



# Turning Challenge

into Opportunities



**LANKA ASHOK LEYLAND PLC**  
Annual Report 2020/21



# VISION

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

# MISSION

**To cultivate a flexible and productive workforce centered on  
our customer's needs and requirements, capable of swiftly adapting and  
innovating transport solutions to become the most trusted partner for  
mobility solutions in the Country**









## CONTENTS

About the Company.....	4
Financial Highlights .....	5 - 7
Chief Executive Officer's Review .....	9 - 10
Board of Directors .....	11 - 13
Management Discussion and Analysis.....	14 - 16
Annual Report of the Board of Directors.....	17 - 21
Corporate Governance.....	22 - 29
Audit Committee Report.....	30
Remuneration Committee Report .....	31
Nomination Committee Report .....	32
Related Party Transaction Review Committee Report .....	33 - 34
Directors' Statement on Internal Controls .....	35
Management of Risk .....	36 - 41
Financial Reports.....	42
The Statement of Directors' Responsibilities .....	43
Financial Calendar .....	44
Independent Auditor's Report .....	45 - 47
Statement of Profit or Loss and Other Comprehensive Income .....	48
Statement of Financial Position .....	49
Statement of Changes in Equity .....	50
Statement of Cash Flows .....	51
Notes to the Financial Statements .....	52 - 101
Value Added Statement .....	102
Share Information .....	103 - 104
Decade at a Glance .....	105 - 106
Distribution Network .....	107
Glossary.....	108 - 109
Notice of Meeting .....	110
Corporate Information .....	111
Form of Proxy .....	113 - 114

## 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. The registered office and the main factory compound is located at Panagoda, Homagama with 16 sales outlets and 22 authorized service canterers spread throughout the country.

## MAIN ACTIVITIES

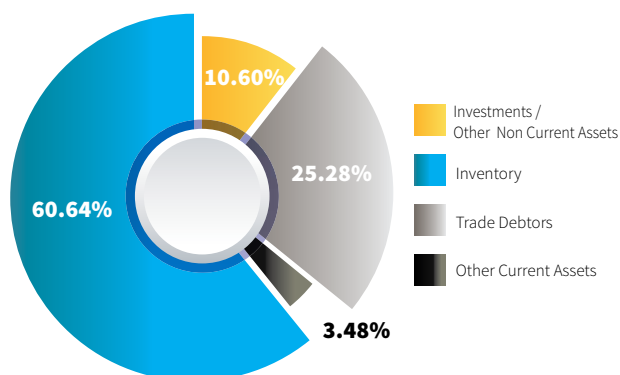
### *The main activities are:*

- Import of Semi-Knocked-Down (SKD) Chassis and assembly of Ashok Leyland commercial vehicles, with technical assistance from Ashok Leyland Limited, India.
- Import and marketing of Commercial Vehicles, Spare Parts and Power Generators.
- Fabrication of steel and aluminum bodies for Trucks.
- Truck body fabrication for special requirements.
- 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

TOTAL ASSETS  
**7,232.77<sub>Mn</sub>**



INVESTMENTS / OTHER NON CURRENT ASSETS	VALUE (Rs.)
Fixed Assets	508,332,209
Right-of-use Assets	56,084,899
Intangible Assets	6,392,148
Financial Investments	11,558,103
Deferred Tax Asset	184,233,458
<b>SUBTOTAL</b>	<b>766,600,817</b>

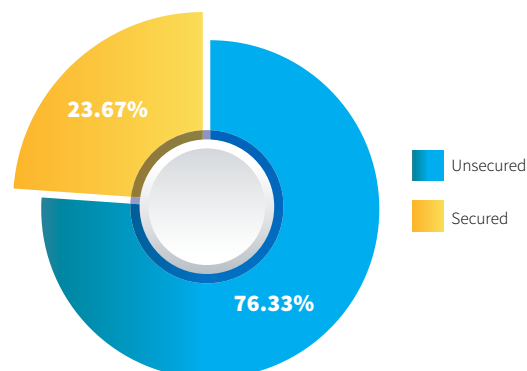
INVENTORY	VALUE (Rs.)
Vehicles	2,843,753,214
Spare Parts & Consumables	439,998,122
Generators	20,091,617
Cab/Bodies & Work in Progress	80,596,024
Goods in Transit	1,001,596,716
<b>SUBTOTAL</b>	<b>4,386,035,693</b>

TRADE DEBTORS	VALUE (Rs.)
Lease Customers	1,729,793,093
Other Customers	98,733,455
<b>SUBTOTAL</b>	<b>1,828,526,548</b>

OTHER CURRENT ASSETS	VALUE (Rs.)
VAT Recoverable	53,325,748
Advance/Deposit/Margin/Prepayment	143,795,703
Other Receivables	37,211,220
Cash and Cash Equivalent	17,278,304
<b>SUBTOTAL</b>	<b>251,610,975</b>

NET WORTH  
**3,356.34<sub>Mn</sub>**

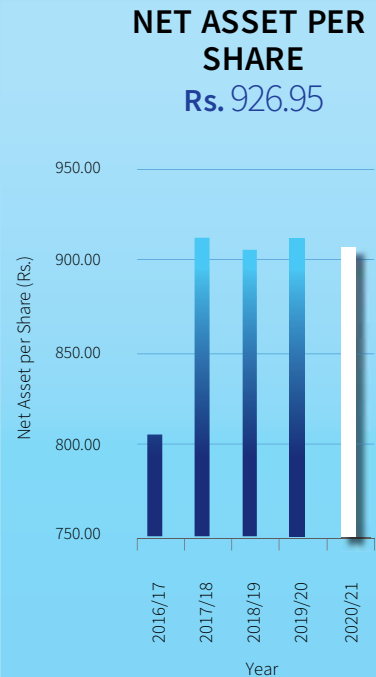
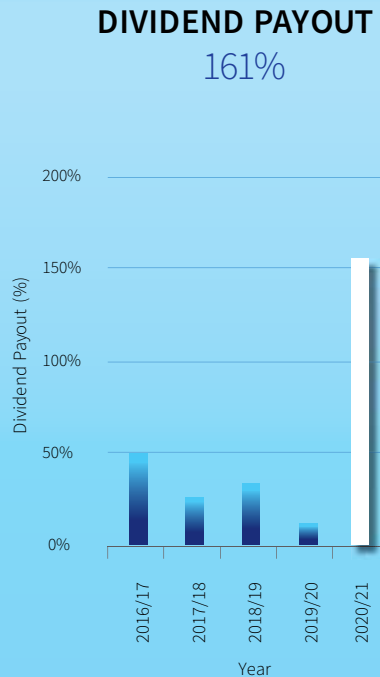
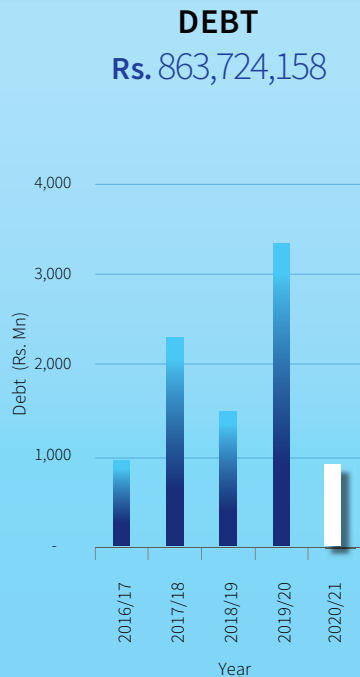
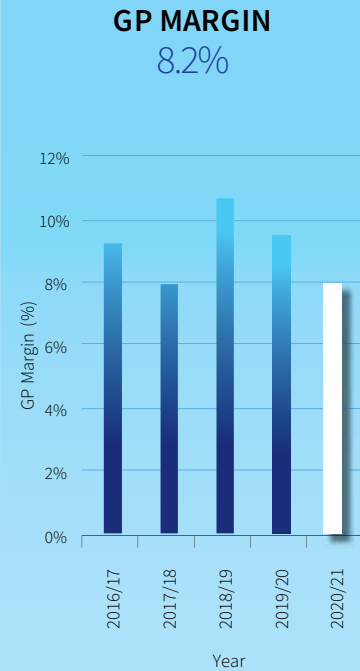
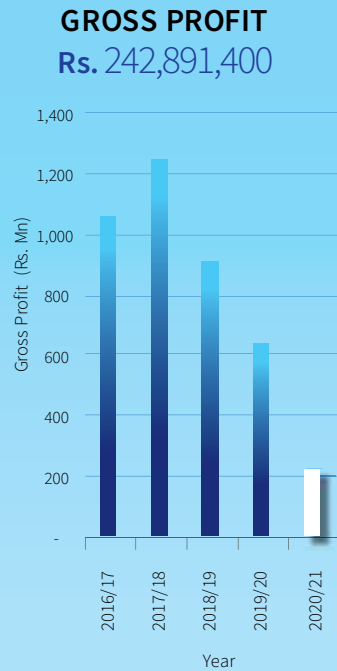
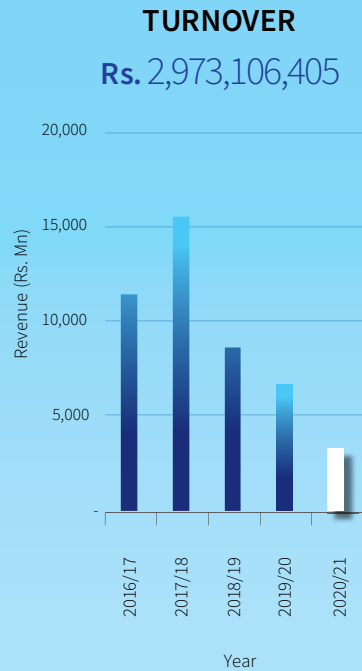
TOTAL LIABILITIES  
**3,876.43<sub>Mn</sub>**

















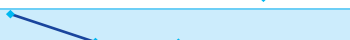



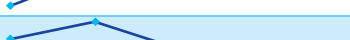







UNSECURED	VALUE (Rs.)
Retirement Benefits	96,116,809
Trade Payables	236,530,357
Accrued Expenses	566,358,408
Income Tax Liability	16,842,337
Amount due to Related Party	1,826,684,846
Other Payables & Warranty Provision	133,809,991
Lease Liability	82,430,182
<b>SUBTOTAL</b>	<b>2,958,772,930</b>

SECURED	VALUE (Rs.)
Short Term Borrowings	863,724,158
Bank Overdraft	53,934,240
<b>SUBTOTAL</b>	<b>917,658,398</b>

## FINANCIAL HIGHLIGHTS (Contd.)





KEY PERFORMANCE INDICATORS	THIS YEAR (2020/21)	LAST YEAR (2019/20)		% CHANGE	5 YEAR TREND
<b>OPERATING RESULTS</b>					
TURNOVER (Rs.)	2,973,106,405	6,718,236,808	↓	-56%	
GROSS PROFIT (Rs.)	242,891,400	639,632,334	↓	-62%	
OPERATING PROFIT (Rs.)	195,090,399	244,731,830	↓	-20%	
PROFIT BEFORE TAX (Rs.)	19,075,722	20,620,061	↓	-7%	
PROFIT AFTER TAX (Rs.)	4,505,303	103,412,945	↓	-96%	
DIVIDEND PROPOSED / PAID (Rs.)	7,241,686	18,104,215	↓	-60%	
<b>CAPITAL STRUCTURE</b>					
EQUITY (Rs.)	3,356,342,705	3,368,085,594	↓	-0.3%	
DEBT (Rs.)	863,724,158	3,360,660,856	↓	-74%	
<b>PROFITABILITY INDICATOR RATIOS</b>					
GROSS PROFIT MARGIN (%)	8.2%	9.5%	↓	-1.3%	
NET PROFIT MARGIN (%)	0.2%	1.5%	↓	-1.3%	
RETURN ON ASSETS (%)	0.1%	1.4%	↓	-1.3%	
RETURN ON EQUITY (%)	0.1%	3.1%	↓	-3%	
RETURN ON CAPITAL EMPLOYED (%)	4.6%	3.6%	↑	1%	
<b>LIQUIDITY MEASUREMENT RATIOS</b>					
CURRENT RATIO (NO OF TIMES)	1.39	1.26	↑	11%	
QUICK RATIO (NO OF TIMES)	0.21	0.21	↔	-	
<b>DEBT RATIOS</b>					
GEARING RATIO (%)	20%	50%	↓	-30%	
INTEREST COVER (NO OF TIMES)	1.11	1.08	↑	3%	
<b>EQUITY RATIOS</b>					
NET ASSET PER SHARE (Rs.)	926.95	930.19	↓	-0.3%	
EARNINGS PER SHARE (Rs.)	1.24	28.56	↓	-96%	
DIVIDEND PER SHARE (Rs.)	2.00	5.00	↓	-60%	
PRICE EARNINGS RATIO	676.81	24.58	↑	2653%	
DIVIDEND PAYOUT (%)	161%	18%	↑	143%	
MARKET VALUE PER SHARE (Rs.)	839.25	702.00	↑	20%	
HIGHEST MARKET VALUE (Rs.)	1,000.00	960.00	↑	4%	
LOWEST MARKET VALUE (Rs.)	541.00	600.00	↓	-10%	
MARKET CAPITALIZATION	3,038,792,488	2,541,831,786	↑	20%	



“ In a landmark achievement this year, we were able to commence local assembly of trucks by importing chassis in Semi-Knocked-Down (SKD) conditions with approximate 22.5% local value additions, the first and only Company in heavy commercial vehicles segment ”

# THE CHIEF EXECUTIVE OFFICER'S REVIEW

## Dear Stakeholder,

I hope this report finds you, your family and loved ones in good health. This fiscal year under review followed a challenging 2019 which began with the terrible loss of life via the Easter bombing and ended with the onset of the global pandemic. This year began in the throes of a public health crisis which saw unprecedented social and economic disruption never experienced before in our lifetimes. Operating under such social disruption required the effort, commitment and cooperation of the whole organization to pull through and I am extremely proud of the team at Lanka Ashok Leyland for pulling through together, with a sense of purpose and responsibility and delivering the financial performance below.

## The Economy in 2020

Due to the pandemic, global growth contracted 3.3% in 2020 as countries across the globe implemented restrictions to slow the spread of the which had severe economic repercussions. For the same reasons, Sri Lankan economy contracted by 3.6% in 2020, marking the worst performance since independence.

As global vaccinations, treatments, and healthcare capacities continue to scale in response to the crisis, the global outlook for 2021 looks set to rebound and is currently projected to be 6% according to the IMF. Sri Lanka's response too has seen its vaccination efforts scale up considerably from over 4% of the population with at least one dose by 31<sup>st</sup> March 2021 to over 20% of the population as of this report. The government has tried to walk the fine line between prioritizing measures to slow the spread of the virus whilst allowing for as much economic activities to take place. There has been some positive news as the GDP growth for the first quarter of 2021 was 4.3% and the central bank anticipates GDP growth to rebound in 2021 at 4.5-5%.

Beyond the GDP numbers, the Rupee depreciated 5.5% in 2020 closing at LKR 186 to a US Dollar. In a bid to preserve foreign reserves, a slew of import restrictions from obtaining supplier credit to an import ban on vehicles was enforced in March 2020 which posed a significant challenge for the automotive sector. With large debt repayments looming, Gross reserves stood at USD 4.1Bn as at the end of 31<sup>st</sup> March.

Ample liquidity in the market supported low interest rates with the Standing Deposit Facility Rate and Standing Lending Facility rate being 4.5% and 5.5% respectively at the end of the fiscal year.

