
Carrying Value as at 31st March 2020	78,544,690

The Company does not foresee any impairment of Right-of-Use Assets due to the post-lock-down economic implications of COVID-19 pandemic and does not anticipate discontinuation of any asset for which the Company possesses the right to use. Lease Liabilities are not reassessed as there are no known moratoriums received for the lease payments so far.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 st March	2020 Rs.	2019 Rs.
16 INTANGIBLE ASSETS		
Cost		
Balance at beginning of the year	27,713,196	14,361,928
Additions	-	13,351,268
Balance at end of the year	27,713,196	27,713,196
Accumulated Amortization		
Balance at beginning of the year	14,645,414	14,115,111
Charge for the year	3,337,817	530,303
Balance at end of the year	17,983,231	14,645,414
Carrying Value	9,729,965	13,067,782

16.1 Intangible asset consist of ERP software Purchased during 2007 & 2018 and also Microsoft License Purchased during the year 2014.

16.2 Intangible Assets included fully amortized assets that are still in use having a gross amount of Rs. 14,361,928 as at 31st March 2020 (2018/19 - Rs. 14,361,928).

As at 31 st March	2020 Rs.	2019 Rs.
17 FINANCIAL INVESTMENTS		
Equity Securities - Fair Value Through Profit or Loss (Note 17.1)	62,000	75,566
Corporate Debt Securities - Amortised Cost (Note 17.2)	11,428,056	-
	11,490,056	75,566

As at 31 st March	2020 Cost Rs.	2020 Market Value Rs.	2019 Cost Rs.	2019 Market Value Rs.
17.1 Investment in Quoted Shares				
Diesel & Motor Engineering PLC (248 Ordinary Shares)	7,417	62,000	7,417	75,566
	7,417	62,000	7,417	75,566

As at 31 st March	2020 Year of Maturity	2020 Carrying Amount Rs.	2019 Year of Maturity	2019 Carrying Amount Rs.
17.2 Investment in Debentures				
Seylan Bank PLC (100,000 Debentures at Rate of Rs. 100/- each)	2024	11,428,056	-	-
		11,428,056		-

Corporate debt securities classified at amortised cost. Debentures have an interest rate of 15% and will be matured on 2024.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 st March	2020 Rs.	2019 Rs.
18 RENTAL RECEIVABLE FROM TRADE DEBTORS		
Balance as at the beginning of the year	112,995,677	233,308,046
Granted during the year	3,727,395,339	29,460,000
Total Rental Receivable	3,840,391,016	262,768,046
Less : Payment received during the year	(535,579,208)	(149,772,369)
Total Rental Outstanding (Note 18.4)	3,304,811,808	112,995,677
Less - Deferred Interest Income	(1,152,106,365)	(4,511,387)
Unearned Rental Income	2,152,705,443	108,484,290
Less : Provision for Impairment Loss (Note 18.3)	(107,218,539)	(13,129,926)
Balance as at the end of the year	2,045,486,904	95,354,364
18.1 Receivable after one year		
Total Rental Receivable	2,403,530,271	9,269,380
Less - Deferred Interest Income	(744,256,212)	(428,917)
Unearned Rental Income	1,659,274,059	8,840,463
Less : Provision for Impairment Loss	-	-
Balance as at 31st March	1,659,274,059	8,840,463
18.2 Receivable within one year		
Total Rental Receivable	901,281,537	103,726,297
Less - Deferred Interest Income	(407,850,153)	(4,082,470)
Unearned Rental Income	493,431,384	99,643,827
Less : Provision for Impairment Loss	(107,218,539)	(13,129,926)
Balance as at 31st March	386,212,845	86,513,901
Total	2,045,486,904	95,354,364

18.3 Movement of Impairment Loss

The movement in the allowance for impairment in respect of Rental Receivable from Trade Debtors during the year is as follows;

As at 31 st March 2020	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	12,492,545	637,381	13,129,926
Impairment Loss / (Reversal) recognized during the year	94,648,992	(560,379)	94,088,613
Balance at the end of the year	107,141,537	77,002	107,218,539
As at 31st March 2019	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	21,303,531	555,444	21,858,975
Impact of adopting SLFRS 09 - " Financial Instruments"	1,436,215	284,303	1,720,518
Balance at the beginning of the year (As per SLFRS 09)	22,739,746	839,747	23,579,493
Impairment Reversal recognized during the year	(10,247,201)	(202,366)	(10,449,567)
Balance at the end of the year	12,492,545	637,381	13,129,926

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 st March	2020 Rs.	2019 Rs.
18 RENTAL RECEIVABLE FROM TRADE DEBTORS (Contd.)		
18.4 Rental Receivable from Trade Debtors by types of Counter Party are as follows;		
Government Entities (Note 34.1)	3,245,029,572	64,299,699
Corporate and Other Institutions	53,107,848	38,491,068
Individuals	6,674,388	10,204,910
	3,304,811,808	112,995,677

18.5 Maturity Analysis of Rentals Receivables from Trade Debtors (Net of Deferred Interest Income and Impairment Provision)

	Less than 06 Months Rs.	06 - 12 Months Rs.	01 - 05 Years Rs.	Total Rs.
Rental Receivables from Trade Debtors As at 31 st March 2020	231,921,789	154,291,056	1,659,274,059	2,045,486,904
Rental Receivables from Trade Debtors As at 31 st March 2019	74,429,779	12,084,122	8,840,463	95,354,364

As at 31 st March	2020 Rs.	2019 Rs.
19 DEFERRED TAX ASSETS		
Balance at the beginning of the year	32,635,423	1,301,528
Recognised in Profit or Loss (Note 19.2)	133,242,348	34,156,709
Recognised in Other Comprehensive Income (Note 19.2)	(1,599,501)	(2,822,814)
Recognised directly in Equity (Note 19.2)	6,442,170	-
Balance at the End of the Year	170,720,440	32,635,423

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

19 DEFERRED TAX ASSETS (Contd.)

19.1 Deferred Tax Assets and Liabilities are attributable to the following;

As At 31 st March	Assets		Liabilities		Net Asset / (Liability)	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Property, Plant and Equipment	-	-	(55,890,796)	(50,218,627)	(55,890,796)	(50,218,627)
Employee Benefits	25,618,061	23,659,580	-	-	25,618,061	23,659,580
Provision for Inventory	141,430,191	37,301,078	-	-	141,430,191	37,301,078
Provision for Trade Debtors	52,349,815	21,893,392	-	-	52,349,815	21,893,392
Right-of-Use Asset / Lease Liability	7,213,169	-	-	-	7,213,169	-
Net Deferred Tax Asset / (Liability)	226,611,236	82,854,050	(55,890,796)	(50,218,627)	170,720,440	32,635,423

Deferred tax assets and liabilities are calculated on all taxable and deductible temporary differences arising from differences between accounting bases and tax bases of assets and liabilities.

19.2 Movement in Reecognized Deferred Tax Assets and Liabilities

	Balance as at 01 st April 2019 Rs.	Recognised in Equity Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Balance as at 31 st March 2020 Rs.
Property, Plant and Equipment	(50,218,627)	-	(5,672,169)	-	(55,890,796)
Employee Benefits	23,659,580	-	3,557,982	(1,599,501)	25,618,061
Provision for Inventory	37,301,078	-	104,129,113	-	141,430,191
Provision for Trade Debtors	21,893,392	-	30,456,423	-	52,349,815
Right-of-Use Asset / Lease Liability	-	6,442,170	770,999	-	7,213,169
Net Deferred Tax Asset / (Liability)	32,635,423	6,442,170	133,242,348	(1,599,501)	170,720,440

	Balance as at 01 st April 2018 Rs.	Recognised in Equity Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Balance as at 31 st March 2019 Rs.
Property, Plant and Equipment	(47,619,562)	-	(2,599,065)	-	(50,218,627)
Employee Benefits	23,395,882	-	3,086,512	(2,822,814)	23,659,580
Provision for Inventory	25,525,208	-	11,775,870	-	37,301,078
Provision for Trade Debtors	-	-	21,893,392	-	21,893,392
Net Deferred Tax Asset / (Liability)	1,301,528	-	34,156,709	(2,822,814)	32,635,423

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 st March	2020 Rs.	2019 Rs.
20 INVENTORIES		
Vehicle Stock	3,912,607,610	3,921,581,101
Generators	27,841,366	21,247,913
Cabins / Bodies & Work In Progress	37,079,247	37,655,111
Spare Parts & Consumables	662,915,390	625,293,142
	4,640,443,613	4,605,777,267
Goods In Transit	100,272,585	585,827,931
	4,740,716,198	5,191,605,198
Provision for Slow Moving & Obsolete Stocks (Note 20.1)	(505,107,825)	(410,288,238)
	4,235,608,373	4,781,316,960
20.1 Provision for Slow Moving & Obsolete Stocks		
Balance at the beginning of the year	410,288,238	368,231,559
Charge for the year	94,819,587	42,056,679
Balance at the end of the year	505,107,825	410,288,238

20.2 Stocks have been pledged against the trust loan and revolving import loan facilities obtained from Indian Bank, Seylan Bank PLC and Commercial Bank of Ceylon PLC.