The overall and commercial vehicle market has fared very poorly given the back-to-back crises that have impacted demand and economic activity. For 2020, overall registrations of vehicles fell 44.8% with buses down 64.2% year on year and lorries down 24.5%.

Public transportation figures are indicator of the drop in economic activity. Given the disruptions and numerous localised lockdowns, the average number of buses operated by the SLTB declined from 5,048 to 4,045 in 2020 while only 53.6% of the total number of private buses were in operation, compared to 92.9% or 19,979 buses as at end 2019.

## Financial Highlights

In a landmark achievement this year, we were able to commence local assembly of trucks by importing chassis in Semi-Knocked-Down (SKD) conditions with approximate 22.5% local value additions, the first and only Company in heavy commercial vehicles segment. The timing could not be better as import restrictions would have severely limited our scope of operations and financial performance.

Despite an import ban, the Company was fortunate to have a significant stock of vehicles to begin with however, weak demand caused revenue during the year to decline 56% to LKR 2.9 Bn against LKR 6.7 Bn in 2019. Weak economic activity saw a drop in sales of commercial vehicles and diesel generators. Similarly, the travel restrictions reduced demand for the hiring of vehicles and low vehicle movement throughout the year saw income from vehicle repairs drop marginally as well.

On a bright note, our year on year effort to improve our spare parts distribution paid dividends as revenue grew 6% to LKR 238.2 Mn this year.

Other income owing to lease transactions facilitated through the Company grew 48% to LKR 435.4 Mn as customers shift their purchasing decisions. We feel this behavioral shift in leasing instead of outright purchasing will continue for the foreseeable future giving us a healthy sustainable cash flow going forward as we await for demand conditions to improve.

Our management's adaptive response to the business climate and prudent cost controls allowed overhead expenses to reduce 30% to LKR 483.2 Mn against LKR 688.5 Mn a year earlier. It is important to note as a matter of pride that Lanka Ashok Leyland retained all its staff and maintained their salaries right throughout the year.

Whilst looking after our staff in this difficult period and taking steps to improve cost efficiencies, our earnings before interest and tax declined by 20% to LKR 195 Mn compared to LKR 244.7 Mn a year ago.

A reduction in interest rates helped ease interest expense to LKR 176 Mn, a 21% improvement over 2019 while the lack of imports enabled the Company to aggressively draw down its outstanding borrowings which witnessed a 74% improvement to LKR 863.7 Mn as opposed to LKR 3.3 Bn recorded last 31<sup>st</sup> March.

## THE CHIEF EXECUTIVE OFFICER'S REVIEW (Contd.)

The Company was able to close a very challenging financial year with a profit of LKR 4.5 Mn due to an improvement in the 4<sup>th</sup> quarter where the Company recorded LKR 45.3 Mn profit as opposed to a LKR 24.8 Mn loss for the same quarter in 2020.

The Company continues to maintain a very healthy balance sheet with inventories growing 3.6% to LKR 4.3 Bn. This increase is due to our recently commenced SKD assembly operations and will help sustain us going forward under the current import restrictions. In turn, interest bearing borrowings have fallen sharply to LKR 917.6 Mn from LKR 3.4 Bn with LKR 1.8 Bn owed to related parties for supplier credit.

### Corporate Social Responsibility

As the country faces an unprecedented crisis, we felt a moral responsibility to step up and help our employees, their families, our suppliers, partners, and dealers. We are proud to report that we retained all our staff during this difficult period with no pay cut.

With a priority to our workers health and safety and in consultation with Public Health Inspectors our factory was able to remain operational throughout the year and did not register a single COVID-19 case.

During the year, employees welfare society mobilized and conducted essential repair and renovation work across several hospitals around Homagama as they were preparing their capacity to take on COVID-19 patients. To provide transport support to the patients visiting to Apeksha cancer hospital our employees welfare society is also planning to operate used staff bus as an ongoing project.

We did not cut back or reduce our capital expenditure during this period thereby helping the multitude of small auxiliary industries that rely on us.

### Looking Ahead

We believe that the most uncertain period of this crisis is firmly behind us, and as Sri Lanka continues to vaccinate its population, we expect a recovery in the next fiscal year. We are already seeing a lot of pent up demand as infrastructure projects continue apace. The low interest rate environment is conducive to further capital expenditure by firms and therefore demand for commercial vehicles.

The operating assumption going forward is that the COVID-19 health crisis will continue to be with us, and may lead to sporadic disruptions however we as a nation will continue to be better equipped to live with it until it can no longer pose a threat to our public health.

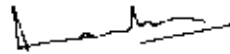
The other key factor is the restriction of imports. Given the precarious external finances, we expect the import ban to continue another year which will restrict our ability to meet a surge in demand however as one of the only firms with the ability to assemble, we are well positioned to take maximum advantage and feel optimistic looking ahead.

### Acknowledgements

I have to thank all the management team and our employees for their dedication and commitment this year. Knowing the risks to themselves and their families, they have shown a tremendous amount of commitment to the success of this organization and I am humbled by the fortitude, comradery, and resilience they have displayed this year. I would also like to thank our joint venture partner Lanka Leyland Ltd, our principal Ashok Leyland India and Chairman and Board of Directors for their guidance supports in steering the Company during this difficult period.

I wish to extend my thanks to our bankers, suppliers and shareholders for their unshaken support and trust they have placed in us, under the most difficult of circumstances, which has helped us to ensure continuity of business.

Lastly, we wish to extend our gratitude to our customers who extend support to every sector of this economy. Their hardships have been ours and Lanka Ashok Leyland has reached out and worked extensively with our customers this year because their success is our success, and we are committed to serve you through the good and the bad times.



**Umesh Gautam**

Chief Executive Officer  
29<sup>th</sup> July 2021



# BOARD OF DIRECTORS



**Mr. A K S A JAYASENA**  
*Chairman*

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

Mr. Jayasena has served as the 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 21 years' experience in mobile telecommunication 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 Doctor rate of Business Management (Honorary) from Holistic Medical Academy Chennai-India.



**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.

Mr. Kumarage has over 40 years' experience in Banking and Finance industry. He is the former CEO of People's Leasing & Finance PLC and also the Managing Director of many other subsidiary companies of People's Leasing & Finance PLC. Prior to joining People's Leasing & Finance PLC Mr. Kumarage served as the Deputy General Manager of People's Bank. He was the former chairman of the Leasing Association of Sri Lanka and former Vice President of the Asian Leasing and Finance Association.

Mr. Kumarage 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 41 years of fulltime 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.

## BOARD OF DIRECTORS (Contd.)



**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 whole time Director and CFO of Ashok Leyland Limited, India. Mr. Gopal also service as a director of Gro Digital Platforms Limited, Switch Mobility Automotive Limited and OHM Global Mobility (Pvt) Limited.

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 30 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.



**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 49 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.

## BOARD OF DIRECTORS (Contd.)



**MR. W H C P S WIJESEKARA**

*Non-Executive Director*

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

Mr. Wijesekara has over 23 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 aspects in the Hospitality industry.



**MR. NITIN SETH**

*Non-Executive Director*

Mr. Nitin Seth was appointed as a Non-Executive Director to the Board of Lanka Ashok Leyland PLC on 29<sup>th</sup> January 2020. He is the Chief Operating Officer of Ashok Leyland Limited, India. Mr. Nitin Seth also service as a director of Switch Mobility Automotive Limited.

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 31 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

The roots of Lanka Ashok Leyland PLC goes back to 1982, when LAL was incorporated as a joint venture Company between Lanka Leyland Limited, a fully owned Company of the Government of Sri Lanka and Ashok Leyland Limited, India.

Lanka Ashok Leyland PLC operates in the Commercial Vehicle industry and is primarily engaged in the sale of buses and trucks. As such, the business is primarily driven by the market dynamics of the commercial vehicle industry. Currently the main business of the Company includes assemble, build bodies and sale of Ashok Leyland range of trucks and busses and import and sales of spare parts and power generators. The Company also carries out repairs and restoration of commercial vehicles.

Lanka Ashok Leyland is managed by a Board comprised of seven non-executive directors who has significant corporate acumen, skill, knowledge and experience aided by astute and knowledgeable support from senior management and external specialists. The Company has established a governance structure that remains aligned to the laws of the country and ensures compliance to various regulatory mandates. The governance structure therefore includes committees responsible for specific tasks and setting strategy and future direction for the Company.

Our mission is to cultivate a flexible and productive workforce centered on our customer's needs and requirements, capable of quickly adapting and innovating transport solutions to become the most trusted partner for mobility solutions in the Country.

In light of above, the Company makes all strategies focusing on following key points;

Value	Action
Giving our shareholders the confidence and trust that we will always do what is best, thus ensuring consistent growth in shareholder value and returns.	Responding to the restriction on import of vehicles and focusing on the encouragements on local industries by the government, the Company realigned its operational strategy towards local assembly of vehicles.

Value	Action
Create a knowledge sharing culture where our customers grow and develop individually and as a group.	The Company passes the knowledge to our customers to get the best out of our products by conducting classroom and hands on training to enhance the knowledge and the experience of our products.
Make our planet healthy and green by contributing towards sustainable development.	The Company launched ecofriendly BS IV emission standard vehicles.

## Economic Overview

COVID 19 pandemic has hit the world economy with an unprecedented downturn, profoundly Sri Lanka economy also was severely affected recording a contraction of 3.6% in 2020. According to experts, phase out of the pandemic will take another year or two. Development of the economic and social infrastructure by the government was significantly disrupted due to time to time island wide and partial lockdowns.

Despite the heavy toll of the pandemic, World Bank Sri Lanka development update suggest that the country is now on the road to recovery. Sri Lanka's economic growth is expected to recover to 3.4% in 2021. However, the slow global recovery, compilled with continued trade restrictions, economic scaring from the slowdown and the high debt burden may continue to affect the growth.

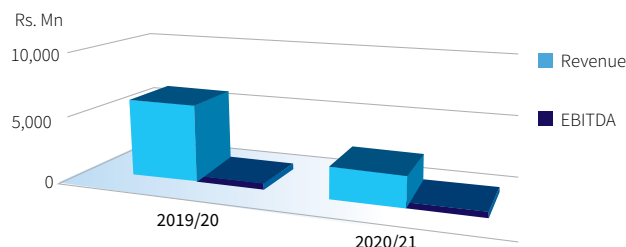
## Financial Review

### Revenue and Earnings

Though the unprecedented pandemic situation and the restriction on imports shrinked the revenue by 56%, the Company managed to sustain most of the EBITDA with a marginal drop of 13% compared to previous year. This was possible mainly by the increase in Other Income.



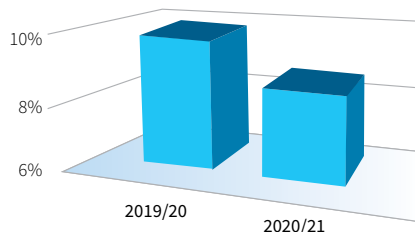
## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)



	2019/20 Rs.	2020/21 Rs.
Revenue	6,718,236,808	2,973,106,405
Gross Profit	639,632,334	242,891,400
Other Income	293,632,415	435,406,681
EBITDA	378,931,926	331,493,994
Net Finance Cost	224,111,769	176,014,677
Profit Before Tax	20,620,061	19,075,722

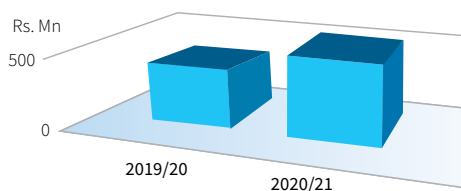
### Gross Profit Margin

Gross Profit margin was eroded due to more prudent inventory provisioning policy adopted by the Company coming to play during the ongoing pandemic situation.

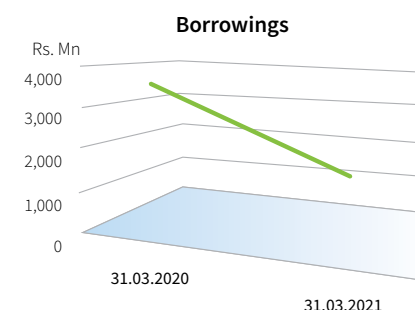
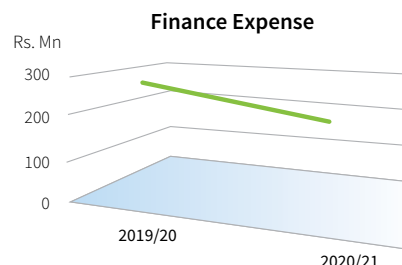


### Other Income

Other Income growth of 48% is mainly contributed by the preferential payment transactions entered with our major customers.

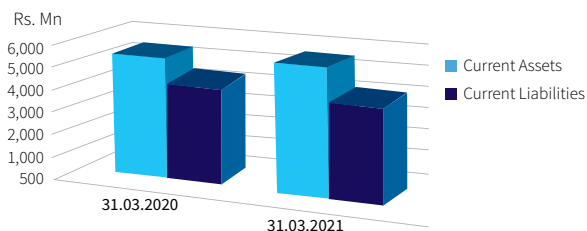


### Interest Cost and Borrowings



Drop of imports and effective cash flow management enabled the Company to aggressively bring down the borrowings by 74% to Rs. 863.7 Mn as opposed to Rs. 3.3 Bn last year. Drop in borrowings along with the reduction of interest rate contributed in bringing down the finance expense by 35%.

### Working Capital/ Liquidity



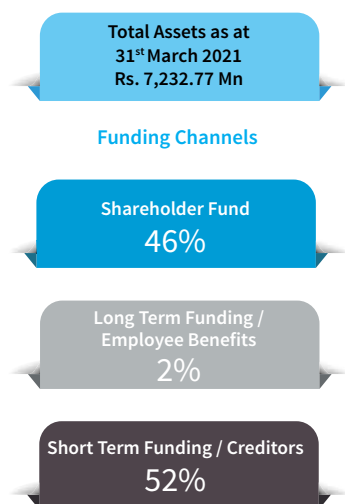
	31.03.2020 Rs.	31.03.2021 Rs.
Current Assets	5,070,160,530	5,165,568,181
Current Liabilities	4,031,967,691	3,717,057,127
Working Capital	1,038,192,839	1,448,511,054

Improvements in working capital is mainly due to bringing down of borrowings and increase in current assets due to import of SKD chassis kits for local assembly owing to related parties for supplier credit.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Leverage and Capital Structure

The total assets of the Company as at the period end, were funded by;



### Value Created to Shareholders

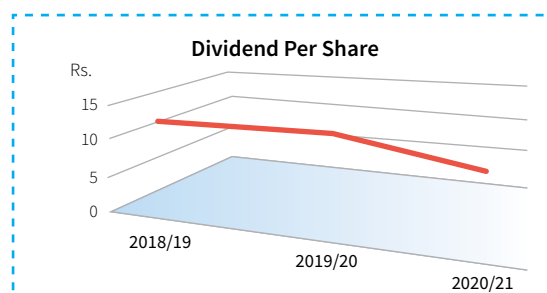
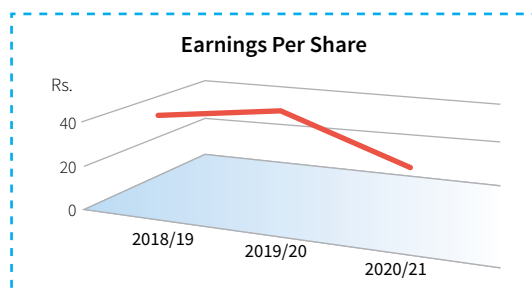
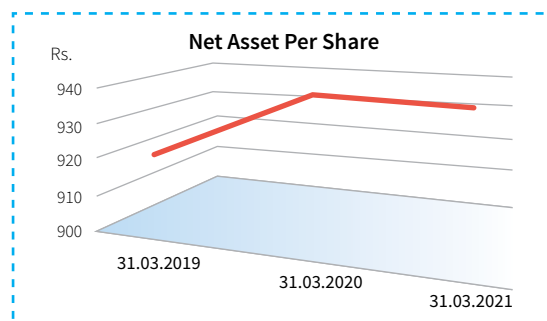
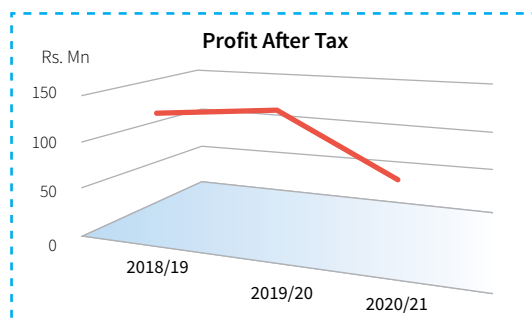
Whilst the impact on overall performance was more pronounced during periods of lockdown, business momentum has since recovered across the quarters. However, the Company has recorded

a Rs. 4.5 Mn profit after tax for the financial year ended 31<sup>st</sup> March 2021 which was marked by unprecedented events and volatility in both the domestic and global economy. Value created to shareholders reflects the challenges faced during the year as earnings attributable to equity holders dipped by 96% with earning per share moving from Rs. 28.56 last year to Rs. 1.24 current year.