As at 31 st March	2020 Rs.	2019 Rs.
21 TRADE AND OTHER RECEIVABLES		
Trade Receivables	137,175,235	162,509,332
Receivables from Related Parties (Note 21.1)	222,757,497	225,257,955
Less: Provision for Impairment Loss (Note 21.2)	(79,745,085)	(65,060,757)
	280,187,647	322,706,530
Advances to Staff	3,148,933	7,649,941
VAT Receivable	57,617,048	63,846,724
Other Receivables	38,490,180	35,403,109
	379,443,808	429,606,304
21.1 Receivables from Related Parties		
Sri Lanka Transport Board (Note 34.1)	22,275,637	28,981,813
Sri Lankan Airlines (Note 34.1)	7,446,609	8,213,265
Other Government Related Entities (Note 34.1)	160,680,250	79,292,876
Government Financial Institutions (Note 34.1)	32,355,001	108,770,001
	222,757,497	225,257,955

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

21 TRADE AND OTHER RECEIVABLES (Contd.)

21.2 Movement of Impairment Loss

The movement in the allowance for impairment in respect of Trade Receivables during the year is as follows;

As at 31 st March 2020	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	4,113,793	60,946,964	65,060,757
Impairment Loss / (Reversal) recognized during the year	(2,141,728)	16,826,056	14,684,328
Balance at the end of the year	1,972,065	77,773,020	79,745,085

As at 31 st March 2019	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	-	56,390,456	56,390,456
Impact of adopting SLFRS 09 - " Financial Instruments"	4,438,066	6,862,081	11,300,147
Balance at the beginning of the year (As per SLFRS 09)	4,438,066	63,252,537	67,690,603
Impairment Loss recognized during the year	(324,273)	(2,305,573)	(2,629,846)
Balance at the end of the year	4,113,793	60,946,964	65,060,757

21.3 Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 44.

As at 31 st March	2020 Rs.	2019 Rs.
22 DEPOSITS AND PREPAYMENTS		
Deposits and Advances	57,581,906	73,900,639
Prepayments	3,393,125	4,328,102
	60,975,031	78,228,741
23 AMOUNTS DUE FROM RELATED PARTY		
Receivables from Ashok Leyland Limited - India (Note 34.1)	-	153,273
	-	153,273

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 st March	2020 Rs.	2019 Rs.
24 CASH & CASH EQUIVALENTS		
24.1 Favorable Balances		
Fixed Deposits which matures within 3 months	2,300,000	2,300,000
Cash in Hand	626,338	2,047,502
Cash at Banks	4,994,135	5,476,422
	7,920,473	9,823,924
24.2 Unfavorable Balances		
Bank Overdrafts	(56,107,020)	(42,200,923)
	(56,107,020)	(42,200,923)
Cash & Cash Equivalents for the purpose of Cash Flow Statement	(48,186,547)	(32,376,999)

24.3 Bank Overdraft Facility Details

Bank	Interest Rate (%)	Approved Facility (Rs.)	Security
Seylan Bank PLC	AWPLR	100,000,000	Land / Building / Inventory
Commercial Bank of Ceylon PLC	AWPLR	50,000,000	Inventory
Indian Bank	AWPLR	50,000,000	Inventory
Bank of Ceylon	AWPLR	1,900,000	Fixed Deposit

24.4 Unutilized bank overdraft facilities as at 31st March 2020 amounted to Rs. 185.1 Mn (2018/19 - Rs. 159.7 Mn).

25 STATED CAPITAL

As At 31 st March	No of Shares	2020 Rs.	2019 Rs.
Issued & Fully Paid Shares	3,620,843	49,375,150	49,375,150
Stated Capital		49,375,150	49,375,150

25.1 The Company is authorized for 6,000,000 Ordinary Shares (par value of a share is Rs. 10/-).

25.2 There were no movements in the issued share capital during the year.

25.3 All Ordinary Shares rank equally with regard to the Company's residual assets and holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

25.4 A premium of Rs. 40/- per share was received for 329,168 ordinary shares issued as rights in 1992. Accordingly, the Stated Capital of the Company includes a Share Premium of Rs. 13,166,720/-.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 st March	2020 Rs.	2019 Rs.
26 GENERAL RESERVE		
General Reserve	887,347,500	887,347,500
	887,347,500	887,347,500

26.1 The General Reserve relates to retained earnings set aside by the Company for general application. There were no movements in the General Reserves during the year.

27 EMPLOYEE BENEFITS

The Company measures the Present Value of Defined Benefit Obligation (PVDBO) which is a Defined Benefit Plan with the advice of an actuary using Project Unit Credit Method. Changes in the present value of the Retirement Benefit Plan as follows;

As at 31 st March	2020 Rs.	2019 Rs.
Balance at the beginning of the year	84,498,498	83,556,722
Expenses recognised in Profit or Loss (Note 27.1)	14,310,201	12,785,531
Expenses recognised in Other Comprehensive Income (Note 27.2)	(5,712,505)	(10,081,480)
Payments during the year	(1,603,119)	(1,762,275)
Balance at the end of the year	91,493,075	84,498,498

The Employee Benefit Liability for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Limited, on 31st March 2020.

The liability is not externally funded.

For the Year Ended 31 st March	2020 Rs.	2019 Rs.
27.1 Expenses Recognised in Profit or Loss		
Current Service Cost	4,508,375	4,429,859
Interest Cost	9,801,826	8,355,672
	14,310,201	12,785,531
27.2 Expenses Recognised in Other Comprehensive Income		
Actuarial Gains	(5,712,505)	(10,081,480)
	(5,712,505)	(10,081,480)

As at 31 st March	2020	2019
27.3 Actuarial Assumptions		
The principal actuarial assumptions used in determining the cost are given below;		
Discount Rate	10.00%	11.60%
Expected Annual Average Salary Increment	7.50%	10.00%
Staff Turnover Factor	2%	2%
Retiring Age	58 years	58 years
Mortality Table	A 67/70	A 67/70

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

27 EMPLOYEE BENEFITS (Contd.)

The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. In the absence of a deep market in long term corporate bonds in Sri Lanka, the discount rate has been derived, and approximation of a long term interest rate of a 10% p.a. (2018/19 - 11.6% p.a) has been used to discount future liabilities. All assumptions are reviewed at each reporting date.

27.4 Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and the expected salary increase. The sensitivity analysis below has been determined based on reasonably possible changes in the respective assumption that may occur at the end of the reporting period.

As at / For the Year Ended 31 st March	PVODBO Rs.	2020 Benefit / (Expense) Rs.	PVODBO Rs.	2019 Benefit / (Expense) Rs.
1% Increase in Discount Rate	86,507,830	4,985,245	79,413,518	5,084,980
1% Decrease in Discount Rate	97,062,055	(5,568,980)	90,200,856	(5,702,358)
1% Increase in Salary Increment Rate	97,352,693	(5,859,618)	90,420,453	(5,921,955)
1% Decrease in Salary Increment Rate	86,160,798	5,332,277	79,129,083	5,369,415

27.5 Maturity Profile of the Defined Benefit Obligation

As at 31 st March	2020 Rs.	2019 Rs.
Expected Future Working Life		
Within the Next Twelve Months	21,406,101	16,265,157
Between One to Five Years	27,271,808	24,484,550
Between Five to Ten Years	28,660,627	26,568,119
More than Ten Years	14,154,539	17,180,672
	91,493,075	84,498,498
Weighted Average duration of Defined Benefit Obligation	6.25 Years	7.03 Years

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the Statement of Financial Position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from previous year.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

28 LEASE LIABILITY

The Company leases land with premises and partial building premises. The property leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as Operating Leases under LKAS 17.

As at 31 st March	2020 Rs.	2019 Rs.
28.1 Lease Liabilities included in the Statement of Financial Position		
Non-current	75,165,670	-
Current	29,140,340	-
	104,306,010	-

The effect of initially applying SLFRS 16 on the Company's Financial Statements is described in Note 42. Due to the transition method chosen comparative information has not been restated to reflect the new requirement.

For the Year Ended 31 st March	2020 Rs.	2019 Rs.
28.2 Amounts recognised in Profit or Loss		
Leases Under SLFRS 16		
Interest on Lease Liabilities	12,861,813	-
Recognised in Finance Cost	12,861,813	-
Expenses Relating to Short-term and low-value Assets	20,680,672	-
Depreciation - Right-of-use Assets	18,514,495	-
Recognised in Administrative Expenses	39,195,167	-
Operating Leases Under LKAS 17		
Operating Lease Expenses	-	32,699,878
Recognised in Administrative Expenses	-	32,699,878
Total Amount recognised in Profit or Loss	52,056,980	32,699,878

For the Year Ended 31 st March	2020 Rs.	2019 Rs.
28.3 Amounts Recognised in Statement of Cash Flows		
Payment for Lease Liabilities	28,622,739	-

28.4 Maturity Analysis - Contractual Undiscounted Cash Fows

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date.

	2019/2020 Rs.	2018/19 Rs.
Less than one year	29,140,340	28,622,900
One to five years	105,463,050	106,862,325
More than five years	2,635,380	30,376,445
Total Undiscounted Lease Liabilities	137,238,770	165,861,670

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 st March	2020 Rs.	2019 Rs.
29 TRADE AND OTHER PAYABLES		
Trade Payables	242,315,240	224,144,357
Accruals	54,033,704	38,633,971
Import Duties and Related Other Payable	9,577,797	57,157,231
Refundable Deposits	79,304,598	70,902,146
Unclaimed Dividend	5,835,777	7,960,917
Deferred Income (Note 29.1)	1,229,840	2,834,139
ESC Payable	-	6,907,607
EPF Payable	2,533,209	2,409,671
ETF Payable	379,981	361,451
Unclaimed Wages	193,494	222,104
Provision for Tax Assessment (Note 29.2)	99,909,582	85,326,307
Other Liabilities	3,236,615	5,634,939
	498,549,837	502,494,840
29.1 Movement of Deferred Income		
Balance at the beginning of the year	2,834,139	11,523,750
Reversal for the year	(1,604,299)	(8,689,611)
Balance at the end of the year	1,229,840	2,834,139

Deferred Income represent the Free Service Provision as per SLFRS 15 - "Revenue Recognition from Customer Contracts."

29.2 Provision for Tax Assessment

During 2009/10 and 2010/11, Company has disallowed 2/3 of NBT arising from service income for the purpose of Income Tax computation as NBT was Gazetted by the Inland Revenue Department (IRD) under the "Prescribed Levy" definition. However, the Company was issued assessments by the IRD for those 2 years, claiming that 2/3 of NBT paid to the customs (at the point of importation) also to be disallowed in arriving the Income Tax Liability.

The appeal was determined favoring Commissioner General of Inland Revenue by the Tax Appeal Court and also "Leave" has been refused to pursue the case in the Supreme Court. Accordingly, instructions have been given to the Company's Lawyers to withdraw the case.