### Key Challenges and Opportunities

Risks and challenges go hand-in hand in the business of running an organization irrespective of whether the risk may be from environmental problems, social discontent, political and social unrest or even natural disasters. These can be costly, have negative publicity, threaten operating frameworks and also prompt unforeseen expenditure. Reputational damage too can far exceed the immediate cost impacts.

While we seek to proactively reduce and manage these risks, challenges have never been a deterrent for us rather, they have been a means of directing us towards opportunity and improving business performance over time. These opportunities have driven us to enhance business growth, while ensuring that we remain within compliance benchmarks and at the same time ensuring that our stakeholders are empowered and remain inclusive to our end goal. Over the year, the challenges we faced eventually shown us emerging opportunities such as restriction on importation of vehicles encouraged us to react by investing in assembling of commercial vehicles, which, was a strategic way forward to the Company.



### Value Created to Share Holders

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

The Board of Directors is pleased to present the **Thirty Eighth** Annual Report of your Company together with the audited Financial Statements and the Auditor's Report for the financial year ended 31<sup>st</sup> March 2021 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 page 22 to 29 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 assemble of Semi-Knocked-Down (SKD) chassis and fabricate bodies, import and marketing of Ashok Leyland buses, trucks, truck chassis, spare parts, power generators and let vehicles on hire. The Company also carries out repairs and restoration of commercial vehicles.

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. However, the Company restarted the local assembly of chassis by importing SKD chassis kits after 17 years.

## VISION, MISSION AND VALUE STATEMENT

The Company's vision and mission statements are available on page 1. 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 Management Discussion and Analysis 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 Review 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 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 43 which forms an integral part of the Annual Report of the Board of Directors.

## DISCLOSURES

The Annual Report of the Company fulfils 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 48 to 101.

The aforementioned Financial Statements for the year ended 31<sup>st</sup> March 2021 signed on behalf of the Board by the Chairman, a Director, Chief Executive Officer and Chief Financial Officer are given on page 49.

## 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 45 to 47.

## 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 52 to 66 of this Annual Report.

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

### PROFIT AND APPROPRIATIONS

	2020/21 Rs.	2019/20 Rs.
<b>Profit</b>		
Profit After Tax	4,505,303	103,412,945
Other Comprehensive Income	809,845	4,113,004
Total Comprehensive Income for the year	5,315,148	107,525,949
Profit brought forward from previous year	2,431,362,944	2,376,906,585
Adjustment on Initial Application SLFRS 16	-	(19,325,423)
Profit available for appropriation	2,436,678,092	2,465,107,111
<b>Appropriations</b>		
Unclaimed Dividend Reversed	1,046,178	2,464,263
Dividend Paid for previous year	(18,104,215)	(36,208,430)
Un-appropriated profit carried forward	2,419,620,055	2,431,362,944

### DIVIDENDS

The Board of Directors have recommended payment of a first and final dividend of Rs. 2.00 per share (20%) (2019/20 - Rs. 5.00 per share i.e. 50% on the paid-up value) for the year ended 31<sup>st</sup> March 2021.

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 31<sup>st</sup> March 2021, on the trading floor of the Colombo Stock Exchange was at a price of Rs. 879 per share. (Corresponding price on 31<sup>st</sup> March 2020 was Rs. 695 per share)

The number of ordinary shares held by the public as at 31<sup>st</sup> March 2021 was 1,100,011 (31<sup>st</sup> March 2020 - 1,100,011) which represent 30.38% (31<sup>st</sup> March 2020 - 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 7 and 105 to 106.

### STATED CAPITAL AND RESERVES

The Stated Capital of the Company as at 31<sup>st</sup> March 2021 amounted to Rs. 49,375,150 (31<sup>st</sup> March 2020 - 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 103 to 104.

### PROPERTY, PLANT & EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

The net book value of Property, Plant & Equipment, Right-of-use Asset and the Intangible Assets amounts to Rs. 570.81 Mn.

An analysis of the Company's Property, Plant & Equipment, Right-of-use Asset and Intangible Assets are given in Note 15, 16 and 17 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 2021 and the values are disclosed under Note 15.1 to the Financial Statements in page 72.

### 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 & 17 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 13 and their memberships on the Board committees of the Company are given in page 23.

- Mr. A K S A Jayasena - Chairman (Non-Executive)
- Mr. D P Kumarage - Independent Director (Non-Executive)
- 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)
- Mr. Nitin Seth - Director (Non-Executive)



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

### NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS DURING THE YEAR

There were no new appointments made to the Board, and no resignations or retirement from the Board during the financial year ended 31<sup>st</sup> March 2021.

### RETIREMENT AND RE-ELECTION OF DIRECTORS

In terms of the Article 84 of the Article of Association of the Company, Mr. D P Kumarage 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 Directors, Mr. D P Kumarage and Mr. N Sundararajan as Directors who are over the age of 70 years, as Directors 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 24 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 23 to 25 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 were no 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 was an instance that the aggregate value of the recurrent Related Party Transactions exceeded 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 Sri Lanka Accounting Standard - LKAS 24, in Note 34 on pages 88 to 93 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.

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

### • **AUDIT COMMITTEE**

Mr. D P Kumarage – Chairman  
Mr. A K S A Jayasena  
Mr. N Sundararajan  
Mr. Gopal Mahadevan  
Mr. D A Abeyawardene

### • **REMUNERATION COMMITTEE**

Mr. N Sundararajan – Chairman  
Mr. D P Kumarage  
Mr. D A Abeyawardene  
Mr. W H C P S Wijesekara  
Mr. Nitin Seth

### • **NOMINATION COMMITTEE**

Mr. N Sundararajan – Chairman  
Mr. D P Kumarage  
Mr. D A Abeyawardene  
Mr. W H C P S Wijesekara  
Mr. Nitin Seth

### • **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

Mr. N Sundararajan – Chairman  
Mr. A K S A Jayasena  
Mr. D P Kumarage  
Mr. Gopal Mahadevan  
Mr. D A Abeyawardene

### **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 36 to 41.

### **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 (2019/20 - 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 31<sup>st</sup> March 2021, 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 2021, the Company evaluated the resilience of its businesses considering a wide range of factors relating to expected revenue streams, cost management, profitability, ability to defer non-essential capital expenditure, debt repayment schedules, cash reserves and potential sources of financing facilities, 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.

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.

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

### • 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 22 to 29.

### 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 31<sup>st</sup> March 2021 was 177. (31<sup>st</sup> March 2020 - 179).

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, 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. 1,700,000/- (2019/20 - 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. 60,000/- (2019/20 - Rs. 50,000/-) and Rs. 200,000/- (2019/20 - Rs. 380,000/-) 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 17<sup>th</sup> September 2021.

### ANNUAL GENERAL MEETING

The thirty eighth Annual General Meeting will be held on 17<sup>th</sup> September 2021. The notice of Annual General Meeting is given on page 110.

### ACKNOWLEDGMENT

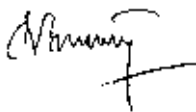
The Directors wish to express their gratitude and appreciation to the Government of Sri Lanka, bankers, financial institutions, shareholders, valued customers, M/s Lanka Leyland Limited, and M/s Ashok Leyland Limited - India, for their co-operation, valuable guidance, assistance and the continued support.

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 Kumarage**  
Director



**D A Abeyawardene**  
Director / Secretary

Colombo  
29<sup>th</sup> July 2021

# CORPORATE GOVERNANCE

The Board of Directors and the Management of Lanka Ashok Leyland PLC are committed to maintain the highest 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

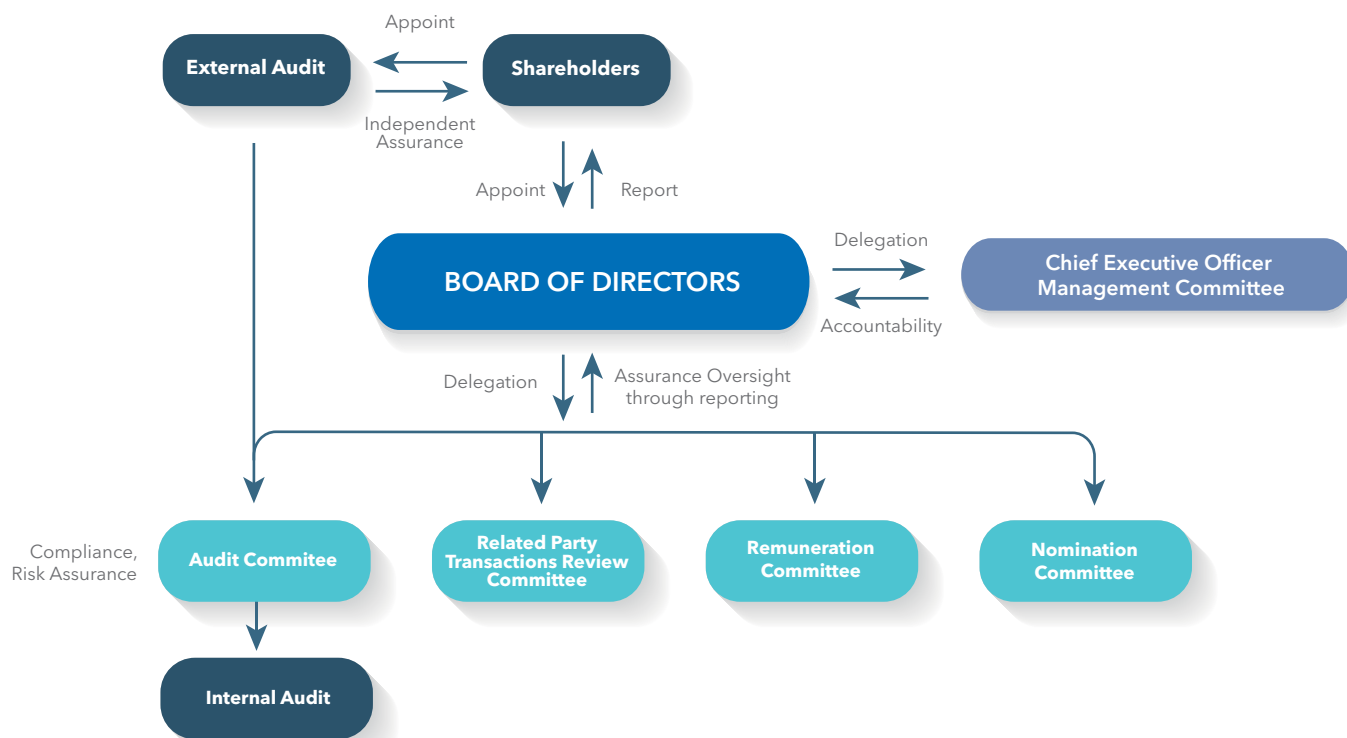
The Board of Directors of Lanka Ashok Leyland PLC is collectively responsible for the long term success of the Company. Its role is essentially threefold - to provide leadership and set strategic direction, to oversee management and ensure highest level of ethical and legal standards and to ensure that 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 30 to 34. The Board reviews periodic updates presented by the Chairmen 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 23 and 11 to 13.

## 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 <b>(Chairman)</b>	-	✓	-	✓	Member	-	-	Member
Mr. D P Kumarage	-	✓	✓	-	<b>Chairman</b>	Member	Member	Member
Mr. N Sundararajan	-	✓	✓	-	Member	<b>Chairman</b>	<b>Chairman</b>	<b>Chairman</b>
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	-

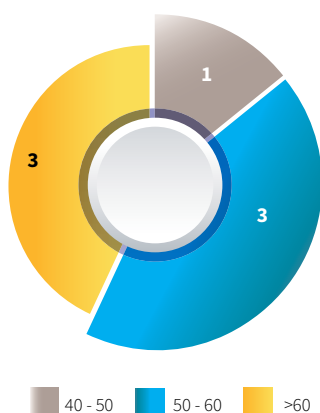
Number of Board meetings held during the year and the attendance of Directors are furnished below;

Name of the Director	Board Meetings	
	No. held	No. attended
Mr. A K S A Jayasena - Chairman	4	4
Mr. D P Kumarage	4	3
Mr. N Sundararajan	4	4
Mr. Gopal Mahadevan	4	4
Mr. D A Abeyawardene	4	4
Mr. W H C P S Wijesekara	4	3
Mr. Nitin Seth	4	4

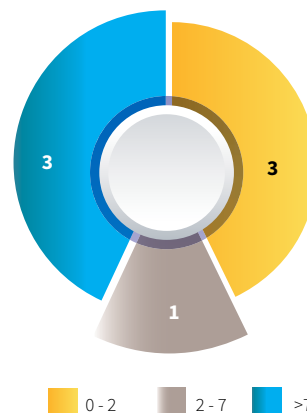
### NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS

There were no new appointments or resignations of directors during the financial year ended 31<sup>st</sup> March 2021.

**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	Whole time Director and Chief Financial 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.
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 vast 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 30 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)	4	3
Mr. A K S A Jayasena	4	4
Mr. N Sundararajan	4	4
Mr. Gopal Mahadevan	4	4
Mr. D A Abeyawardene	4	4

### 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 31 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)	1	1
Mr. D P Kumarage	1	1
Mr. D A Abeyawardene	1	1
Mr. W H C P S Wijesekara	1	-
Mr. Nitin Seth	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 reviewing the structure and composition of the Board and to 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. Accordingly, 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 32 of the Annual Report.

Since there were no new appointments to the board, the Nomination Committee was not met during the year ended 31<sup>st</sup> March 2021.