However, due to prevailing situation wherein the courts are not in the session, the case has yet to be withdrawn. Once court resumes, the case will be withdrawn and the Company is planning to raise a settlement plan with Inland Revenue Department. Accordingly, the Company has made a full provision for said case as of 31st March 2020.

As at 31 st March	2020 Rs.	2019 Rs.
30 CURRENT TAX LIABILITIES / (ASSETS)		
Balance at the beginning of the year	(20,561,934)	31,226,551
Income Tax Liability for the year (Note 11.1)	54,078,181	43,624,416
Over Provision of Current Tax in Respect of Previous years (Note 11.1)	(3,628,717)	-
Tax Paid / Set off during the year	(25,851,845)	(95,403,988)
WHT Recoverable	(701,199)	(8,913)
Balance at the end of the year	3,334,486	(20,561,934)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 st March	2020 Rs.	2019 Rs.
31 PROVISION FOR WARRANTY		
Balance at the beginning of the year	2,270,002	6,437,541
Provision / (Reversal) for the year	390,357	(4,167,539)
Balance at the end of the year	2,660,359	2,270,002

Provision for warranties relates mainly to vehicles sold during the last six months of 2019 and 2020. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to settle the majority of the liability over the next year.

As at 31 st March	2020 Rs.	2019 Rs.
32 SHORT TERM BORROWINGS		
Interest Bearing Borrowings (Note 32.1)	3,360,660,856	1,523,125,333
	3,360,660,856	1,523,125,333

32.1 Movement of Short Term Borrowings

For the Year Ended 31 st March 2020						
Lender	Purpose	Rate of Interest %	As at 01 st April 2019 Rs.	Obtained During the Year Rs.	Repayments During the Year Rs.	As at 31 st March 2020 Rs.
Seylan Bank PLC	Import/ Financing	AWPLR	1,024,843,000	3,025,624,800	(2,489,953,000)	1,560,514,800
Commercial Bank	Import/ Financing	AWPLR	55,382,333	2,108,409,419	(897,545,696)	1,266,246,056
State Bank of India	Import/ Financing	AWPLR -1%	442,900,000	99,000,000	(8,000,000)	533,900,000
			1,523,125,333	5,233,034,219	(3,395,498,696)	3,360,660,856

For the Year Ended 31 st March 2019						
Lender	Purpose	Rate of Interest %	As at 01 st April 2018	Obtained During the Year	Repayments During the Year	As at 31 st March 2019
			Rs.	Rs.	Rs.	Rs.
Seylan Bank PLC	Import/ Financing	AWPLR	816,477,000	3,736,507,625	(3,528,141,625)	1,024,843,000
Indian Bank	Import/ Financing	AWPLR	223,872,500	-	(223,872,500)	-
Commercial Bank	Import/ Financing	AWPLR	780,138,588	3,044,964,911	(3,769,721,166)	55,382,333
State Bank of India	Import/ Financing	AWPLR -1%	500,000,000	-	(57,100,000)	442,900,000
			2,320,488,088	6,781,472,536	(7,578,835,291)	1,523,125,333

32.2 Assets Pledged

Factory Land, Building, Machinery, Other Equipment and Stocks have been pledged against the Import Loans obtained from banks.

As at 31 st March	2020 Rs.	2019 Rs.
33 AMOUNTS DUE TO RELATED PARTY		
Payable to Ashok Leyland Limited - India (Note 34.1)	81,514,793	540,890,074
	81,514,793	540,890,074

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

34 RELATED PARTY DISCLOSURE

34.1 Related Party Transactions

The Company carries out transactions with parties who are defined as related parties by LKAS 24 "Related Party disclosures", the details of which are reported below. The transactions were carried out in the ordinary course of the business and arms length in nature.

Name of Related Party & Relationship	Name of the Director	Position	Nature of Transaction	2020 Rs.	2019 Rs.
a) Transactions with Lanka Leyland Limited					
Lanka Leyland Limited <i>Holds 41.77% of the Share Capital of the Company.</i>	Mr. A K S A Jayasena	Chairman of Lanka Leyland Limited	Dividend Payment to Lanka Leyland Limited	15,125,000	52,937,500
	Mr. W H K P S Wijesekara	Director of Lanka Leyland Limited			
b) Transactions and Outstanding Balance with Ashok Leyland - India - Recurring Transactions - Trading Nature					
Ashok Leyland Limited -India	Mr. Gopal Mahadevan	Chief Financial Officer and Whole-time Director of Ashok Leyland Limited	Opening Balance as at 01 st April (Including Import Bills Payable on GIT)	540,890,074	696,195,019
Holds 27.85 % of share capital of the Company by virtue of the joint venture agreement with Lanka Leyland Limited	Mr. Nitin Seth	Chief Operating Officer of Ashok Leyland Limited	Purchase of Motor Vehicle	4,328,496,464	5,239,696,977
			Purchase of Spare Parts / Power Generators	198,240,591	232,788,769
			Usage Charges for ERP System / Implementation Charges for ERP System	3,189,357	18,406,556
			Recover of Receivable Balance	(153,272)	-
			Settlement of Purchases	(4,989,148,421)	(5,646,197,247)
			Closing Balance as at 31 st March (Including Import Bills Payable on GIT)	81,514,793	540,890,074
			Opening Balance as at 01 st April	153,273	153,273
			Set-off against RP Payables	(153,273)	-
			Closing Balance as at 31 st March	-	153,273
			Dividend Payment to Ashok Leyland Limited - India	10,083,320	35,291,620
Aggregate Value of Related Party Transactions During the Year				4,540,009,732	5,526,183,922
Aggregate Value of Related Party Transactions as a % of Net Revenue				67.58%	64.05%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

34 RELATED PARTY DISCLOSURE (Contd.)

34.1 Related Party Transactions (Contd.)

c) Transactions and Outstanding balances with Government of Sri Lanka and its related entities

Since the Government of Sri Lanka holds the ownership of Lanka Leyland Limited, the Government of Sri Lanka and all the entities controlled or significantly influenced by the Government of Sri Lanka are considered as related parties according to LKAS 24, Related Party Disclosures.

The Company enters into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities and summary of significant transactions are reported below;

Name of Related Party	Nature of Transaction	Description	2020 Rs.	2019 Rs.
i) Non-Recurring Transaction - Trading Nature				
Sri Lanka Transport Board	Supply of Vehicles on Finance Lease Terms	Balance as at 01 st April	54,956,917	163,344,644
		Facilities Granted during the year	3,692,855,339	
		Payment Received during the year	(502,782,684)	(108,387,727)
		Balance Receivable as at 31 st March	3,245,029,572	54,956,917
Sri Lankan Airlines	Supply of Vehicles on Finance Lease Terms	Balance as at 01 st April	9,342,782	21,024,782
		Payment Received during the year	(9,342,782)	(11,682,000)
		Balance Receivable as at 31 st March	-	9,342,782
Total Future Rentals Receivable as at 31 st March			3,245,029,572	64,299,699
ii) Recurring Transaction - Trading Nature				
Sri Lanka Transport Board	Sale of Vehicles / Spare Parts and Repair/ Hiring services provided under Payment on Delivery Term	Balance as at 01 st April	28,981,813	24,429,081
		Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year	29,787,626	158,239,499
		Hiring / Other Services rendered during the year	105,863,070	92,175,508
		Payment Received during the year	(142,356,872)	(245,862,275)
		Balance Receivable as at 31 st March	22,275,637	28,981,813
Sri Lankan Airlines	Sale of Vehicles / Spare Parts and Repair/ Hiring services provided under Payment on Delivery Term	Balance as at 01 st April	8,213,265	616,208
		Sale of Spare Parts during the year	18,302,523	12,612,471
		Payment Received during the year	(19,069,179)	(5,015,414)
		Balance Receivable as at 31 st March	7,446,609	8,213,265
Aggregate Value of Related Party Transactions during the Year		- Sri Lanka Transport Board	135,650,696	250,415,007
		- Sri Lanka Airlines	18,302,523	12,612,471
Aggregate Value of Related Party Transactions as a % of Net Revenue		- Sri Lanka Transport Board	2.02%	2.90%
		- Sri Lanka Airlines	0.27%	0.15%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

34 RELATED PARTY DISCLOSURE (Contd.)

34.1 Related Party Transactions (Contd.)

Name of Related Party	Nature of Transaction	Description	2020 Rs.	2019 Rs.
Other Government Related Entities	Sale of Vehicles / Spare Parts and Repair services provided under Payment on Delivery Term	Balance as at 01 st April	79,292,876	23,070,072
		Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year	310,952,343	471,731,477
		Payment Received during the year	(229,564,969)	(415,508,673)
		Balance Receivable as at 31 st March	160,680,250	79,292,876
Bank of Ceylon	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01 st April	67,230,000	59,425,750
		Finance Provided during the year	512,586,288	769,684,580
		Payment Received during the year for the Sale of Vehicles	(569,366,288)	(761,880,330)
		Balance Receivable as at 31 st March	10,450,000	67,230,000
People's Leasing & Finance PLC	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01 st April	24,175,000	104,467,500
		Finance Provided during the year	534,025,000	1,902,769,184
		Payment Received during the year for the Sale of Vehicles	(548,950,000)	(1,983,061,684)
		Balance Receivable as at 31 st March	9,250,000	24,175,000
Aggregate Value of Related Party Transactions During the Year		- Bank of Ceylon	512,586,288	769,684,580
		- People's Leasing & Finance PLC	534,025,000	1,902,769,184
Aggregate Value of Related Party Transactions as a % of Net Revenue		- Bank of Ceylon	7.63%	8.92%
		- People's Leasing & Finance PLC	7.95%	22.05%
Other Government Financial Institutions	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01 st April	17,365,000	13,942,500
		Finance Provided during the year	45,805,000	261,872,592
		Payment Received during the year for the Sale of Vehicles	(50,515,000)	(258,450,092)
		Balance Receivable as at 31 st March	12,655,000	17,365,000
Total Receivable from Government Financial Institutions			32,355,001	108,770,001
Total Related Party Receivable as at 31 st March			222,757,497	225,257,955

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

34 RELATED PARTY DISCLOSURE (Contd.)

34.1 Related Party Transactions (Contd.)

Name of Related Party	Nature of Transaction	Description	2020 Rs.	2019 Rs.
Sri Lanka Transport Board	Dividend Payment to Sri Lanka Transport Board	Payment during the year	312,500	1,093,750
Custom of Sri Lanka	Import Duty and Taxes	Balance as at 01 st April	20,942,149	88,048,644
		Taxes and Duty Charge for the Year	761,475,520	1,163,224,629
		Payment Made	(818,632,731)	(1,230,331,124)
		Balance Payable / (Receivable) as at 31 st March	(36,215,062)	20,942,149
Aggregate Value of Related Party Transactions During the Year			761,475,520	1,163,224,629
Aggregate Value of Related Party Transactions as a % of Net Revenue			11.33%	13.48%
Other Government Institutions	Statutory Payments made to Government Institutions	Balance as at 01 st April	(24,157,001)	48,338,201
		Taxes and Other Statutory Expenses	164,671,748	94,290,294
		Payment Made / Set-off	(140,076,794)	(166,785,496)
		Balance Payable / (Receivable) as at 31 st March	437,953	(24,157,001)

Movement for Impairment Provision Recognized on Related Parties

For the Year Ended 31 st March 2020	Balance as at 01 st April 2019 Rs.	Impairment Charge / (Reversal) Rs.	Balance as at 31 st March 2020 Rs.
Sri Lanka Transport Board	5,296,894	87,174,262	92,471,156
Sri Lankan Airlines	13,457	1,446,355	1,459,812
Other Government Related Entities - Trade Receivables	6,161,123	23,017,340	29,178,463
Government Financial Institutions - Trade Receivables	926,470	(676,257)	250,213
	12,397,944	110,961,700	123,359,644

For the Year Ended 31 st March 2019	Balance as at 01 st April 2018 Rs.	Impact of Adopting SLFRS 09 - " Financial Instrument" Rs.	Impairment Charge / (Reversal) Rs.	Balance as at 31 st March 2019 Rs.
Sri Lanka Transport Board	17,473,885	(816,477)	(11,360,514)	5,296,894
Sri Lankan Airlines	-	22,034	(8,577)	13,457
Other Government Related Entities - Trade Receivables	3,869,946	1,030,104	1,261,073	6,161,123
Government Financial Institutions - Trade Receivables	57,003	2,267,533	(1,398,066)	926,470
	21,400,834	2,503,194	(11,506,084)	12,397,944

Above impairment amounts recorded under impairment of Rental Receivable from Trade Debtors and Impairment of Trade Receivables in Note 18.3 and 21.2 respectively.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

34 RELATED PARTY DISCLOSURE (Contd.)

34.2 Terms and conditions of Related Party Transactions

The terms and conditions of the transactions with related entities were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non related entities on an arm's length basis. The supplies on lease terms are no more favorable than those available for ordinary finance lease transactions.

34.3 Non Recurrent Related Party Transactions

There was an instance where aggregated non-recurrent related party transactions exceeded the threshold which required the disclosure in Financial Statements as per Section 9 of the Listing Requirements of the Colombo Stock Exchange. Details of the transaction is as follows,

Name of the Related Party and Relationship between the Entity and Related Party: Sri Lanka Transport Board/ Related through Government of Sri Lanka

Details/ Terms and Conditions/ Rational of the Related Party Transaction

The Company has been awarded to supply 272 nos Viking buses and 53 nos 33 seater buses on 5 years deferred payment basis. Total Transaction Value is Rs. 3,692,855,339 As per the terms and conditions of this transaction the absolute ownership of the buses will be held with Lanka Ashok Leyland PLC and will be transferred to SLTB at the end of the 5 year lease period. The total price includes interest for the year period. The rational to enter into such transaction is that the Company has involved with similar nature transactions previously also number of times.

	Equity	Total Assets
Value of Related Party Transactions as a % of Equity and as a % of Total Assets	110%	49%

There were no other non- recurrent related party transactions which exceeded the threshold stipulated in section 9 of the listing requirements, other than individual transactions disclosed above.

34.4 Recurrent Related Party Transactions

There were instances where aggregated recurrent related party transactions exceeded the threshold which required the disclosure in Financial Statements as per Section 9 of the Listing Requirements of the Colombo Stock Exchange. Accordingly, the required disclosure is given in note 34 to the Financial Statements.

There were no other recurrent related party transactions which exceeded the threshold stipulated in section 9 of the listing requirements, other than individual transaction disclosed in the note 34.1 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

34 RELATED PARTY DISCLOSURE (Contd.)

34.5 Compensation of Key Management Personnel

According to LKAS 24 "Related Party Disclosures", Key Management Personnel, are those planning, directing and controlling the activities of the entity.

Key Management Personnel include members of the Board of Directors and the Chief Executive Officer of the Company, total amounts paid as salaries and reimbursement of expenses amounts to Rs. 26,097,986 (2018/19 - Rs. 29,907,382).

There were no compensation paid to Key Management Personnel during the year other than those disclosed below.

For the Year Ended 31 st March	2020 Rs.	2019 Rs.
Key Management Personnel Payments		
a. Short Term Employee Benefits	24,858,524	28,667,920
b. Post-Employment Benefits	1,239,462	1,239,462
c. Termination Benefits	-	-
d. Share-Based Payments	-	-
	26,097,986	29,907,382

34.6 Transactions, Arrangements and Agreements Involving KMP and Their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

- (a) the individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependents of the individual or the individual's domestic partner

CFM are related parties to the entity. There were no transactions with CFM during the year.

34.7 Loans to Directors

No loans have been given to the Directors of the Company.

34.8 Terms and Conditions of the Transactions with KMPs

The terms and conditions of the transactions with Key Management Personnel and their related entities were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non Key Management Personnel related entities.

35 CAPITAL COMMITMENTS

There were no material capital expenditure approved by the Board of Directors as at 31st March 2020 other than following;

The Company has entered into construction contracts with unrelated parties, amounting to Rs. 25,591,916, for the construction of main gate and surrounding area in the factory premises. As at 31st March 2020, Rs. 8,691,339 of such contract commitments had not yet been incurred. The main gate and surrounding area is still under construction.

36 CONTINGENT LIABILITIES

There were no material Contingent Liabilities, which require adjustments to or disclosures in the Financial Statements as at 31st March 2020.

37 LITIGATIONS AND CLAIMS

Based on the available information, the Management is of the view that there are no material litigation or claims that could have material impact on the financial position on the Company. Accordingly, no provision has been made for legal claims in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

38 EVENTS AFTER REPORTING PERIOD

There were no other material events occurring after the reporting period that requires adjustments to or disclosure in the Financial Statements other than disclosed below;

After satisfying the Solvency Test in accordance with Section 57 of the Companies Act No. 07 of 2007, the Directors recommend the payment of first and final dividend of Rs. 5/- per share (50%) amounting to Rs.18,104,215/- for the year ended 31 March 2020 (2018/19- Rs 10/- per share (100%) amounting to Rs. 36,208,430/-), which will be declared at the Annual General Meeting to be held on 25th September 2020.

In accordance with Sri Lanka Accounting Standard 10 (LKAS 10) "Events after the reporting period" this proposed first and final dividend has not been recognized as a liability as at 31st March 2020. Subsequent to the reporting period, no circumstance has arisen which would require adjustments to or disclosure in the Financial Statements, other than the above.

39 ULTIMATE HOLDING COMPANY

The Company is a quoted public limited liability Company with 41.77% of the Share Capital held by Lanka Leyland Limited and 27.85% of the Share Capital held by Ashok Leyland Limited - India.

40 SEGMENTAL REPORTING

There are no distinguishable components of the business defined as segments and all operations are treated as one segment.

41 NUMBER OF EMPLOYEES

The number of employees as of year end was as follows;

As At 31 st March	2020	2019
Executives	57	57
Non Executives	122	125
	179	182

42 Transition to SLFRS 16 - "Leases"

On transition to SLFRS 16, the Company recognised additional Right-of-use Assets and additional Lease Liabilities, recognising the difference in retained earnings. The impact on transition is summarised below;

	01 st April 2019 Rs.
Right-of-Use Assets - Property, Plant & Equipment	97,059,185
Deferred Tax Asset	6,442,170
Lease Liability	120,066,936
Retained Earnings	19,325,423

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 01st April 2019. The incremental borrowing rate applied is 13%.