### 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 33 to 34 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)	4	4
Mr. A K S A Jayasena	4	4
Mr. D P Kumarage	4	3
Mr. Gopal Mahadevan	4	4
Mr. D A Abeyawardene	4	4

### 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 true 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 Implemented 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 jointly by Institute of Chartered Accountants of Sri Lanka and 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.	17 / 52
Section 168 (1) b	Financial Statements for the accounting period completed and signed in accordance with section 151.	48 - 101
Section 168 (1) c	Auditor's report on the Financial Statements	45 - 47
Section 168 (1) d	Change in accounting policies made during the accounting period.	Not Applicable
Section 168 (1) e	Particulars of entries in the interests register made during the accounting period.	19
Section 168 (1) f	Remuneration and other benefits of directors during the accounting period	68
Section 168 (1) g	Amount of donations made by the Company during the accounting period.	20
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.	18 - 19
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.	21
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.	21
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.	17 - 21

### 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.	18
Rule 7.6 (ii)	Principal activities of the Entity during the year and any changes therein.	17 / 52
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.	103
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.	104
Rule 7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Entity at the beginning and end of financial year.	19
Rule 7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	36 - 41
Rule 7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	21
Rule 7.6 (viii)	Extent, locations, valuations of land and buildings and investment properties.	72
Rule 7.6 (ix)	Number of shares presenting the Entity's stated capital.	82
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	103
Rule 7.6 (xi)	Ratios and market price information	7 / 104 / 106
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.	72 - 74
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	27 - 28
Rule 7.6 (xvi)	Details of Related party transactions as per the specified criteria.	88 - 93

## 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 <sup>st</sup> March 2021.	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 <sup>st</sup> March 2021.	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 23 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 13 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.	There were no new director appoints during the concern year.	Not Applicable
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	The Company has a Remuneration Committee. Refer page 31 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 Executives.	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 24. The report of the Remuneration Committee is given on page 31 and the remuneration paid to Directors is given in the Note 10 to the Financial Statement on page 68.	Complied
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	The Company has an Audit Committee. Refer page 30 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 24 to the Annual Report.	Complied
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	The Chief Executive Officer, Chief Financial Officer 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 Sri Lanka and another is a member of The Institute of Chartered Accountants of India.	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 30.	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 30 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 33 to 34 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
9.2.4	Related Party Transactions Review Committee - Meetings	Shall meet at least once a calendar quarter	Refer RPTRC report on page 33 to the Annual Report	Complied
9.3.1	Immediate Disclosures	As outlined in the Section 9.3.1 of the Listing Rules.	Company has not had any non-recurrent Related Party Transactions during the year under review, which requires immediate announcement to the Exchange. Refer RPTRC report on Pages 33 to 34 to the Annual Report.	Not Applicable

## 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.	Company has not had any non-recurrent Related Party Transactions during the year under review with aggregate value exceeding 10% of the equity or 5% of the Total assets, whichever is lower. Hence, no disclosure is required. Refer RPTRC report on Pages 33 to 34 to the Annual Report.	Not Applicable
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 was an 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 33 to 34 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 page 19 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 up to date.

### By order of the Board



**D A Abeyawardene**  
Director / Secretary

Colombo  
29<sup>th</sup> July 2021

# 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 2020/21 comprised of the following Non-Executive Directors;

• Mr. D P Kumarage	- Chairman	Non-Executive Independent Director
• Mr. A K S A Jayasena	- Member	Non-Executive 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

The members have a well-balanced blend of experience in the Finance, 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 13.

The Company secretary acts as the secretary to the committee.

## 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 financial governance, risks and compliance requirements.

## MEETINGS

The Audit Committee met four times during the year ended 31<sup>st</sup> March 2021 and the attendance details are given in page 24 as part of the Corporate Governance report.

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

## INTERNAL AUDIT

Internal audit function is outsourced to M/s Ernst & Young Advisory Services (Pvt) Limited. 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 and the Internal auditor's reports are made available to the external auditors as well. The key risks associated with the business is given in the Risk Management Report in pages 36 to 41.

## STATUTORY AUDIT

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

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.

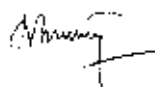
The Committee reviewed the non-audit services and its impact on the independence of the External Auditors and recommended to the Board that M/s. KPMG be re-appointed as the Independent External Auditor and also the re-appointment be included in the agenda of the Annual General Meeting, for securing the 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  
29<sup>th</sup> July 2021

# 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             |
| • Mr. Nitin Seth           | - Member   | Non-Executive Director             |

Brief profile of each member is given on pages 11 to 13.

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. 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, travelling 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, 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 68.

## MEETINGS

The Committee held one meeting during the year under review and the attendance details are given on page 24 as part of the Corporate Governance Report.



**N Sundararajan**

Chairman - Remuneration Committee

Chennai  
29<sup>th</sup> July 2021

# 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             |
| • Mr. Nitin Seth           | - Member   | Non-Executive Director             |

Brief profile of each member is given on pages 11 to 13.

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 faced by 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 to 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

Since there were no new appointments to the board, the Nomination Committee was not met during the year ended 31<sup>st</sup> March 2021.



**N Sundararajan**

Chairman - Nomination Committee

Chennai  
29<sup>th</sup> July 2021



# 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. Further, it monitors whether the management is making appropriate disclosures in compliance with the Listing Rules of Colombo Stock Exchange and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

## COMPOSITION OF THE COMMITTEE

The Committee consists of five Non-Executive Directors of whom three are Independent in compliance with the Listing Rule No 9.2.2 of the Colombo Stock Exchange. The composition of the RPTRC is given on page 20 and a brief profile of each member is provided in pages 11 to 13.

The Company Secretary acts as the Secretary to the committee.

## SCOPE OF THE COMMITTEE

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 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 Lanka Leyland Limited and Ashok Leyland Limited, India are directly identified as the Related Parties of the Company. Information related to the related parties of the Promoters are periodically obtained and updated in the database of the Company and are used in identifying, tabulation and evaluating 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

The Committee held four meetings during the year under review and the attendance details of the members is given in page 25 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 2020/21

Related Party Transactions of the Company are reviewed by the Related Party Transactions Review Committee and the Company is in compliance with the requirements of the listing rules of the Colombo Stock Exchange on Related Party Transactions. During the year there were no 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 was an instance where the aggregate value of the recurrent Related Party Transactions exceeded 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 88 to 93 to the Financial Statements.

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT (Contd.)

Since most of the purchase and sales transactions of the Company were 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 page 19. 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

Chennai  
29<sup>th</sup> July 2021

# 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 identifies 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.

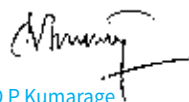
The Audit Committee of the Company reviews internal control issues identified by the outsourced internal audit function, regulatory authorities and management and evaluates the adequacy and effectiveness of the internal control systems.

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  
29<sup>th</sup> July 2021

# MANAGEMENT OF RISK

## OVERVIEW

COVID 19 pandemic induced turbulent external environment has been challenging and risk management has become the focus of the business world over than ever before.

Lanka Ashok Leyland responded to those new challenges by redesigning our strategies in line with the risk appetite and risk tolerance frame work of the Company.

## 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.

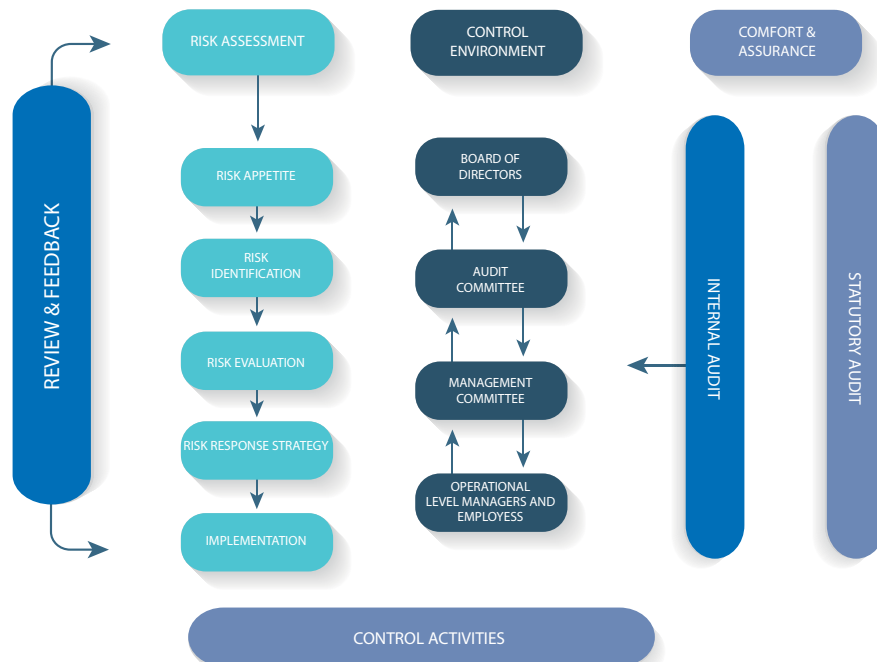
The Board has delegated its responsibility to the Audit Committee to oversee the system of Risk Management, compliance and controls to mitigate risks. The Company has appointed an independent professional organization, as internal Auditors who provide in-depth reports to the Audit Committee. The Audit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

### 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 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 guidelines 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.

### Control Activities

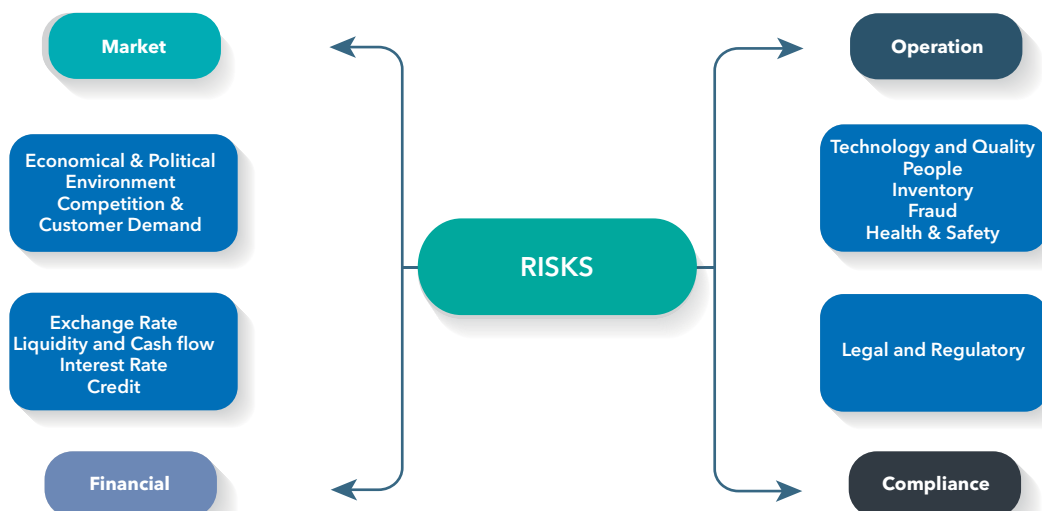
Control activities established through policies and procedures are performed at all levels of the company at various stages within business processes, and over the technological environment. They may be preventive or detective in nature. Segregation of duties is typically built into the selection and 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 the Company'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 initiatives in placed.

Market Risk		
Risk	Potential Impact	Treatment/s
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 "strategy and objectives" evaluation sessions.
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 as well as with individual clients.  Launching of new products with latest technology and designs which attract existing and potential customers while focusing on continuous improvements.

Financial Risk		
Risk	Potential Impact	Treatment/s
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.
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 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.
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.  Strong working capital management and periodic reviews to ensure cash flow alignment.

## MANAGEMENT OF RISK (Contd.)

<b>Compliance Risk</b>		
<b>Risk</b>	<b>Potential Impact</b>	<b>Treatment/s</b>
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>

<b>Operational Risk</b>		
<b>Risk</b>	<b>Potential Impact</b>	<b>Treatment/s</b>
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 understand 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, establishing of effective communication lines and developing 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>
Inventory	Risk of carrying inventory that is not saleable.	<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 air ports 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 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 proactively ahead of future requirements.

Risk	Potential Impact	Treatment/s
Credit Risk	Possibility of increase in credit risk associated with the trade receivables due to the post-lockdown 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 liquidity. The Company implemented a variety of measures to preserve cash flow such as limiting 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 proactively ahead of future requirements.

## MANAGEMENT OF RISK (Contd.)

Risk	Potential Impact	Treatment/s
Exchange Rate	Possibility of adverse exchange rate movements due to COVID-19 pandemic	Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar 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 to take necessary mitigation measures.
Supply Chain and Customer Demand	Due to the spread of COVID-19 pandemic, the Company experienced adverse demand and supply movements.	With the government encouragements on local manufacturing and restriction on imports, the Company restarted the local assembly of vehicles and 500 Semi-Knocked-Down Chassis kits were imported to assemble chassis and build bodies in Sri Lanka.
Health, Safety and Well Being	Safety of employees, customers and other stake holders entering our business premises will be a priority as long as the threat of the pandemic prevails. We value our employees' and all stakeholders' safety and recognize our responsibility to provide a safe working environment.	<p>Following health and safety protocols recommended by the health authorities were implemented.</p> <p>Ensure awareness of protocols and ensuring compliance by staff and visitors.</p> <p>Routine sanitising of office and factory premises.</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

Statement of Directors' Responsibilities .....	43
Financial Calendar .....	44
Independent Auditors' Report .....	45 - 47
Statement of Profit or Loss and Other Comprehensive Income .....	48
Statement of Financial Position .....	49
Statement of Changes in Equity .....	50
Statement of Cash Flows .....	51
Notes to the Financial Statements .....	52 - 101

# 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. 07 of 2007, and have obtained a certificate from the auditors, prior to recommending a dividend of Rs. 2.00 per share as the first and final dividend for the financial year ended 31<sup>st</sup> March 2021 .

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  
29<sup>th</sup> July 2021





## FINANCIAL CALENDAR 2020/2021

	2020/21	2019/20
Annual Report	<b>27<sup>th</sup> August 2021</b>	04 <sup>th</sup> September 2020
Annual General Meeting to be held / held	<b>17<sup>th</sup> September 2021</b>	25 <sup>th</sup> September 2020
Final Dividend to be Declared / Declared	<b>17<sup>th</sup> September 2021</b>	25 <sup>th</sup> September 2020
Final Dividend to be Paid / Paid	<b>11<sup>th</sup> October 2021</b>	19 <sup>th</sup> October 2020

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

	2020/21	2019/20
01 <sup>st</sup> Quarter Report	<b>14<sup>th</sup> August 2020</b>	13 <sup>th</sup> August 2019
02 <sup>nd</sup> Quarter Report	<b>13<sup>th</sup> November 2020</b>	14 <sup>th</sup> November 2019
03 <sup>rd</sup> Quarter Report	<b>15<sup>th</sup> February 2021</b>	30 <sup>th</sup> January 2020
04 <sup>th</sup> Quarter Report	<b>31<sup>st</sup> May 2021</b>	16 <sup>th</sup> June 2020

# INDEPENDENT AUDITOR'S REPORT



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

Tel +94 - 11 542 6426  
Fax +94 - 11 244 5872  
+94 - 11 244 6058  
Internet [www.kpmg.com/lk](http://www.kpmg.com/lk)

## 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 31<sup>st</sup> March 2021, 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 48 to 101 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 31<sup>st</sup> March 2021, 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 3.9 and explanatory note in Note 21 of the financial statements. The Company held inventories which comprised several different vehicles, generators and spare parts with an aggregate carrying value of Rs. 4,386,035,693 as at 31<sup>st</sup> March 2021.

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 the 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 judgement exercised by management in determining appropriate carrying value of inventories.

Our audit procedures included;

- Evaluating 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 documentation which included purchase invoices and 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;

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

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, W. A. A. Weerasekara CFA, ACMA, MRICS

## 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.
- Attending inventory counts as at the year end to ensure the existence and condition of the inventories as at the reporting date.

### 2. Recoverability of Rental and Trade Receivables

Refer to significant accounting policies in Note 3.4.1 and explanatory notes in Notes 19 & 22 (Rental Receivable from Trade Debtors & Trade and Other Receivables) of the financial statements. The carrying value of Rentals receivable from Trade Debtors amounted to Rs. 1,729,793,093 and Trade receivables amounted to Rs. 98,733,455 as at 31<sup>st</sup> March 2021.

Assessing the allowance for impairment of Rental and Trade Receivables remains one of the most significant judgments made by management particularly in light of the uncertain economic outlook in Sri Lanka due to the continuing 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 3.4, management provisioning methodology is based on an Expected Credit Loss (ECL) model as required under SLFRS 9 "Financial Instruments".

Our audit procedures included;

- Obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, debt collections and making allowances for doubtful debtors.
- Reviewing the appropriateness of the provisioning methodology used by management in determining the impairment allowances against the requirements of SLFRS 09.
- Recomputing management's calculation of the impairment allowance determined based on the expected credit loss method.
- Obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including historical default data and management's estimated loss rates.

- Assessing the reasonableness of management's loss allowance estimate by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward looking information.
- Challenging management's assumptions for the expected cashflows and the timing of the expected cashflows in the scenario-based probability weighted impairment assessment of individually significant customers.
- Assessing, on a sample basis, whether items in the debtors ageing report were classified within the appropriate ageing category by comparing individual items in the report with the underlying documentation such as sales invoices.
- Requesting 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.

## INDEPENDENT AUDITOR'S REPORT (Contd.)



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.

### 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

29<sup>th</sup> July 2021

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 <sup>st</sup> March	Note	2021 Rs.	2020 Rs.
<b>Revenue</b>	5	<b>2,973,106,405</b>	6,718,236,808
Cost of Sales		<b>(2,730,215,005)</b>	(6,078,604,474)
<b>Gross Profit</b>		<b>242,891,400</b>	639,632,334
Other Income	6	<b>435,406,681</b>	293,632,415
Selling and Distribution Expenses	7	<b>(32,473,676)</b>	(41,539,708)
Administrative Expenses		<b>(391,395,182)</b>	(469,158,399)
Impairment Reversal / (Charge) on Trade Receivables	8	<b>3,329,318</b>	(108,772,941)
Other Operating Expenses		<b>(62,668,142)</b>	(69,061,871)
<b>Profit from Operations</b>		<b>195,090,399</b>	244,731,830
Finance Income		<b>1,849,098</b>	43,273,553
Finance Cost		<b>(177,863,775)</b>	(267,385,322)
<b>Net Finance Cost</b>	9	<b>(176,014,677)</b>	(224,111,769)
<b>Profit Before Tax</b>	10	<b>19,075,722</b>	20,620,061
Income Tax (Expense) / Reversal	11	<b>(14,570,419)</b>	82,792,884
<b>Profit for the Year</b>		<b>4,505,303</b>	103,412,945
<b>Other Comprehensive Income</b>			
<b>Items that will Never be Reclassified to Profit or Loss</b>			
Remeasurement of Employee Benefits - Actuarial Gain	27.2	<b>1,065,586</b>	5,712,505
Deferred Tax Charge on Defined Benefit Plan	11.3	<b>(255,741)</b>	(1,599,501)
<b>Total Other Comprehensive Income, net of Tax</b>		<b>809,845</b>	4,113,004
<b>Total Comprehensive Income for the Year</b>		<b>5,315,148</b>	107,525,949
Basic and Diluted Earnings Per Share	12	<b>1.24</b>	28.56
<b>Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (Adjusted EBITDA)</b>	14	<b>331,493,994</b>	378,931,926

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

# STATEMENT OF FINANCIAL POSITION

As at 31 <sup>st</sup> March	Note	2021 Rs.	2020 Rs.
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, Plant & Equipment	15	508,332,209	566,792,290
Right-of-use Asset	16	56,084,899	78,544,690
Intangible Assets	17	6,392,148	9,729,965
Financial Investments	18	11,558,103	11,490,056
Rental Receivable from Trade Debtors	19.1	1,300,605,035	1,659,274,059
Deferred Tax Asset	20	184,233,458	170,720,440
<b>Total Non Current Assets</b>		<b>2,067,205,852</b>	<b>2,496,551,500</b>
<b>Current Assets</b>			
Inventories	21	4,386,035,693	4,235,608,373
Trade and Other Receivables	22	189,270,423	379,443,808
Rental Receivable from Trade Debtors	19.2	429,188,058	386,212,845
Deposits and Prepayments	23	143,795,703	60,975,031
Cash & Cash Equivalents	24.1	17,278,304	7,920,473
<b>Total Current Assets</b>		<b>5,165,568,181</b>	<b>5,070,160,530</b>
<b>Total Assets</b>		<b>7,232,774,033</b>	<b>7,566,712,030</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Stated Capital	25	49,375,150	49,375,150
General Reserve	26	887,347,500	887,347,500
Retained Earnings		2,419,620,055	2,431,362,944
<b>Equity attributable to Owners of the Company</b>		<b>3,356,342,705</b>	<b>3,368,085,594</b>
<b>Non Current Liabilities</b>			
Employee Benefits	27	96,116,809	91,493,075
Lease Liability	28.1	63,257,392	75,165,670
<b>Total Non Current Liabilities</b>		<b>159,374,201</b>	<b>166,658,745</b>
<b>Current Liabilities</b>			
Trade and Other Payables	29	936,046,921	498,549,837
Amount due to Related Party	30	1,826,684,846	81,514,793
Current Tax Liabilities	31	16,842,337	3,334,486
Provision for Warranty	32	651,835	2,660,359
Short Term Borrowings	33	863,724,158	3,360,660,856
Lease Liability	28.1	19,172,790	29,140,340
Bank Overdrafts	24.2	53,934,240	56,107,020
<b>Total Current Liabilities</b>		<b>3,717,057,127</b>	<b>4,031,967,691</b>
<b>Total Liabilities</b>		<b>3,876,431,328</b>	<b>4,198,626,436</b>
<b>Total Equity &amp; Liabilities</b>		<b>7,232,774,033</b>	<b>7,566,712,030</b>
<b>Net Assets per Share</b>		<b>926.95</b>	<b>930.19</b>

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.

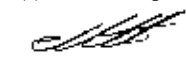


**A R T Ranasinghe**  
Chief Financial Officer

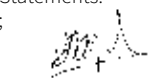


**U Gautam**  
Chief Executive Officer

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  
Colombo, 29<sup>th</sup> July 2021



**D A Abeyawardene**  
Director



# STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	General Reserves Rs.	Retained Earnings Rs.	Total Equity Rs.
<b>Balance as at 01<sup>st</sup> April 2019</b>	49,375,150	887,347,500	2,357,581,162	3,294,303,812
<b>Total Comprehensive Income</b>				
Profit for the year	-	-	103,412,945	103,412,945
Other Comprehensive Income for the year	-	-	4,113,004	4,113,004
<b>Total Comprehensive Income</b>	-	-	107,525,949	107,525,949
<b>Transactions with Owners of the Company</b>				
<b>Contribution / Distribution</b>				
Unclaimed Dividend Reversed	-	-	2,464,263	2,464,263
Dividend	-	-	(36,208,430)	(36,208,430)
<b>Total Transactions with Owners of the Company</b>	-	-	(33,744,167)	(33,744,167)
<b>Balance as at 31<sup>st</sup> March 2020</b>	49,375,150	887,347,500	2,431,362,944	3,368,085,594
<b>Balance as at 01<sup>st</sup> April 2020</b>	<b>49,375,150</b>	<b>887,347,500</b>	<b>2,431,362,944</b>	<b>3,368,085,594</b>
<b>Total Comprehensive Income</b>				
Profit for the year	-	-	4,505,303	4,505,303
Other Comprehensive Income for the year	-	-	809,845	809,845
<b>Total Comprehensive Income</b>	-	-	5,315,148	5,315,148
<b>Transactions with Owners of the Company</b>				
<b>Contribution / Distribution</b>				
Unclaimed Dividend Reversed	-	-	1,046,178	1,046,178
Dividend	-	-	(18,104,215)	(18,104,215)
<b>Total Transactions with Owners of the Company</b>	-	-	(17,058,037)	(17,058,037)
<b>Balance as at 31<sup>st</sup> March 2021</b>	<b>49,375,150</b>	<b>887,347,500</b>	<b>2,419,620,055</b>	<b>3,356,342,705</b>

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<sup>st</sup> March**

	Note	2021 Rs.	2020 Rs.
<b>Cash flows from Operating Activities</b>			
Profit Before Tax		19,075,722	20,620,061
<b>Adjustment For :</b>			
Depreciation of Property, Plant and Equipment	10	117,518,042	112,347,784
Depreciation of Right of Use Assets	10	15,547,736	18,514,495
Amortization of Intangible Assets	10	3,337,817	3,337,817
Provision for Employee Benefits	10.1	13,982,157	14,310,201
Impairment (Reversal) / Provision on Trade & Other Receivables	8	(3,329,318)	108,772,941
Charge for Provision for Inventory	10	143,666,639	94,819,587
Finance Costs		177,596,091	267,371,756
Interest Income	9.1	(1,779,657)	(1,738,236)
Lease Interest Income	6	(407,986,130)	(236,467,241)
Gain on Sale of Property, Plant and Equipment	6	(5,779,656)	(7,801,053)
Reversal for Provision for Free Service	10	(189,838)	(1,604,299)
(Reversal) / Charge of Warranty Provision	10	(2,008,524)	390,357
Fair Value (Gain) / Loss on Equity Investments	9	(69,441)	13,566
(Reversal) / Provision for Tax Assessment	10	(39,943,946)	14,583,275
		10,561,972	386,850,950
<b>Operating Profit before Working Capital Changes</b>		<b>29,637,694</b>	<b>407,471,011</b>
<b>Working Capital Changes in</b>			
Inventories		(341,265,162)	319,806,400
Trade and Other Receivables		426,375,842	(1,994,249,118)
Amount due from Related Party		-	153,273
Trade and Other Payables		478,677,046	(14,459,715)
Amounts due to Related Party		1,745,170,053	(459,375,281)
		2,308,957,779	(2,148,124,441)
<b>Cash Generated from / (Used in) Operations</b>		<b>2,338,595,473</b>	<b>(1,740,653,430)</b>
Interest Paid		(169,469,366)	(255,396,919)
Employee Benefits Paid	27	(8,292,837)	(1,603,119)
Payments / Set off of Income Taxes	31	(14,831,327)	(26,553,044)
		(192,593,530)	(283,553,082)
<b>Net Cash Generated from / (Used in) Operating Activities</b>		<b>2,146,001,943</b>	<b>(2,024,206,512)</b>
<b>Cash flows from Investing Activities</b>			
Interest Received		409,767,181	236,777,421
Investment in Debentures		-	(10,000,000)
Proceeds from Sale of Property, Plant and Equipment		18,675,185	23,976,185
Acquisition of Property, Plant and Equipment	15.5	(24,782,287)	(15,947,972)
<b>Net Cash Flows Generated from Investing Activities</b>		<b>403,660,079</b>	<b>234,805,634</b>
<b>Cash Flows from Financing Activities</b>			
Short Term Loans obtained during the year	33.1	551,240,493	5,233,034,219
Short Term Loans repaid during the year	33.1	(3,048,177,191)	(3,395,498,696)
Payment for Lease Liability		(23,090,498)	(27,735,763)
Dividend Paid		(18,104,215)	(36,208,430)
<b>Net Cash Flows (Used in) / Generated from Financing Activities</b>		<b>(2,538,131,411)</b>	<b>1,773,591,330</b>
<b>Net Decrease in Cash &amp; Cash Equivalents</b>		<b>11,530,611</b>	<b>(15,809,548)</b>
Net Cash & Cash Equivalents at the beginning of the year		(48,186,547)	(32,376,999)
Net Cash & Cash Equivalents at the end of the year	24	(36,655,936)	(48,186,547)
<b>Analysis of Cash &amp; Cash Equivalents at the end of the year</b>			
Cash & Cash Equivalents	24.1	17,278,304	7,920,473
Bank Overdrafts	24.2	(53,934,240)	(56,107,020)
		(36,655,936)	(48,186,547)

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 import and assemble of Semi-Knocked-Down (SKD) chassis and fabricate bodies, import and marketing of Ashok Leyland buses, trucks, truck chassis, spare parts, power generators and let vehicles on hire. The Company also carries out repairs and restoration of commercial vehicles.

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 177 (2020 – 179).

### 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 31<sup>st</sup> 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 (CA Sri Lanka) and in compliance with the requirements of the Companies Act, No. 07 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE). These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

These SLFRSs and LKASs are available at the website of CA Sri Lanka – [www.casrilanka.com](http://www.casrilanka.com).

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.

### 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 31<sup>st</sup> March 2021 were approved and authorised for issue by the Board of Directors on 29<sup>th</sup> July 2021.

### 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 3.11.2.
Equity Instruments	Measured at its fair value. The accounting policy is described in Note 3.3.2.

## 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.

#### 2.7.1 Judgements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes.

Note 3.16 & 5- revenue recognition: whether revenue from contracts with customers are recognized over time or at a point in time.

#### 2.7.2 Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties as at 31<sup>st</sup> March 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes.

##### 2.7.2.1 Useful Lifetime of Property, Plant and Equipment

Note 3.6 & 15: 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.

##### 2.7.2.2 Deferred Taxation

Note 3.22.2 & 20: 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, availability of future taxable profits against which deductible temporary differences can be utilized is assessed periodically.

##### 2.7.2.3 Defined Benefit Plans

Note 3.11.2 & 27: 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.

##### 2.7.2.4 Provisions for Obsolete and Slow-Moving Items

Note 3.9 & 21: 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.

##### 2.7.2.5 Impairment Losses on Trade Receivables and Rental Receivable from Trade Debtors

Note 3.4, 19 & 22: 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 the 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,

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

based on the Company's historical experience, informed credit assessment and including forward-looking information.

The outbreak of COVID 19 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.

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.

### Estimation Uncertainty in Preparation of Financial Statements due to the COVID-19 Pandemic

The ongoing COVID 19 pandemic has 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.

### 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 a 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 restart slowly, Lanka Ashok Leyland PLC is confident of 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. With the government encouragements on local manufacturing and restrictions on imports, the Company restarted the local assembly of Semi-Knocked-Down (SKD) chassis and build bodies in Sri Lanka.

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.

The outbreak of COVID-19 has caused disruption to business and economic activities, and uncertainty to the global and local economy. Therefore, in the assessment of the existence of a material uncertainty, the management took into consideration the existing and anticipated effects of the pandemic on the Company's activities based on all available information about the future that was obtained after the reporting date, up until the date on which the Financial Statements are issued. Subsequent to the outbreak of COVID-19 in Sri Lanka, the Company has strictly adhered to the guidelines and directions issued by the Government when conducting its business operations.

The Management considered the potential downsides that the COVID-19 pandemic could bring to the business operations of the Company, in making this assessment.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

However, considering a wide range of factors including history of profitable operations, liquidity position and stable external funding sources and diversified customer base the Management satisfied itself that the going concern basis is appropriate.

In addition, the objectives, policies and processes for managing credit, liquidity and market risk are set out in the “Financial Risk Management note 43’.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these Financial Statements of the Company unless otherwise indicated.

#### 3.1 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

#### 3.2 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.

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. Employee Benefit and Lease Liability are classified as non-current liabilities.