The lease liabilities as at 01st April 2019 can be reconciled to the operating lease commitments as of 31st March 2019, as follows;

	01 st April 2019 Rs.
Operating Lease Commitment at 31 March 2019 as disclosed under LKAS 17 in the Company's Financial Statements	170,061,670
Discounted using the Incremental Borrowing Rate at 01 st April 2019	124,065,096
Recognition Exemption for Leases with less than 12 Months of Lease term at transition	(3,998,160)
Lease Liabilities Recognised as at 01 st April 2019	120,066,936

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

43 FINANCIAL INSTRUMENTS - FAIR VALUES

43.1 Accounting Classifications and Fair Values

The following table shows 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 financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31 st March 2020	Carrying Amount						Fair Value				
	Fair Value				Financial Assets at Amortised Cost	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
	Hedging Instruments	FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments							
	Rs.	Rs.	Rs.	Rs.							
Financial Assets Measured at Fair Value											
Investment in Equity Securities	-	62,000	-	-	-	-	62,000	62,000	-	-	62,000
	-	62,000	-	-	-	-	62,000	62,000	-	-	62,000
Financial Assets not Measured at Fair Value											
Investment in Debentures	-	-	-	-	11,428,056	-	11,428,056	-	-	-	-
Trade Receivable	-	-	-	-	280,187,647	-	280,187,647	-	-	-	-
Rental Receivable from Trade Debtors	-	-	-	-	2,045,486,904	-	2,045,486,904	-	-	-	-
Cash & Cash Equivalents	-	-	-	-	7,920,473	-	7,920,473	-	-	-	-
	-	-	-	-	2,333,595,024	-	2,333,595,024	-	-	-	-
Financial Liabilities Not Measured at Fair Value											
Trade Payable	-	-	-	-	-	242,315,240	242,315,240	-	-	-	-
Lease Liabilities	-	-	-	-	-	104,306,010	104,306,010	-	-	-	-
Short Term Borrowings - Import Loans	-	-	-	-	-	3,360,660,856	3,360,660,856	-	-	-	-
Bank Overdrafts	-	-	-	-	-	56,107,020	56,107,020	-	-	-	-
Amounts due to Related Parties	-	-	-	-	-	81,514,793	81,514,793	-	-	-	-
	-	-	-	-	-	3,844,903,919	3,844,903,919	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

43 FINANCIAL INSTRUMENTS - FAIR VALUES (Contd.)

43.1 Accounting Classifications and Fair Values (Contd.)

As at 31 st March 2019	Carrying Amount						Fair Value				
	Fair Value				Financial Assets at Amortised Cost	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
	Hedging Instruments	FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments							
	Rs.	Rs.	Rs.	Rs.							
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets Measured at Fair Value											
Equity Securities	-	75,566	-	-	-	-	75,566	75,566	-	-	75,566
	-	75,566	-	-	-	-	75,566	75,566	-	-	75,566
Financial Assets not Measured at Fair Value											
Trade Receivable	-	-	-	-	322,706,530	-	322,706,530	-	-	-	-
Rental Receivable from Trade Debtors	-	-	-	-	95,354,364	-	95,354,364	-	-	-	-
Amounts due from Related Parties	-	-	-	-	153,273	-	153,273	-	-	-	-
Cash & Cash Equivalents	-	-	-	-	9,823,924	-	9,823,924	-	-	-	-
	-	-	-	-	428,038,091	-	428,038,091	-	-	-	-
Financial Liabilities Not Measured at Fair Value											
Trade Payable	-	-	-	-	-	224,144,357	224,144,357	-	-	-	-
Short Term Borrowings - Import Loans	-	-	-	-	-	1,523,125,333	1,523,125,333	-	-	-	-
Bank Overdrafts	-	-	-	-	-	42,200,923	42,200,923	-	-	-	-
Amounts due to Related Parties	-	-	-	-	-	540,890,074	540,890,074	-	-	-	-
	-	-	-	-	-	2,330,360,687	2,330,360,687	-	-	-	-

Transfer between levels

There were no transfers between Level 1, 2 and 3 during the year.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

44 FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks arising from financial instruments;

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes of measuring and managing risk.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Exposure to Credit Risk

The net carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows;

As at 31 st March	2020 Rs.	2019 Rs.
Trade Receivables	280,187,647	322,706,530
Other Receivables	156,838,067	180,800,413
Rental Receivable from Trade Debtors	2,045,486,904	95,354,364
Related Party Receivables	-	153,273
Cash at Banks and Fixed Deposits	7,294,135	7,776,422
Total	2,489,806,753	606,791,002

Trade and Other Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of the customers. However, management also considers the demographics of the Company's customer base, including the default risk of the industry as these factors may have an influence on credit risk. During 2019/20, approximately 36.45% (2018/19 : 2.8%) of the Company's revenue was attributable to sales transactions with the largest single customer.

The Company establishes an allowance for impairment that represents its estimate of impaired losses in respect of trade receivables. The main components of this allowance are determined based on historical data of payment statistics of similar financial assets.

The aging of trade receivables net of impairment as at 31st March was as follows;

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

44 FINANCIAL RISK MANAGEMENT (Contd.)

As at 31 st March 2020	0 - 60 Days Rs.	61 - 90 Days Rs.	91 - 120 Days Rs.	121 - 180 Days Rs.	More than 180 Days Rs.	Total Rs.
Trade Receivables	119,862,484	55,240,002	7,075,096	57,740,906	40,269,159	280,187,647

As at 31 st March 2019	0 - 60 Days Rs.	61 - 90 Days Rs.	91 - 120 Days Rs.	121 - 180 Days Rs.	More than 180 Days Rs.	Total Rs.
Trade Receivables	273,596,981	15,467,913	2,137,880	10,565,308	20,938,448	322,706,530

The maximum exposure to credit risk for trade and other receivables by type of counter party was as follows;

As at 31 st March	Carrying Amount	
	2020 Rs.	2019 Rs.
Government Entities	191,954,904	213,992,013
Corporates and Other Institutions	70,693,116	105,324,454
End-user Customers	17,539,627	3,390,063
	280,187,647	322,706,530

The movement in the allowance for impairment in respect of trade and lease rental receivables during the year was as follows;

As at 31 st March 2020	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance as at 01 st April 2019	(2,981,447)	81,172,130	78,190,683
Provision Charge for the year	92,507,264	16,265,677	108,772,941
Balance as at 31 st March 2020	89,525,817	97,437,807	186,963,624

As at 31 st March 2019	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance as at the beginning of the year (As per LKAS 39)	1,715,746	76,533,685	78,249,431
Impact of adopting SLFRS 09 - "Financial Instruments"	5,874,281	7,146,384	13,020,665
Balance as at 01 st April 2018	7,590,027	83,680,069	91,270,096
Provision Reversal for the year	(10,571,474)	(2,507,939)	(13,079,413)
Balance as at 31 st March 2019	(2,981,447)	81,172,130	78,190,683

Credit risk associated with the Company's Trade Receivables due to the post-lock-down economic implication of COVID-19 pandemic is disclosed in Note 2.7.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

44 FINANCIAL RISK MANAGEMENT (Contd.)

Cash at Banks

The Company held cash at banks of Rs. 7.2 Mn. as at 31st March 2020 (2018/19: Rs. 7.7 Mn.), which represents its maximum credit exposure on these assets.

Respective credit ratings of banks with Company cash balances held are as follows;

As at 31 st March		Cash at Bank	
		2020 Rs.	2019 Rs.
Bank	Credit Rate		
People's Bank	AA + (lka)	533,757	-
Bank of Ceylon	AA + (lka)	12,117	1,975
Commercial Bank of Ceylon PLC	AA (lka)	695,286	4,997,271
Seylan Bank PLC	A - (lka)	20,000	20,000
Indian Bank	BBB -	51,558	52,802
State Bank of India	BBB -	3,681,417	-
Sampath Bank	A + (lka)	-	404,374
Fixed Deposits - Bank of Ceylon	AA + (lka)	2,300,000	2,300,000
		7,294,135	7,776,422

Liquidity Risk

Liquidity risk is the risk of facing difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or affecting the Company's reputation.

The Company also monitors the level of expected cash inflows from trade and other receivables together with expected cash outflows on trade and other payables. In addition, the Company maintains Rs. 200 million overdraft facility that is secured. Interest would be payable at the market rate.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

44 FINANCIAL RISK MANAGEMENT (Contd.)

The following are the contractual maturities of financial liabilities at its Carrying Value;

As at 31 st March 2020	Carrying	Contractual Cash Flows			
	Amount	Total	0 - 30 Days	31 - 90 Days	More than 90 Days
	Rs.	Rs.	Rs.	Rs.	Rs.
Trade Payables	242,315,240	242,315,240	89,657,438	152,657,802	-
Short Term Borrowings	3,360,660,856	3,360,660,856	-	3,360,660,856	-
Lease Liability	104,306,010	137,238,770	6,758,340	17,481,500	112,998,930
Bank Overdrafts	56,107,020	56,107,020	56,107,020	-	-
Amounts due to Related Party	81,514,793	81,514,793	81,514,793	-	-
Total	3,844,903,919	3,877,836,679	234,037,591	3,530,800,158	112,998,930

As at 31 st March 2019	Carrying	Contractual Cash Flows			
	Amount	Total	0 - 30 Days	31 - 90 Days	More than 90 Days
	Rs.	Rs.	Rs.	Rs.	Rs.
Trade Payables	224,144,357	224,144,357	33,609,109	190,535,248	-
Short Term Borrowings	1,523,125,333	1,523,125,333	-	1,523,125,333	-
Bank Overdrafts	42,200,923	42,200,923	42,200,923	-	-
Amounts due to Related Party	540,890,074	540,890,074	522,483,518	-	18,406,556
Total	2,330,360,687	2,330,360,687	598,293,550	1,713,660,581	18,406,556

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its financial instruments. The management conduct periodic reviews on the Company's pricing & pricing policy in order to mitigate the market risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk

The Company is exposed to currency risk mainly on payable for purchases that are denominated in US Dollars. The Management closely monitors the exchange rate movement, for necessary action.

The Financial Instruments denominated in US Dollars as on 31st March are;

As At 31 st March	2020			2019		
	LKR	Exchange Rate	USD	LKR	Exchange Rate	USD
Payable to Ashok Leyland Limited - India	81,514,793	192.45	423,557	540,890,074	178.14	3,036,392
	81,514,793		423,557	540,890,074		3,036,392

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

44 FINANCIAL RISK MANAGEMENT (Contd.)

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar in March 2020 on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. The Company exposed to foreign currency-denominated payments with local currency purchases are adversely impacted to undue fluctuations in exchange rates.

Sensitivity Analysis

A reasonably possible strengthening (weakening) of the Sri Lankan rupees against US dollar at the year end would have affected the measurement of financial liabilities denominated in a foreign currency and affected profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact on forecasted purchases.

The following details the Company's sensitivity movement in the foreign currencies. The foreign exchange rate sensitivity is calculated for each currency by aggregation of the net foreign exchange rate exposure of a currency and a simultaneous parallel foreign exchange rates shift in the foreign exchange rates of each currency by 5%. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

	Profit before Tax	
	Strengthening	Weakening
2019-20 LKR (5% movement)	4,075,740	(4,075,740)
2018-19 LKR (5% movement)	27,044,504	(27,044,504)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's short term debt obligations with floating rates. The Company manages its interest rate risk by monitoring interest rate fluctuations to enable necessary back-up plans to be ready in advance to mitigate the risk and by ensuring that the import loans are settled within a shortest possible period by improving the working capital cycle and negotiating best possible rates with the Banks.