### 3.3 Financial Instruments

#### 3.3.1 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.

#### 3.3.2 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Financial asset measured at amortised cost comprises Trade and Other Receivables, Rental Receivable from Trade Debtors, 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.

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



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

### **3.3.3. 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.

### **3.3.4 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.

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.

### **3.3.5 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.

### **3.4 Impairment**

#### **3.4.1 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

### 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.

### 3.4.2 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.

### 3.5 Stated Capital

#### Ordinary Shares

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

### 3.6 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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 systematically reduce 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%
Plant & Machinery and Equipment - Assy Line	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.

### 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.

## 3.7 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.

## 3.8 Capital Commitments

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

## 3.9 Inventories

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 the following basis.

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

### 3.10 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.

### 3.11 Employee Benefits

#### 3.11.1 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.

#### 3.11.2 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.

#### 3.11.3 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.

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.

### 3.12 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.

### 3.13 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.

### 3.14 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 3.15 Leases

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.

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 remeasurements 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.
- 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 the Company's 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 'Right-of-use Asset' and Lease Liabilities in 'Lease Liability' in the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 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.

### Finance Leases – as a Lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the SOFP and presents them as a “Rental receivable from Trade Debtors” at an amount equal to the net investment in the lease. Net investment in the lease is arrived

by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Company's net investment in lease is included in notes to financial statements. The finance income receivable is recognised in “other income” over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases and treated as investing activity in the statement of cash flows.

### Statement of Profit or Loss and Other Comprehensive Income

#### 3.16 Revenue

##### 3.16.1 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.

##### 3.16.2 Disaggregation of Revenue from Contract with Customers

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

##### 3.16.3 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 principal.
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.)

### 3.17 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 charged. 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.

### 3.18 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.

### 3.19 Other Income

All other income is recognized on an accrual basis.

### 3.20 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.

#### 3.20.1 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.

### 3.21 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.

### 3.22 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.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted them under LKAS 37 Provisions, contingent liabilities and contingent assets.

#### 3.22.1 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 and subsequent amendments there to.

#### 3.22.2 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

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.

### 3.23 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 nonfinancial 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.

### 3.24 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.

### 3.25 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’.

### 3.26 Cash and Cash Equivalents

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.

### 3.27 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 Company 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 3.28 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 after the current financial year. Accordingly, the Company has not applied the following new or amended standards in preparing these Financial Statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's Financial Statements.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to LKAS 37)-The amendments apply for annual reporting periods beginning on or after 01<sup>st</sup> January 2022.
- Interest Rate Benchmark Reform - Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16) This amendment is effective for annual periods beginning on or after 01<sup>st</sup> January 2021.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16). The amendment applies to annual reporting periods beginning on or after 01<sup>st</sup> January 2022.
- Reference to Conceptual Framework (Amendments to SLFRS 3). The amendment applies to annual reporting periods beginning on or after 01<sup>st</sup> January 2022.
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 01<sup>st</sup> January 2023.
- Annual Improvements to SLFRS Standards 2018-2020. The amendments are effective for annual reporting periods beginning on or after 01<sup>st</sup> January 2022.
- COVID-19-Related Rent Concessions (Amendment to SLFRS 16). The amendment applies to annual reporting periods beginning on or after 01<sup>st</sup> June 2020.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the Year Ended 31 <sup>st</sup> March		2021 Rs.	2020 Rs.
<b>5</b>	<b>REVENUE</b>		
<b>5.1</b>	<b>Disaggregation of Revenue from Contract with Customers</b>		
<b>5.1.1</b>	<b>Major Products / Service Lines</b>		
	New Vehicle Sales	2,518,517,907	6,214,808,454
	Diesel Generator Set Sales	11,182,963	42,788,250
	Vehicle / Generator Set Repair Income	125,683,556	139,316,147
	Spare Parts Sales	238,155,302	225,188,887
	Vehicle Hiring Income	71,442,288	96,135,070
	Local Agency Commission	8,124,389	-
		<b>2,973,106,405</b>	<b>6,718,236,808</b>
<b>5.1.2</b>	<b>Sales by Type of Counter-party</b>		
	Government Entities	279,639,780	2,713,832,270
	Corporate and Institutes	1,097,901,194	1,132,907,881
	Individuals	1,595,565,431	2,871,496,657
		<b>2,973,106,405</b>	<b>6,718,236,808</b>
<b>5.1.3</b>	<b>Timing of Revenue Recognition</b>		
	Products & Services Transferred at a Point in Time	2,901,664,117	6,622,101,738
	Product & Services Transferred Over Time	71,442,288	96,135,070
		<b>2,973,106,405</b>	<b>6,718,236,808</b>
<b>5.2</b>	<b>In respect of Commission, Management considers that the following factors indicate the Company acts as an agent;</b>		
	- The Company neither takes title to nor is exposed to inventory risk related to goods, does not have discretion in establishing prices and has no significant responsibility in respect of the goods sold.		
	- The Company receives indent commission for the arrangement of sale of the goods and all the risk related to the transaction is borne by the supplier of the goods.		
For the Year Ended 31 <sup>st</sup> March		2021 Rs.	2020 Rs.
<b>6</b>	<b>OTHER INCOME</b>		
	Profit on Sale of Property, Plant and Equipment	5,779,656	7,801,053
	Lease Interest Income	407,986,130	236,467,241
	Sundry Income	21,640,895	49,364,121
		<b>435,406,681</b>	<b>293,632,415</b>
<b>7</b>	<b>SELLING AND DISTRIBUTION EXPENSES</b>		
	Distribution Expenses Comprise of the Followings;		
	Sales Promotions	1,545,487	2,296,041
	Discounts	14,093,578	15,692,401
	Advertising	188,685	1,326,421
	Other Selling Expenses	16,645,926	22,224,845
		<b>32,473,676</b>	<b>41,539,708</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the Year Ended 31 <sup>st</sup> March		2021 Rs.	2020 Rs.
<b>8</b>	<b>IMPAIRMENT REVERSAL / (CHARGE) OF TRADE RECEIVABLES</b>		
	Impairment Charge of Rental Receivable from Trade Receivables (Note 19.3)	(15,233,858)	(94,088,613)
	Impairment Reversal / (Charge) of Trade Receivables (Note 22.2)	18,563,176	(14,684,328)
		3,329,318	(108,772,941)
<b>9</b>	<b>NET FINANCE COST</b>		
<b>9.1</b>	<b>Finance Income</b>		
	Interest Income	1,779,657	1,738,236
	Net Foreign Exchange Gain	-	41,535,317
	Financial Assets at FVTPL - Net Change in Fair Value Gain	69,441	-
		1,849,098	43,273,553
<b>9.2</b>	<b>Finance Cost</b>		
	Interest Expense on Short Term Borrowings	(165,798,075)	(253,274,807)
	Interest Expense on Bank Overdrafts	(3,130,628)	(1,235,136)
	Interest Cost on Lease Liability	(8,667,388)	(12,861,813)
	Financial Assets at FVTPL - Net Change in Fair Value Loss	-	(13,566)
	Net Foreign Exchange Loss	(267,684)	-
		(177,863,775)	(267,385,322)
	<b>NET FINANCE COST</b>	<b>(176,014,677)</b>	<b>(224,111,769)</b>
<b>10</b>	<b>PROFIT BEFORE TAX</b>		
	Profit before tax is stated after charging all the expenses / (reversal) including followings;		
	Directors' Emoluments	11,765,000	10,560,549
	Auditors' Remuneration - Audit Services	1,700,000	1,950,000
	- Audit Related Services	60,000	50,000
	- Non Audit Services	200,000	380,000
	Staff Cost (Note 10.1)	262,872,575	283,783,466
	Depreciation of Property, Plant and Equipment (Note 15)	117,518,042	112,347,784
	Depreciation of Right of Use Asset (Note 16)	15,547,736	18,514,495
	Amortization of Intangible Assets (Note 17)	3,337,817	3,337,817
	Provision for Slow Moving and Obsolete Stocks (Note 21.2)	143,666,639	94,819,587
	Reversal of Provision for Free Service (Note 29.1)	(189,838)	(1,604,299)
	(Reversal) / Charge of Warranty Provision (Note 32)	(2,008,524)	390,357
	(Reversal) / Provision for Tax Assessment (Note 29.2)	(39,943,946)	14,583,275
<b>10.1</b>	<b>Staff Cost</b>		
	Salaries, Wages and Other Benefits	225,916,497	247,282,423
	Defined Contribution Plans - EPF	18,379,137	17,752,674
	Defined Contribution Plans - ETF	4,594,784	4,438,168
	Defined Benefit Plans (Note 27.1)	13,982,157	14,310,201
		262,872,575	283,783,466

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 11 TAX EXPENSE / (REVERSAL)

The Company is liable to taxation at the rate of 24% on its taxable income, 14% on export income and 18% on manufacturing income (28% on taxable income in 2019/20) in accordance with the Inland Revenue Act, No. 24 of 2017 and subsequent amendments there to. The composition of income tax expense is as follows ;

For the Year Ended 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>11.1 Tax Expense / (Reversal)</b>		
Income Tax on Profits for the year (Note 11.2)	30,270,541	54,078,181
Over Provision of Current Tax in Respect of Previous years	(1,931,363)	(3,628,717)
Deferred Tax Reversal (Note 11.3)	(13,768,759)	(133,242,348)
	<b>14,570,419</b>	<b>(82,792,884)</b>
<b>11.2 Reconciliation of the Accounting Profit and Taxable Profit</b>		
Profit Before Tax	19,075,722	20,620,061
Income from Other Sources and Exempt Income	(8,000,893)	(1,738,856)
Aggregated Expenses Disallowed for Taxation	231,541,977	315,770,531
Aggregated Deductible Expenses for Taxation	(115,782,822)	(143,253,610)
Total Statutory Income	126,833,984	191,398,126
Interest Income	1,779,657	1,738,236
Taxable Income	128,613,641	193,136,362
<b>Taxation</b>		
Income Tax at 14%	717,464	-
Income Tax at 18%	252,776	-
Income Tax at 24%	29,300,301	-
Income Tax at 28%	-	54,078,181
Income Tax on Profits for the year	30,270,541	54,078,181
<b>11.3 Deferred Tax Reversal Recognized in Comprehensive Income</b>		
Statement of Profit or Loss (Note 20)	13,768,759	133,242,348
Other Comprehensive Income (Note 20)	(255,741)	(1,599,501)
	<b>13,513,018</b>	<b>131,642,847</b>

For the Year Ended 31 <sup>st</sup> March	2021	2020
<b>11.4 Effective Tax Rate</b>		
Effective Tax Rate Excluding Deferred Tax (Note 11.5)	158.69%	262.26%
Effective Tax Rate Including Deferred Tax (Note 11.5)	86.51%	(383.92%)
Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years (Note 11.5)	76.38%	(401.52%)

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the Year Ended 31 <sup>st</sup> March		2021	2020
	Rate	Rs.	Rate Rs.
<b>11 TAX EXPENSE / (REVERSAL) (Contd.)</b>			
<b>11.5 Reconciliation of Effective Tax Rate</b>			
Profit Before Tax		19,075,722	20,620,061
Income Tax Expense at the Average Statutory Income Tax Rate	23.54%	4,489,667	5,773,617
Exempted Income	(7.68%)	(1,464,232)	(174)
Disallowed Expenses	285.68%	54,495,782	88,415,749
Deductible Expenses	(142.86%)	(27,250,676)	(40,111,011)
<b>Effective Tax Rate Excluding Deferred Tax</b>	<b>158.69%</b>	<b>30,270,541</b>	<b>54,078,181</b>
Temporary Differences	(72.18%)	(13,768,759)	(133,242,348)
<b>Effective Tax Rate Including Deferred Tax</b>	<b>86.51%</b>	<b>16,501,782</b>	<b>(79,164,167)</b>
Over Provision of Current Tax in Respect of Previous years	(10.12%)	(1,931,363)	(3,628,717)
<b>Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years</b>	<b>76.38%</b>	<b>14,570,419</b>	<b>(82,792,884)</b>

## 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 <sup>st</sup> March	2021	2020
Profit Attributable to Ordinary Shareholders (Rs.)	4,505,303	103,412,945
Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
Basic and Diluted Earnings per Share (Rs.)	1.24	28.56

### 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 <sup>st</sup> March	2021	2020
Dividend for the Year (Rs.)	7,241,686	18,104,215
Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
Dividend per Share (Rs.)	2.00	5.00

### 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 <sup>st</sup> March	Note	2021 Rs.	2020 Rs.
<b>Profit from Continuing Operations</b>		4,505,303	103,412,945
Income Tax Expense / (Reversal)	11	14,570,419	(82,792,884)
<b>Profit before Tax</b>		19,075,722	20,620,061
Adjustments for:			
- Net Finance Costs	9	176,014,677	224,111,769
- Depreciation of Property, Plant & Equipment	10	117,518,042	112,347,784
- Depreciation of Right-of-use Asset	10	15,547,736	18,514,495
- Amortisation of Intangible Assets	10	3,337,817	3,337,817
<b>Adjusted EBITDA</b>		331,493,994	378,931,926

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 15 PROPERTY, PLANT & EQUIPMENT

For the Year Ended 31 <sup>st</sup> March 2021	As at 01 <sup>st</sup> April 2020	Additions	Cost Disposals / Transfers / Adjustments	As at 31 <sup>st</sup> March 2021
	Rs.	Rs.	Rs.	Rs.
Freehold Land	10,700,810	-	-	10,700,810
Freehold Factory & Building	269,571,448	17,821,395	-	287,392,843
Data Processing Equipment	34,282,039	537,184	(107,500)	34,711,723
Machinery & Equipment	22,361,466	1,287,100	-	23,648,566
Factory Equipment	30,470,070	988,746	(85,573)	31,373,243
Office Equipment	6,786,697	331,778	-	7,118,475
Furniture & Fittings	21,943,090	272,600	-	22,215,690
Motor Vehicles	866,900,273	47,171,203	(28,435,231)	885,636,245
Plant & Machinery and Equipment - Assy Line	-	22,013,907	-	22,013,907
	1,263,015,893	90,423,913	(28,628,304)	1,324,811,502
Capital Work In Progress - Building	19,025,711	245,000	(19,025,711)	245,000
	1,282,041,604	90,668,913	(47,654,015)	1,325,056,502

For the Year Ended 31 <sup>st</sup> March 2020	As at 01 <sup>st</sup> April 2019	Additions	Cost Disposals / Transfers	As at 31 <sup>st</sup> March 2020
	Rs.	Rs.	Rs.	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

#### 15.1 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. 921 Mn	Mr. M.A. Ananda Sarath	23.01.2021	4	23 acres and 13.11 perches

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 01 <sup>st</sup> April 2020	Accumulated Depreciation Charge for the year	On Disposal	As at 31 <sup>st</sup> March 2021	Carrying Value As at 31 <sup>st</sup> March 2021
Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	10,700,810
47,014,646	6,740,507	-	53,755,153	233,637,690
27,702,208	2,514,342	(57,431)	30,159,119	4,552,604
12,185,067	937,795	-	13,122,862	10,525,704
11,748,515	1,444,448	(3,629)	13,189,334	18,183,909
4,536,906	558,279	-	5,095,185	2,023,290
17,297,894	1,625,298	-	18,923,192	3,292,498
594,764,078	103,436,791	(15,982,003)	682,218,866	203,417,379
-	260,582	-	260,582	21,753,325
715,249,314	117,518,042	(16,043,063)	816,724,293	508,087,209
-	-	-	-	245,000
715,249,314	117,518,042	(16,043,063)	816,724,293	508,332,209

As at 01 <sup>st</sup> April 2019	Accumulated Depreciation Charge for the year	On Disposal	As at 31 <sup>st</sup> March 2020	Carrying Value As at 31 <sup>st</sup> March 2020
Rs.	Rs.	Rs.	Rs.	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

- 15.3** During the year, Rs. 47,171,203 (2019/20 - Rs. 131,082,600) worth of Motor Vehicles have been capitalized from Motor Vehicle Stock.
- 15.4** Property, Plant & Equipment included fully depreciated assets that are still in use having a gross amount of Rs. 586,031,922 (2019/20 - Rs. 347,975,793).
- 15.5** During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 24,782,287 (2019/20 - Rs. 15,947,970) for cash.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 15 PROPERTY, PLANT & EQUIPMENT (Contd.)