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

Exposure to Interest Rate Risk

The interest rate profile of the Company's interest-bearing financial instruments is given in Note 24.3 and 32.1 to the Financial Statements.

Cash Flow Sensitivity Analysis for Variable-Rate Instruments

The following details demonstrate the sensitivity to a reasonably possible change in the interest rate with all other variables held constant. 1% increase or decrease is used when reporting interest rate risk and represents management's assessment of the reasonably possible change in interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

44 FINANCIAL RISK MANAGEMENT (Contd.)

The impact on the Company's Profit before tax due to the change in the interest rate is as follows;

Variable-Rate Instruments	Profit before Tax	
	Favorable Rs.	Un-Favorable Rs.
2019/20 Interest Rate (1% movement)	23,484,003	(23,484,003)
2018-19 Interest Rate (1% movement)	19,307,985	(19,307,985)

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Board of Directors of the Company monitors the return on capital, as well as the level of dividends to ordinary shareholders.

Company's debt to equity ratio at 31st March was as follows;

As at 31 st March	2020 Rs.	2019 Rs.
Interest Bearing Borrowings	3,360,660,856	1,523,125,333
Total Equity	3,368,085,594	3,313,629,235
Equity and Debts	6,728,746,450	4,836,754,569
Gearing Ratio	50%	31%

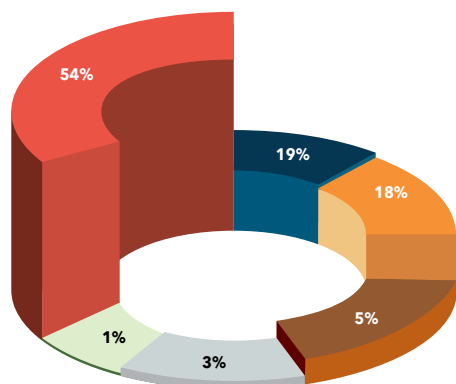
VALUE ADDED STATEMENT

For the Year Ended 31 st March	2020 Rs.	2019 Rs.
Revenue	6,718,236,808	8,627,775,017
Operating Expenses	(5,592,271,705)	(6,548,740,165)
	1,125,965,103	2,079,034,852
Other Operating Income	293,632,415	51,432,451
Finance Income	43,273,553	13,904,570
Total Value Added by the Company	1,462,871,071	2,144,371,873

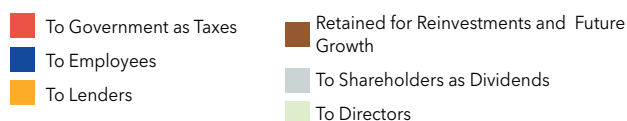
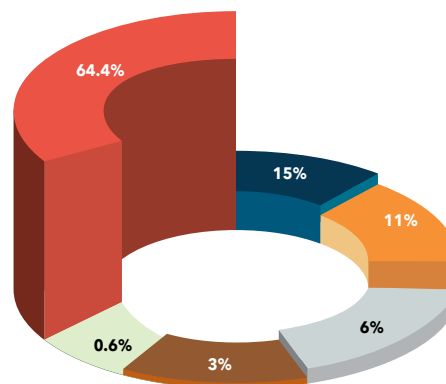
Distributed as Follows

For the Year Ended 31 st March	2020 Rs.	As a %	2019 Rs.	As a %
To Government as Duties and Taxes	796,771,041	54%	1,395,145,567	64.4%
To Employees	283,783,466	19%	317,119,507	15%
To Directors	10,560,549	1%	12,950,500	0.6%
To Lenders (Interest on Loan Capital)	267,371,756	18%	229,819,246	11%
To Shareholders as Dividends	36,208,430	3%	126,729,505	6%
Retained for Reinvestments and Future Growth (Depreciation & Retained Profits)	68,175,829	5%	62,607,548	3%
	1,462,871,071	100%	2,144,371,873	100%

2019/20



2018/19



SHARE INFORMATION

There were 745 registered shareholders as at 31st March 2020 distributed as follows;

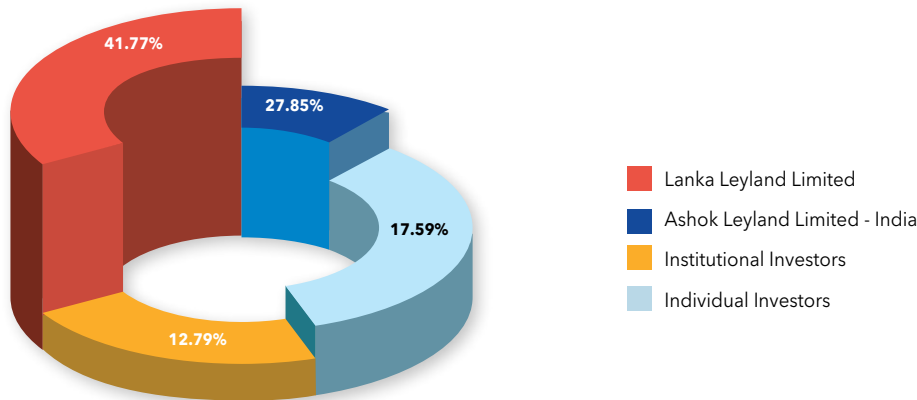
CATEGORY	NO. OF SHAREHOLDERS		NO. OF SHARES		SHAREHOLDING %	
	31 st March 2020	31 st March 2019	31 st March 2020	31 st March 2019	31 st March 2020	31 st March 2019
1 - 1,000	728	710	43,840	40,983	1.21	1.13
1,001 - 5,000	10	12	20,725	23,582	0.57	0.65
5,001 - 10,000	1	1	6,600	6,600	0.18	0.18
10,001 - 50,000	1	1	31,250	31,250	0.86	0.86
50,001 - 100,000	-	-	-	-	-	-
100,001 - 500,000	2	2	429,291	429,291	11.86	11.86
500,001 - 1,000,000	1	1	568,305	568,305	15.70	15.70
OVER 1,000,000	2	2	2,520,832	2,520,832	69.62	69.62
TOTAL	745	729	3,620,843	3,620,843	100.00	100.00

List of 20 Major Shareholders

MAJOR SHAREHOLDERS	NO. OF SHARES HELD		SHARE HOLDING %	
	31 st March 2020	31 st March 2019	31 st March 2020	31 st March 2019
Lanka Leyland Limited	1,512,500	1,512,500	41.77	41.77
Ashok Leyland Limited	1,008,332	1,008,332	27.85	27.85
N Thirimanne	568,305	568,305	15.70	15.70
Perpetual Equities (Pvt) Limited	228,356	228,356	6.31	6.31
Rahul Capital (Pvt) Limited	200,935	-	5.55	-
Commercial Trust Technologies (Pvt) Limited	-	200,935	-	5.55
Sri Lanka Central Transport Board	31,250	31,250	0.86	0.86
J G De Mel	6,600	6,600	0.18	0.18
U.I Suriyabandara	4,170	4,102	0.12	0.11
R P T Adams	2,700	2,700	0.07	0.07
Assetline Leasing Co. Ltd/S.M. Dharmakeerthi Samarakoon	2,649	3,000	0.07	0.08
L N J Perera	2,600	2,600	0.07	0.07
Bansei Securities Capital (Pvt) Ltd / M A U Gnanathilaka	2,242	2,242	0.06	0.06
F M Asaf Khan	1,514	1,514	0.04	0.04
Nation Lanka Capital Ltd / Nedagamuwage Indika Padma Kumara	-	1,450	-	0.04
R A Y T Perera	1,300	1,300	0.04	0.04
B Periyasamy	1,250	1,250	0.03	0.03
L A P Perera	1,200	1,200	0.03	0.03
T S G Jayathilaka	-	1,124	-	0.03
P L Perera	1,100	1,100	0.03	0.03
R R Jayasundara	800	800	0.02	0.02
M J V K Jayasuriya	800	800	0.02	0.02
N H Udawela	725	725	0.02	0.02

SHARE INFORMATION (Contd.)

Overview of Lanka Ashok Leyland PLC Shareholder Structure by Ownership



Public Holding

Public Holding	No. of Shareholders	No. of Shares	% Holding
Shares held by public as at 31 st Marh 2020	743	1,100,011	30.38%
Shares held by public as at 31 st Marh 2019	727	1,100,011	30.38%

The highest, lowest and year end market value recorded during the year as follows;

	2019/20 Rs.	2018/19 Rs.
Highest	960.00	1,000.00
Lowest	600.00	600.00
Year end	695.00	628.00

Float Adjusted Market Capitalisation

The public holding of the Company as at 31st March 2020 was 30.38% comprising of 743 shareholders and a float adjusted market capitalisation of Rs. 764,508,412 in terms of Rule 7.13 1 (a) of the Listing Rule of CSE and the Company qualifies under option five of the minimum public holding requirement.

DECADE AT A GLANCE

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TRADING RESULTS											
Turnover	Rs 000'	11,524,020	16,834,179	10,546,651	7,013,558	8,235,660	9,088,008	11,416,595	15,565,077	8,627,775	6,718,237
Net Trading Profit /(Loss) Before Interest	Rs 000'	1,131,770	1,579,076	390,200	390,958	546,130	366,041	445,420	821,267	295,316	(5,641)
Interest Paid	Rs 000'	(42,526)	(17,850)	(313,781)	(332,748)	(87,032)	(81,505)	(124,437)	(164,289)	(229,819)	(267,372)
Net Trading Profit /(Loss) After Interest	Rs 000'	1,089,244	1,561,226	76,419	58,210	459,098	269,914	320,982	656,978	65,496	(273,012)
Other Income	Rs 000'	30,201	85,112	376,704	197,907	74,324	29,459	28,380	26,324	51,432	293,632
Profit Before Tax	Rs 000'	1,119,445	1,646,338	453,123	256,117	533,422	313,995	349,362	683,302	116,929	20,620
Taxation	Rs 000'	(470,553)	(463,207)	(98,300)	(91,561)	(203,447)	(104,457)	(111,156)	(179,185)	(9,468)	82,793
Profit After Tax	Rs 000'	648,892	1,183,131	354,823	164,556	329,975	209,538	238,207	504,117	107,461	103,413
Other Comprehensive Income	Rs 000'	-	(4,010)	(6,376)	(2,091)	(4,438)	5,180	(1,547)	(5,214)	7,259	4,113
Profit Brought Forward	Rs 000'	152,766	592,851	1,330,037	1,361,233	1,487,489	1,794,922	1,865,189	2,011,388	2,401,829	2,376,907
Effect of Transitional Provision	Rs 000'	-	(33,310)	-	-	-	-	-	-	(12,913)	(19,325)
Prior Year Adjustments	Rs 000'	(4,495)	-	-	-	-	-	-	-	-	-
Retained Earnings											
Profit Available for Appropriations	Rs 000'	797,163	1,738,662	1,678,484	1,523,698	1,813,026	2,009,640	2,101,848	2,510,291	2,503,636	2,465,107
Dividend Paid	Rs 000'	(54,312)	(108,625)	(217,250)	(36,208)	(18,104)	(144,834)	(90,521)	(108,625)	(126,730)	(36,208)
Transfers to Reserves	Rs 000'	(150,000)	(300,000)	(100,000)	-	-	-	-	-	-	-
Unclaimed Dividend Reversed	Rs 000'	-	-	-	-	-	383	61	163	-	2,464
Retained Earnings	Rs 000'	592,851	1,330,037	1,361,233	1,487,489	1,794,922	1,865,189	2,011,388	2,401,829	2,376,907	2,431,363
INVESTORS' FUNDS											
Share Capital	Rs 000'	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208
Retained Earnings	Rs 000'	592,851	1,330,037	1,361,233	1,487,489	1,794,922	1,865,189	2,011,388	2,401,829	2,376,907	2,431,363
Reserves	Rs 000'	467,560	800,747	900,631	900,631	900,664	900,643	900,646	900,622	900,514	900,514
Shareholders Fund	Rs 000'	1,096,619	2,166,992	2,298,072	2,424,328	2,731,794	2,802,040	2,948,242	3,338,660	3,313,629	3,368,085
ASSETS & LIABILITIES											
Property, Plant & Equipment	Rs 000'	119,484	145,413	331,487	407,136	340,686	554,459	549,022	524,690	548,285	645,337
Other Non Current Assets	Rs 000'	52,950	510,776	561,712	174,085	62,708	65,926	26,404	39,288	54,619	1,851,215
Current Assets	Rs 000'	2,774,286	5,655,044	5,032,168	4,351,212	5,363,668	4,762,133	5,118,300	6,563,827	5,406,205	5,070,161
Short - Term Borrowings	Rs 000'	(907,301)	(3,238,635)	(3,249,257)	(2,131,483)	(2,214,994)	(1,948,189)	(940,192)	(2,320,488)	(1,523,125)	(3,360,661)
Other Current Liabilities	Rs 000'	(922,178)	(877,533)	(338,369)	(333,536)	(762,671)	(550,465)	(1,711,833)	(1,385,101)	(1,087,856)	(671,307)
Working Capital	Rs 000'	944,807	1,538,876	1,444,542	1,886,193	2,386,003	2,263,479	2,466,275	2,858,238	2,795,224	1,038,193
Non Current Liabilities	Rs 000'	(20,622)	(28,073)	(39,670)	(43,087)	(57,604)	(81,824)	(93,460)	(83,557)	(84,498)	(166,659)
Net worth of Company	Rs 000'	1,096,619	2,166,992	2,298,072	2,424,328	2,731,794	2,802,040	2,948,242	3,338,660	3,313,629	3,368,086

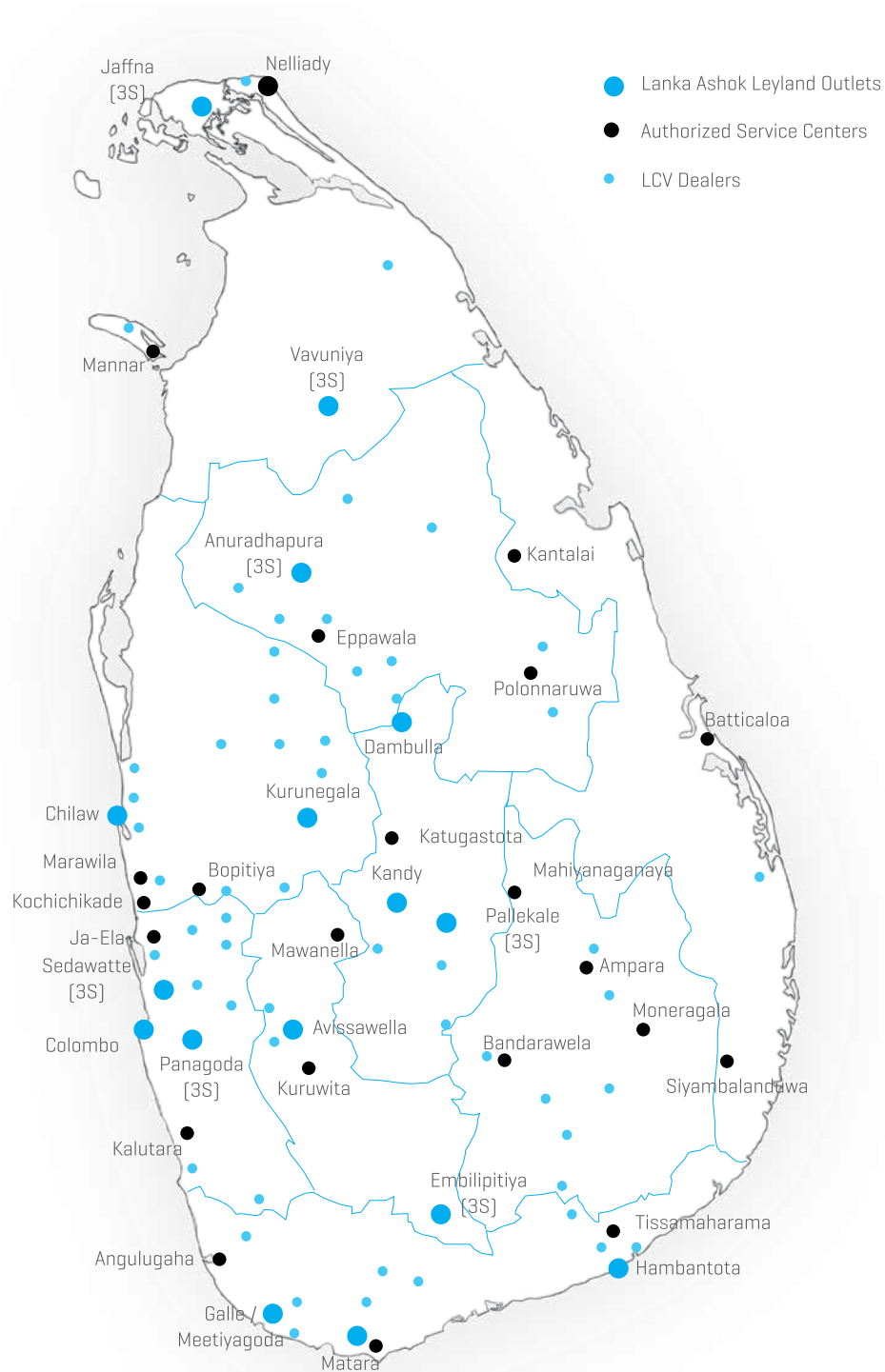
DECADE AT A GLANCE (Contd.)

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CASH FLOW ANALYSIS											
Investments in Property,											
Plant and Equipment	Rs 000'	62,320	48,333	225,991	14,231	34,540	57,654	77,003	29,766	51,553	15,948
Depreciation and Amortization	Rs 000'	10,094	21,635	39,069	61,581	80,855	86,989	125,582	121,295	115,993	134,200
Net Cash Generated from / (used in)											
Operating Activities	Rs 000'	19,168	(2,104,274)	(333,771)	1,164,145	(54,445)	500,605	326,513	(1,205,776)	852,480	(2,023,320)
Investing Activities	Rs 000'	(234,081)	39,334	(23,760)	(47,831)	(28,496)	(57,482)	(69,464)	(13,913)	(27,653)	234,806
Financing Activities	Rs 000'	231,963	2,331,334	10,622	(1,117,774)	83,511	(411,639)	(276,277)	1,271,671	(924,092)	1,772,704
Net Increase / (Decrease) in Cash and Cash Equivalents	Rs 000'	17,050	266,395	(346,909)	(1,460)	570	31,485	(19,227)	51,982	(99,265)	(15,810)

RATIOS & STATISTICS

Issued Share Capital	Nos.	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843
Net Assets per Share	Rs.	302.86	598.48	634.68	669.55	754.46	773.86	814.24	922.07	915.15	930.19
Dividend per Share	Rs.	30.00	60.00	10.00	5.00	40.00	25.00	30.00	35.00	10.00	5.00
Market Price per Share	Rs.	2,650.00	2,069.70	1,717.80	1,292.00	1,300.00	1,513.40	1,062.00	990.50	628.00	695.00
Market Capitalisation	Rs 000'	9,595,234	7,494,059	6,219,884	4,678,129	4,707,096	5,479,784	3,845,335	3,586,445	2,273,889	2,516,486
Earnings per Share	Rs.	179.21	326.76	97.99	45.45	91.13	57.87	65.79	139.23	29.68	28.56
Dividend Payout	%	16.74	18.36	10.20	11.00	43.89	43.20	45.60	25.14	33.69	17.51
Price Earning Ratio	No of Times	14.79	6.33	17.53	28.43	14.27	26.15	16.14	7.11	21.16	24.33
Current Ratio	No of Times	1.52	1.37	1.40	1.77	1.80	1.91	1.93	1.77	2.07	1.26
Quick Ratio	No of Times	0.41	0.33	0.25	0.67	0.66	0.37	0.44	0.25	0.24	0.21
Interest Cover	No of Times	27.32	93.23	2.44	1.77	7.13	4.85	3.81	5.16	1.51	1.08
Trading Profit Before Int. / Net Turnover.	%	9.82	9.38	3.70	5.57	6.63	4.03	3.90	5.28	3.42	(0.08)
Trading Profit After Int. / Net Turnover.	%	9.45	9.27	0.72	0.83	5.57	2.97	2.81	4.22	0.76	(4.06)
Return on Net Assets & ROCE	%	59.17	54.60	15.44	6.79	12.08	7.48	8.08	15.10	3.24	3.07
Asset Turnover	No of Times	3.91	2.67	1.78	1.42	1.43	1.69	2.01	2.18	1.44	0.89
Gearing (Debt Capital/Debt+Equity Capital)	%	0.45	0.60	0.59	0.47	0.45	0.41	0.24	0.41	0.31	0.50