- 15.6** There is no permanent fall in the value of Property, Plant and Equipment which require a provision for impairment.
- 15.7** There were no restrictions existed on the title to the Property, Plant and Equipment of the Company as at the reporting date.
- 15.8** There were no capitalized borrowing costs related to the acquisition of Property, Plant and Equipment during the year (2019/20 - Nil).
- 15.9** 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.

### 16 RIGHT-OF-USE ASSETS

Carrying amounts of Right-of-use Assets.

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>Cost</b>		
Balance at beginning of the year	97,059,185	97,059,185
Lease Modification	(6,912,055)	-
Balance at end of the year	90,147,130	97,059,185
<b>Accumulated Depreciation</b>		
Balance at beginning of the year	18,514,495	-
Charge for the year	15,547,736	18,514,495
Balance at end of the year	34,062,231	18,514,495
<b>Carrying Value as at 31<sup>st</sup> March</b>	<b>56,084,899</b>	<b>78,544,690</b>

The Company does not foresee any impairment of Right-of-use Assets due to the 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.)

### 17 INTANGIBLE ASSETS

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>Cost</b>		
Balance at beginning of the year	27,713,196	27,713,196
Additions	-	-
Balance at end of the year	27,713,196	27,713,196
<b>Accumulated Amortization</b>		
Balance at beginning of the year	17,983,231	14,645,414
Charge for the year	3,337,817	3,337,817
Balance at end of the year	21,321,048	17,983,231
<b>Carrying Value</b>	<b>6,392,148</b>	9,729,965

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

**17.2** Intangible Assets included fully amortized assets that are still in use having a gross amount of Rs. 14,361,928 as at 31<sup>st</sup> March 2021 (2019/20 - Rs. 14,361,928).

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
Equity Securities - Fair Value Through Profit or Loss (Note 18.1)	131,441	62,000
Corporate Debt Securities - Amortised Cost (Note 18.2)	11,426,662	11,428,056
	<b>11,558,103</b>	11,490,056

As At 31 <sup>st</sup> March	2021 Cost Rs.	2021 Market Value Rs.	2020 Cost Rs.	2020 Market Value Rs.
<b>18.1 Investment in Quoted Shares</b>				
Diesel & Motor Engineering PLC (248 Ordinary Shares)	7,417	131,441	7,417	62,000
	<b>7,417</b>	<b>131,441</b>	7,417	62,000

As At 31 <sup>st</sup> March	2021 Year of Maturity	2021 Carrying Amount	2020 Year of Maturity	2020 Carrying Amount
<b>18.2 Investment in Debentures</b>				
Seylan Bank PLC (100,000 Debentures at Rate of Rs. 100/- each)	2024	11,426,662	2024	11,428,056
		<b>11,426,662</b>		11,428,056

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 19 RENTAL RECEIVABLE FROM TRADE DEBTORS

Assets leased to customers which transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, deferred interest income and provision for impairment loss, are classified as Rental Receivable from Trade Debtors and are presented below;

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>Balance as at the beginning of the year</b>	<b>3,304,811,808</b>	112,995,677
Granted during the year	9,568,000	3,727,395,339
<b>Total Rental Receivable</b>	<b>3,314,379,808</b>	3,840,391,016
Less : Payment received during the year	(717,610,801)	(535,579,208)
<b>Total Rental Outstanding (Note 19.4)</b>	<b>2,596,769,007</b>	3,304,811,808
Less : Deferred Interest Income	(744,523,517)	(1,152,106,365)
<b>Unearned Rental Income</b>	<b>1,852,245,490</b>	2,152,705,443
Less : Provision for Impairment Loss (Note 19.3)	(122,452,397)	(107,218,539)
<b>Balance as at the end of the year</b>	<b>1,729,793,093</b>	2,045,486,904
<b>19.1 Receivable after one year</b>		
Total Rental Receivable	1,708,647,416	2,403,530,271
Less - Deferred Interest Income	(408,042,381)	(744,256,212)
<b>Unearned Rental Income</b>	<b>1,300,605,035</b>	1,659,274,059
Less : Provision for Impairment Loss	-	-
<b>Balance as at 31<sup>st</sup> March</b>	<b>1,300,605,035</b>	1,659,274,059
<b>19.2 Receivable within one year</b>		
Total Rental Receivable	888,121,591	901,281,537
Less - Deferred Interest Income	(336,481,136)	(407,850,153)
<b>Unearned Rental Income</b>	<b>551,640,455</b>	493,431,384
Less : Provision for Impairment Loss	(122,452,397)	(107,218,539)
<b>Balance as at 31<sup>st</sup> March</b>	<b>429,188,058</b>	386,212,845
<b>Total</b>	<b>1,729,793,093</b>	2,045,486,904

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 19 RENTAL RECEIVABLE FROM TRADE DEBTORS (Contd.)

#### 19.3 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 <sup>st</sup> March 2021	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	107,141,537	77,002	107,218,539
Impairment Loss / (Reversal) recognized during the year	15,277,546	(43,688)	15,233,858
Balance at the end of the year	122,419,083	33,314	122,452,397

As at 31 <sup>st</sup> 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

#### 19.4 Rental Receivable from Trade Debtors by types of Counter Party are as follows;

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
Sri Lanka Transport Board (Note 34.1)	2,547,175,071	3,245,029,572
Corporate and Other Institutions	43,922,048	53,107,848
Individuals	5,671,888	6,674,388
	2,596,769,007	3,304,811,808

#### 19.5 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 <sup>st</sup> March 2021	239,857,773	189,330,285	1,300,605,035	1,729,793,093
Rental Receivables from Trade Debtors As at 31 <sup>st</sup> March 2020	231,921,789	154,291,056	1,659,274,059	2,045,486,904



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 19 RENTAL RECEIVABLE FROM TRADE DEBTORS (Contd.)

#### 19.6 Remaining Contractual Maturity Analysis of Rental Receivable from Trade Debtors

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
Within 1 Year	888,121,591	901,281,537
1 - 2 Years	689,250,071	696,371,204
2 - 3 Years	686,264,004	688,870,067
3 - 4 Years	332,785,004	685,884,000
4 - 5 Years	348,337	332,405,000
<b>Gross Rental Receivable from Trade Debtors</b>	<b>2,596,769,007</b>	<b>3,304,811,808</b>
Less: Deferred Interest Income	(744,523,517)	(1,152,106,365)
	<b>1,852,245,490</b>	<b>2,152,705,443</b>
Less: Provision for Impairment Loss	(122,452,397)	(107,218,539)
<b>Net Rental Receivable from Trade Debtors</b>	<b>1,729,793,093</b>	<b>2,045,486,904</b>

#### 19.7 Amounts Recognised in Profit or Loss

The Profit or Loss include the following amounts in respect of finance lease.

For the Year Ended 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
Selling Profit	1,160,965	204,849,522
Lease Interest Income (Note 06)	407,986,130	236,467,241
	<b>409,147,095</b>	<b>441,316,763</b>

### 20 DEFERRED TAX ASSETS

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	170,720,440	32,635,423
Recognised in Profit or Loss (Note 20.1)	13,768,759	133,242,348
Recognised in Other Comprehensive Income (Note 20.3)	(255,741)	(1,599,501)
Recognised directly in Equity (Note 20.3)	-	6,442,170
Balance at the end of the Year	<b>184,233,458</b>	<b>170,720,440</b>

#### 20.1 Recognised in Profit or Loss (Note 20.3)

Net Deferred Tax Charge Due to Reduction in Tax Rate	(24,388,634)	-
Origination and Reversal of Temporary Differences	38,157,393	133,242,348
	<b>13,768,759</b>	<b>133,242,348</b>

As per the amendment to the Inland Revenue Act, No. 24 of 2007, the Company income tax rate has been reduced by 28% to 24%. Accordingly, deferred tax asset and liability have been computed based on 24% and Rs. 24.4 Mn have been charged to Profit or Loss as a result to the remeasurement of deferred tax asset and liability of the Company.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 20 DEFERRED TAX ASSETS (Contd.)

#### 20.2 Deferred Tax Assets and Liabilities are attributable to the following;

As At 31 <sup>st</sup> March	Assets		Liabilities		Net Asset/( Liability)	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Property, Plant and Equipment	-	-	(44,935,549)	(55,890,796)	(44,935,549)	(55,890,796)
Employee Benefits	23,068,034	25,618,061	-	-	23,068,034	25,618,061
Provision for Inventory	155,705,871	141,430,191	-	-	155,705,871	141,430,191
Provision for Trade Debtors	44,072,233	52,349,815	-	-	44,072,233	52,349,815
Right-of-Use Asset / Lease Liability	6,322,869	7,213,169	-	-	6,322,869	7,213,169
Net Deferred Tax Asset / (Liability)	229,169,007	226,611,236	(44,935,549)	(55,890,796)	184,233,458	170,720,440

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.

#### 20.3 Movement in Recognized Deferred Tax Assets and Liabilities

	Balance as at 01 <sup>st</sup> April 2020 Rs.	Recognised in Equity Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Balance as at 31 <sup>st</sup> March 2021 Rs.
Property, Plant and Equipment	(55,890,796)	-	10,955,247	-	(44,935,549)
Employee Benefits	25,618,061	-	(2,294,286)	(255,741)	23,068,034
Provision for Inventory	141,430,191	-	14,275,680	-	155,705,871
Provision for Trade Debtors	52,349,815	-	(8,277,582)	-	44,072,233
Right-of-Use Asset / Lease Liability	7,213,169	-	(890,300)	-	6,322,869
Net Deferred Tax Asset / (Liability)	170,720,440	-	13,768,759	(255,741)	184,233,458

	Balance as at 01 <sup>st</sup> April 2019 Rs.	Recognised in Equity Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Balance as at 31 <sup>st</sup> 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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 21 INVENTORIES

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
Fully Built Vehicle Stock	2,393,485,134	3,912,607,610
Semi-Knock-Down (SKD) Vehicle Stock	834,946,367	-
Generators	22,989,400	27,841,366
Cabins / Bodies & Work In Progress	80,596,024	37,079,247
Spare Parts & Consumables	701,196,516	662,915,390
	4,033,213,441	4,640,443,613
Goods In Transit (Note 21.1)	1,001,596,716	100,272,585
	5,034,810,157	4,740,716,198
Provision for Slow Moving & Obsolete Stocks (Note 21.2)	(648,774,464)	(505,107,825)
	4,386,035,693	4,235,608,373

21.1 During the year Goods in Transit mainly includes the SKD vehicles shipped, but not received by the Company.

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>21.2 Provision for Slow Moving &amp; Obsolete Stocks</b>		
Balance at the beginning of the year	505,107,825	410,288,238
Charge for the year	143,666,639	94,819,587
Balance at the end of the year	648,774,464	505,107,825

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

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
------------------------------	-------------	-------------

### 22 TRADE AND OTHER RECEIVABLES

Trade Receivables	80,817,715	137,175,236
Receivables from Related Parties (Note 22.1)	79,097,649	222,757,496
Less: Provision for Impairment Loss (Note 22.2)	(61,181,909)	(79,745,085)
	98,733,455	280,187,647
Advances to Staff	454,834	3,148,933
VAT Receivable	53,325,748	57,617,048
Other Receivables	36,756,386	38,490,180
	189,270,423	379,443,808

#### 22.1 Receivables from Related Parties

Sri Lanka Transport Board (Note 34.1)	20,120,934	22,275,637
Other Government Related Entities (Note 34.1)	44,851,715	168,126,859
Government Financial Institutions (Note 34.1)	14,125,000	32,355,000
	79,097,649	222,757,496

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 22. TRADE AND OTHER RECEIVABLES (Contd.)

#### 22.2 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 <sup>st</sup> March 2021	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	1,972,065	77,773,020	79,745,085
Impairment Loss / (Reversal) recognized during the year	7,390,891	(25,954,067)	(18,563,176)
Balance at the end of the year	9,362,956	51,818,953	61,181,909

As at 31 <sup>st</sup> 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

22.3 Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 43.

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>23 DEPOSITS AND PREPAYMENTS</b>		
Deposits and Advances	139,594,866	57,581,906
Prepayments	4,200,837	3,393,125
	<b>143,795,703</b>	<b>60,975,031</b>
<b>24 CASH &amp; CASH EQUIVALENTS</b>		
<b>24.1 Favorable Balances</b>		
Fixed Deposits which matures within 3 months	2,300,000	2,300,000
Cash in Hand	5,664,369	626,338
Cash at Banks	9,313,935	4,994,135
	<b>17,278,304</b>	<b>7,920,473</b>
<b>24.2 Unfavorable Balances</b>		
Bank Overdrafts	(53,934,240)	(56,107,020)
	<b>(53,934,240)</b>	<b>(56,107,020)</b>
<b>Cash &amp; Cash Equivalents for the purpose of Cash Flow Statement</b>	<b>(36,655,936)</b>	<b>(48,186,547)</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 24 CASH & CASH EQUIVALENTS (Contd.)

#### 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
Bank of Ceylon	AWPLR	1,900,000	Fixed Deposit

24.4 Unutilized bank overdraft facilities as at 31<sup>st</sup> March 2021 amounted to Rs. 129.3 Mn (2019/20 - Rs. 185.1 Mn).

As At 31 <sup>st</sup> March	No. of Shares	2021 Rs.	2020 Rs.
------------------------------	---------------	----------	----------

### 25 STATED CAPITAL

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/-.

As At 31 <sup>st</sup> March	2021 Rs.	2020 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 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 <sup>st</sup> March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	91,493,075	84,498,498
Expenses recognised in Profit or Loss (Note 27.1)	13,982,157	14,310,201
Expenses recognised in Other Comprehensive Income (Note 27.2)	(1,065,586)	(5,712,505)
Payments during the year	(8,292,837)	(1,603,119)
Balance at the end of the year	96,116,809	91,493,075

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 31<sup>st</sup> March 2021.

The liability is not externally funded.

For the Year Ended 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>27.1 Expenses Recognised in Profit or Loss</b>		
Current Service Cost	4,832,849	4,508,375
Interest Cost	9,149,308	9,801,826
	13,982,157	14,310,201
<b>27.2 Expenses Recognised in Other Comprehensive Income</b>		
Actuarial Gains	(1,065,586)	(5,712,505)
	(1,065,586)	(5,712,505)

### 27.3 Actuarial Assumptions

The principal actuarial assumptions used in determining the cost are given below;

As At 31 <sup>st</sup> March	2021	2020
Discount Rate	8.15%	10.00%
Expected Annual Average Salary Increment	7.00%	7.50%
Staff Turnover Factor	2%	2%
Retiring Age	58 years	58 years
Mortality Table	A 67/70	A 67/70

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 8.15% p.a. (2019/20 - 10.00% p.a) has been used to discount future liabilities. All assumptions are reviewed at each reporting date.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 27 EMPLOYEE BENEFITS (Contd.)