DISTRIBUTION NETWORK



3S - Services, Sales [Vehicle] & Spare parts

GLOSSARY

Actuarial Gains and Losses

Difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Adjusted EBITDA

Adjusted earnings before interest, tax, depreciation and amortisation is calculated by adjusting profit from continuing operations to exclude the impact of Taxation, Net Finance Costs, Depreciation, Amortisation, Impairment Losses / Reversals related Intangible Assets, Property, Plant and Equipment.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Borrowings

All interest bearing liabilities.

Capital Employed

Total equity, minority interest and interest bearing Borrowings.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Cash Equivalents

Liquid investments with original maturity periods of three months or less.

Contingent Liability

A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

Current Ratio

Current assets divided by current liabilities, a measure of liquidity.

Current Service Cost

Increase in the present value of the defined benefit obligation resulting from employee's service in the current period.

Debenture

A long-term debt instrument issued by a corporate.

Deferred Taxation

The tax effect of timing differences deferred to / from other periods, which would only qualify for inclusion on a tax return at a future date.

Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Payout

Dividend per share as a percentage of the earnings per share.

Dividend Yield

Dividend per share as a percentage of the market price a measure of return on investment.

EBIT

Abbreviation for Earnings Before Interest and Tax.

Effective Tax Rate

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

Equity

Shareholders' funds.

Equity Accounted Investees

An entity including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Expected Credit Losses (ECLs)

ECL approach is the trade debtor impairment method under SLFRS 09 on "Financial Instruments". ECL are the discounted product of the Probability of Default (PD) and Loss Given Default (LGD).

Fair Value

The amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction.

Fair Value Through Profit and Loss

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative (except for a derivative that is a financial guarantee contract)

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

GLOSSARY (Contd.)

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Gearing

Proportion of total interest bearing borrowings to capital employed.

Gross Profit Ratio

Gross profit divided by revenue.

Interest Cover

Profit before tax plus net finance cost divided by net finance cost, a measure of an entity's debt service ability.

Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

Lease

A contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to loss in the event of obligor default.

Market Capitalisation

Number of shares in issue multiplied by the market value of a share at the reported date.

Net Assets Per Share

Shareholders' funds divided by the weighted average number of ordinary shares in issue, a basis of share valuation.

Other Comprehensive Income

Items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS's.

Present Value of a Defined Benefit Obligation

Present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Price Earnings Ratio

Market price of a share divided by earnings per share as reported at that date.

Probability of Default (PD)

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Related Parties

Parties who could control or significantly influence the financial and operating policies of the business.

Return on Average Capital employed

Profit before tax plus net finance cost divided by average capital employed.

Return on Average Shareholders' Funds

Attributable profits to the shareholders divided by average shareholders' funds.

Right-of-use asset

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

Working Capital

Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

NOTICE OF MEETING

Notice is hereby given that the Thirty Seventh Annual General Meeting of Lanka Ashok Leyland PLC will be held at Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on 25th September 2020 at 3.00 p.m. for following purposes.

1. To consider the report of the Directors' and the audited Financial Statements for the year ended 31st March 2020.
2. To declare a dividend as recommended by the Board of Directors.
3. To elect a Directors
 - a) To elect Mr. A K S A Jayasena as Director of the Company in place of Mr. S L Deen.
 - b) To elect Mr. Nitin Seth as Director of the Company in place of Mr. Rajive Saharia.
 - c) To elect Mr. W H C P S Wijesekara as Director of the Company in place of Mr. A M Jahanser.
 - d) To appoint a Director in place of Mr. N Sundararajan who retires by rotation in terms of Article 84 of the Articles of Association of the Company and who being eligible, offers himself for re-appointment.
4. To re-elect as a Directors Mr. D P Kumaraage who is over the age of 70 years and who retires at the Annual General Meeting in terms of section 210 of the Companies Act, No. 07 of 2007 by passing the following ordinary resolution.

 "It is here by Resolved that the age limit referred to in Section 210 of the Companies Act, No. 07 of 2007 shall not apply to Mr. D D Kumaraage who is over the age of 70 years prior to this Annual General Meeting and that he be re-elected."
5. To re-elect as a Directors Mr. N Sundararajan who is over the age of 70 years and who retires at the Annual General Meeting in terms of section 210 of the Companies Act, No. 07 of 2007 by passing the following ordinary resolution.

 "It is here by Resolved that the age limit referred to in Section 210 of the Companies Act, No. 07 of 2007 shall not apply to Mr. N Sundararajan who is over the age of 70 years prior to this Annual General Meeting and that he be re-elected."
6. To re-appoint Auditors and fix their remuneration, M/s. KPMG Chartered Accountants who are eligible for re-appointment.
7. To consider and if thought fit, to pass with or without modification(s), the following as an ordinary Resolution.

 "RESOLVED THAT M/s KPMG Chartered Accountants are hereby appointed as Statutory Auditors of the Company, for the Financial Year 2020/21, on a remuneration of Rs. 1,700,000/- (Rupees One Million Seven Hundred Thousand only), in addition to reimbursement of out of pocket expenses."
8. To transact any other business of which due notice has been given.

By order of the Board



D A Abeyawardene
Director / Secretary

Colombo
14th August 2020

Notes:

**A member entitled to attend and to vote at the above mentioned meeting is entitled to appoint a proxy who need not also be a member, to attend instead of him. A form of proxy accompanies this notice.*

CORPORATE INFORMATION

NAME OF COMPANY	Lanka Ashok Leyland PLC
COMPANY REGISTRATION NO	P Q 168 (Former No N (PBS) 21)
LEGAL FORM	A public quoted Company incorporated in Sri Lanka in 1982. Re-registered as a Public Limited Company under the Companies Act, No. 07 of 2007.
DIRECTORS	A K S A Jayasena - Chairman D P Kumarage N Sundararajan Gopal Mahadevan D A Abeyawardene W H C P S Wijesekara Nitin Seth
COMPANY SECRETARY	D A Abeyawardene 80/12, Rubberwatte Road Gangodavila Nugegoda. Tel : 0112 801205
CHIEF EXECUTIVE OFFICER	Umesh Gautam
REGISTERED OFFICE	Panagoda, Homagama Tel: 011-2752320 / 011-2751321 / 011-2750232-3 Fax: 011-2752400 E-mail: info@lal.lk Web: www.lal.lk
MARKETING OFFICE	41, Edward Lane R. A. De Mel Mawatha Colombo 03. Tel: 011-2502532 / 011-2590404 / 011-2592163 Fax: 011- 2502286
BANKERS	Bank of Ceylon Commercial Bank of Ceylon PLC Indian Bank People's Bank Sampath Bank PLC Seylan Bank PLC State Bank of India
AUDITORS - STATUTORY	KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Marker Mawatha, P.O. Box 186 Colombo 03.
AUDITORS - INTERNAL	Ernst & Young Advisory Services (Pvt) Limited (Chartered Accountants) 201, De Seram Place Colombo 10.
TAX CONSULTANTS	Dinitway Partners (Chartered Accountants) No. 7 ½, Devanampiyathissa Mawatha Colombo 10.

FORM OF PROXY

I/We.....
holder of NIC No.....of
being a *shareholder / shareholders of Lanka Ashok Leyland PLC, do hereby
 appoint
holder of NIC No:.....
 of.....

or failing him/her

A K S A Jayasena.....	of Colombo or failing him
D P Kumarage	of Colombo or failing him
N Sundararajan	of Chennai or failing him
Gopal Mahadevan	of Chennai or failing him
D A Abeyawardene	of Colombo or failing him
W H C P S Wijesekara.....	of Colombo or failing him
Nitin Seth	of Chennai or failing him

as my/ our* proxy to represent me/ us* and on my/ our* behalf at the Annual General Meeting of the Company to be held at Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on 25th September 2020 at 3.00 p.m and at any adjournment thereof and at every poll which may be taken consequence thereof.

In witness my/ our hand/ hands thisday of Two Thousand and Twenty.

.....
 Signature

* Note :

1. *Please delete the inappropriate words.
2. Instructions as to completion are noted on the reverse hereof.



FORM OF PROXY (Contd.)

Instructions

1. Kindly perfect the form of proxy by filling in legibly your full name and address by deleting one or other of the alternative words indicated by an asterisk in the body of the form overleaf in order to indicate clearly your voting instructions by signing in the space provided and filling in the date of signature.
2. If there is any doubt as to which way the proxy should vote by reason of the way in which instructions under (1) above have been carried out, no vote will be recorded by the proxy.
3. A proxy need not be a member of the Company.
4. The completed form of proxy should be deposited at the registered office of the Company, Panagoda, Homagama, before 3.00 p.m on 23rd September 2020 being forty-eight hours before the time appointed for the holding of the meeting.
5. If the form of proxy is signed by an Attorney, the relative power of Attorney of notarial copy of such power should accompany the complete form of proxy for registrations if such power of attorney has not already been registered with the Company.



LANKA ASHOK LEYLAND PLC

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Web : www.lal.lk