#### 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 <sup>st</sup> March	2021		2020	
	PVODBO Rs.	Benefit / (Expense) Rs.	PVODBO Rs.	Benefit / (Expense) Rs.
1% Increase in Discount Rate	90,484,758	5,632,051	86,507,830	4,985,245
1% Decrease in Discount Rate	102,440,275	(6,323,466)	97,062,055	(5,568,980)
1% Increase in Salary Increment Rate	102,643,124	(6,526,315)	97,352,693	(5,859,618)
1% Decrease in Salary Increment Rate	90,202,009	5,914,800	86,160,798	5,332,277

#### 27.5 Maturity Profile of the Defined Benefit Obligation

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>Expected Future Working Life</b>		
Within the Next Twelve Months	16,493,729	21,406,101
Between One to Five Years	28,750,359	27,271,808
Between Five to Ten Years	34,363,886	28,660,627
More than Ten Years	16,508,835	14,154,539
	96,116,809	91,493,075
Weighted Average duration of Defined Benefit Obligation	6.63 Years	6.25 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's Leasing Activities

The Company occupies lease hold properties to carry out marketing operations and other related administrative activities.

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
Balance as at 01 <sup>st</sup> April	104,306,010	-
Recognition on initial application of SLFRS 16 - Leases	-	120,066,936
Lease Modification*	(6,912,055)	-
Interest Expense Recognised in Profit or Loss	8,667,388	12,861,813
Payment for Lease Liability	(23,631,161)	(28,622,739)
Balance as at 31 <sup>st</sup> March	82,430,182	104,306,010

\* The lease liability and right-of-use assets were remeasured due to revisions in the future lease payments.

#### 28.1 Lease Liabilities included in the Statement of Financial Position

Non-current	63,257,392	75,165,670
Current	19,172,790	29,140,340
	82,430,182	104,306,010

For the Year Ended 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>28.2 Amounts recognised in Profit or Loss</b>		
Interest on Lease Liabilities	8,667,388	12,861,813
<b>Recognised in Finance Cost</b>	8,667,388	12,861,813
Expenses Relating to Short-term and low-value Assets	30,273,692	20,680,672
Depreciation - Right-of-use Assets	15,547,736	18,514,495
<b>Recognised in Administrative Expenses</b>	45,821,428	39,195,167
<b>Total Amount recognised in Profit or Loss</b>	54,488,816	52,056,980

For the Year Ended 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>28.3 Amounts Recognised in Statement of Cash Flows</b>		
Payment for Lease Liabilities	23,631,161	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.

	2020/21 Rs.	2019/20 Rs.
Less than one year	21,120,000	29,140,340
One to five years	76,897,920	105,463,050
More than five years	-	2,635,380
<b>Total Undiscounted Lease Liabilities</b>	98,017,920	137,238,770

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>29 TRADE AND OTHER PAYABLES</b>		
Trade Payables	236,530,357	242,315,240
Accruals	32,875,334	54,033,704
Import Duties and Related Other Payable	533,483,074	9,577,797
Refundable Deposits	70,699,130	79,304,598
Unclaimed Dividend	4,837,156	5,835,777
Deferred Income (Note 29.1)	1,040,002	1,229,840
EPF Payable	2,584,026	2,533,209
ETF Payable	387,604	379,981
Unclaimed Wages	253,086	193,494
Provision for Tax Assessment (Note 29.2)	49,965,635	99,909,582
Other Liabilities	3,391,517	3,236,615
	<b>936,046,921</b>	<b>498,549,837</b>
<b>29.1 Movement of Deferred Income</b>		
Balance at the beginning of the year	1,229,840	2,834,139
Reversal for the year	(189,838)	(1,604,299)
Balance at the end of the year	<b>1,040,002</b>	<b>1,229,840</b>

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 at the customs (at the point of importation) also to be disallowed in arriving the Income Tax Liability.

The appeal on 2009/10 was determined favoring Commissioner General of Inland Revenue by the Tax Appeal Court. Accordingly, the case on 2010/11 has been withdrawn during the period and the Company was issued an assessment amounting to Rs. 93.2 Mn with penalties. As a result a reversal of an over provision amounting to Rs. 39.9 Mn was accounted and given in Note 10.

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>30 AMOUNTS DUE TO RELATED PARTY</b>		
Payable to Ashok Leyland Limited - India (Note 34.1)	1,826,684,846	81,514,793
	<b>1,826,684,846</b>	<b>81,514,793</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>31 CURRENT TAX LIABILITIES / (ASSETS)</b>		
Balance at the beginning of the year	3,334,486	(20,561,934)
Income Tax Liability for the year (Note 11.2)	30,270,541	54,078,181
Over Under Provision of Current Tax in Respect of Previous years	(1,931,363)	(3,628,717)
Tax Paid / Set off during the year	(14,831,327)	(25,851,845)
WHT Recoverable	-	(701,199)
Balance at the end of the year	16,842,337	3,334,486

### 32 PROVISION FOR WARRANTY

Balance at the beginning of the year	2,660,359	2,270,002
(Reversal) / Provision for the year	(2,008,524)	390,357
Balance at the end of the year	651,835	2,660,359

Provision for warranties relates mainly to vehicles sold during the last six months of 2020 and 2021. 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 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>33 SHORT TERM BORROWINGS</b>		
Interest Bearing Borrowings (Note 33.1)	863,724,158	3,360,660,856
	863,724,158	3,360,660,856

#### 33.1 Movement of Short Term Borrowings

For the Year Ended 31 <sup>st</sup> March 2021 Lender	Purpose	Rate of Interest %	As at 01 <sup>st</sup> April 2020 Rs.	Obtained During the Year Rs.	Repayments During the Year Rs.	As at 31 <sup>st</sup> March 2021 Rs.
Seylan Bank PLC	Import/ Financing	AWPLR	1,560,514,800	278,418,000	(1,638,932,800)	200,000,000
Commercial Bank	Import/ Financing	AWPLR	1,266,246,056	272,822,493	(1,396,244,391)	142,824,158
State Bank of India	Import/ Financing	AWPLR -1%	533,900,000	-	(13,000,000)	520,900,000
			3,360,660,856	551,240,493	(3,048,177,191)	863,724,158

For the Year Ended 31 <sup>st</sup> March 2020 Lender	Purpose	Rate of Interest %	As at 01 <sup>st</sup> April 2019 Rs.	Obtained During the Year Rs.	Repayments During the Year Rs.	As at 31 <sup>st</sup> 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

#### 33.2 Assets Pledged

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

## 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	2021 Rs.	2020 Rs.		
a) Transactions with Lanka Leyland Limited							
Lanka Leyland Limited Holds 41.77% of the Share Capital of the Company.	Mr. A K S A Jayasena	Chairman of Lanka Leyland Limited	Dividend Payment to Lanka Leyland Limited	7,562,500	15,125,000		
	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 Holds 27.85 % of share capital of the Company by virtue of the joint venture agreement with Lanka Leyland Limited	Mr. Gopal Mahadevan	Whole time Director and Chief Financial Officer of Ashok Leyland Limited	Payable to Ashok Leyland India				
			Opening Balance as at 01 <sup>st</sup> April (Including Import Bills Payable on GIT)	81,514,793	540,890,074		
	Mr. Nitin Seth	Chief Operating Officer of Ashok Leyland Limited	Purchase of Semi-Knock-Down (SKD) Chassis kits and Motor Vehicle	1,851,428,053	4,328,496,464		
			Purchase of Spare Parts / Power Generators	175,247,535	198,240,591		
			Usage Charges for ERP System	3,771,856	3,189,357		
			Recover of Receivable Balance	-	(153,272)		
			Settlement of Purchases	(285,277,391)	(4,989,148,421)		
			Closing Balance as at 31 <sup>st</sup> March (Including Import Bills Payable on GIT)	1,826,684,846	81,514,793		
			Receivable from Ashok Leyland India				
			Opening Balance as at 01 <sup>st</sup> April	-	153,273		
			Local Agency Commission	8,124,389	-		
			Payment Received	(8,124,389)	-		
			Set-off against RP Payables	-	(153,273)		
			Closing Balance as at 31 <sup>st</sup> March	-	-		
			Dividend Payment to Ashok Leyland Limited - India	5,041,660	10,083,320		
Aggregate Value of Related Party Transactions During the Year				2,043,613,493	4,540,009,732		
Aggregate Value of Related Party Transactions as a % of Net Revenue				30.42%	52.62%		

## 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	2021 Rs.	2020 Rs.
i) Non-Recurring Transaction - Trading Nature				
Sri Lanka Transport Board	Supply of Vehicles on Finance Lease Terms	Balance as at 01 <sup>st</sup> April	3,245,029,572	54,956,917
		Facilities Granted during the year	-	3,692,855,339
		Payment Received	(697,854,501)	(502,782,684)
		Balance Receivable as at 31 <sup>st</sup> March	2,547,175,071	3,245,029,572
Total Future Rentals Receivable as at 31 <sup>st</sup> March			2,547,175,071	3,245,029,572
Aggregate Value of Related Party Transactions during the Year			-	3,692,855,339
Aggregate Value of Related Party Transactions		- As a % of Equity	-	111%
		- As a % of Total Assets	-	61%
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 <sup>st</sup> April	22,275,637	28,981,813
		Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year	43,531,874	29,787,626
		Hiring / Other Services rendered during the year	71,340,158	105,863,070
		Payment Received	(117,026,735)	(142,356,872)
		Balance Receivable as at 31 <sup>st</sup> March	20,120,934	22,275,637
Aggregate Value of Related Party Transactions during the Year		- Sri Lanka Transport Board	114,872,032	135,650,696
Aggregate Value of Related Party Transactions as a % of Net Revenue		- Sri Lanka Transport Board	1.71%	1.57%

## 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	2021 Rs.	2020 Rs.
Other Government Related Entities	Sale of Vehicles / Spare Parts and Repair services provided under Payment on Delivery Term	Balance as at 01 <sup>st</sup> April	168,126,859	87,506,141
		Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year	144,629,955	329,254,866
		Payment Received	(267,905,099)	(248,634,148)
		Balance Receivable as at 31 <sup>st</sup> March	44,851,715	168,126,859
Bank of Ceylon	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01 <sup>st</sup> April	10,450,000	67,230,000
		Finance Provided during the year	168,412,000	512,586,288
		Payment Received for the Sale of Vehicles	(178,862,000)	(569,366,288)
		Balance Receivable as at 31 <sup>st</sup> March	-	10,450,000
People's Leasing & Finance PLC	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01 <sup>st</sup> April	9,250,000	24,175,000
		Finance Provided during the year	136,470,500	534,025,000
		Other Services rendered	500,000	-
		Payment Received for the Sale of Vehicles	(132,045,500)	(548,950,000)
		Balance Receivable as at 31 <sup>st</sup> March	14,175,000	9,250,000
Aggregate Value of Related Party Transactions During the Year		- Bank of Ceylon	168,412,000	512,586,288
		- People's Leasing & Finance PLC	136,470,500	534,025,000
Aggregate Value of Related Party Transactions as a % of Net Revenue		- Bank of Ceylon	2.51%	5.94%
		- People's Leasing & Finance PLC	2.03%	6.19%
Other Government Financial Institutions	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01 <sup>st</sup> April	12,655,000	17,365,000
		Finance Provided during the year	75,455,000	45,805,000
		Payment Received for the Sale of Vehicles	(88,160,000)	(50,515,000)
		Balance Receivable as at 31 <sup>st</sup> March	(50,000)	12,655,000
Total Receivable from Government Financial Institutions			14,125,000	32,355,000
Total Related Party Receivable as at 31 <sup>st</sup> March			79,097,649	222,757,496

## 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	2021 Rs.	2020 Rs.
Sri Lanka Transport Board	Dividend Payment to Sri Lanka Transport Board	Payment during the year	156,250	312,500
Custom of Sri Lanka	Import Duty and Taxes	Balance as at 01 <sup>st</sup> April	(36,215,062)	20,942,149
		Taxes and Duty Charge for the Year	53,382,222	761,475,520
		Payment Made	(53,382,222)	(818,632,731)
		Balance Receivable as at 31 <sup>st</sup> March	(36,215,062)	(36,215,062)
Aggregate Value of Related Party Transactions During the Year		- Custom of Sri Lanka	53,382,222	761,475,520
Aggregate Value of Related Party Transactions as a % of Net Revenue		- Custom of Sri Lanka	0.79%	8.83%
Other Government Institutions	Statutory Payments and Utility Payments made to Government Institutions	Balance as at 01 <sup>st</sup> April	60,445,988	21,225,359
		Taxes, Other Statutory Expenses and Utility Expenses	111,340,487	214,060,652
		Payment Made / Set-off	(102,446,221)	(174,840,023)
		Balance Payable as at 31 <sup>st</sup> March	69,340,254	60,445,988

#### Movement for Impairment Provision Recognized on Related Parties

For the Year Ended 31 <sup>st</sup> March 2021	Balance as at 01 <sup>st</sup> April 2020 Rs.	Impairment Charge / (Reversal) Rs.	Balance as at 31 <sup>st</sup> March 2021 Rs.
Sri Lanka Transport Board	92,471,156	14,682,635	107,153,791
Other Government Related Entities - Trade Receivables	30,638,275	(14,708,709)	15,929,566
Government Financial Institutions - Trade Receivables	250,213	(250,213)	-
	<b>123,359,644</b>	<b>(276,287)</b>	<b>123,083,357</b>

For the Year Ended 31 <sup>st</sup> March 2020	Balance as at 01 <sup>st</sup> April 2019 Rs.	Impairment Charge / (Reversal) Rs.	Balance as at 31 <sup>st</sup> March 2020 Rs.
Sri Lanka Transport Board	5,296,894	87,174,262	92,471,156
Other Government Related Entities - Trade Receivables	6,174,580	24,463,695	30,638,275
Government Financial Institutions - Trade Receivables	926,470	(676,257)	250,213
	<b>12,397,944</b>	<b>110,961,700</b>	<b>123,359,644</b>

Above impairment amounts recorded under impairment of Rental Receivable from Trade Debtors and Impairment of Trade Receivables in Note 19.3 and 22.2 respectively.



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 34 RELATED PARTY DISCLOSURE (Contd.)

#### 34.1 Related Party Transactions (Contd.)

As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>Open Advances with Government of Sri Lanka and its related entities</b>		
Sri Lanka Transport Board	399,830	3,944,770
Other Government related entities	11,265,943	1,408,407
	<b>11,665,773</b>	<b>5,353,177</b>

#### 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 were no non- recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the Colombo Stock Exchange.

#### 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.

#### 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. 26,833,142 (2019/20 - Rs. 26,097,986).

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

For the Year Ended 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
<b>Key Management Personnel Payments</b>		
a. Short Term Employee Benefits	25,593,680	24,858,524
b. Post-Employment Benefits	1,239,462	1,239,462
c. Termination Benefits	-	-
d. Share-Based Payments	-	-
	<b>26,833,142</b>	<b>26,097,986</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 34 RELATED PARTY DISCLOSURE (Contd.)

#### 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 31<sup>st</sup> March 2021 other than following;

The Company has entered into construction and asset procurement contracts with unrelated parties, amounting to Rs. 46,859,009, for concrete laying in the front shed of factory premises and assets procurement for Assy line. As at 31<sup>st</sup> March 2021, Rs. 13,244,705 of such contract commitments had not yet been incurred and the front shed 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 31<sup>st</sup> March 2021.

### 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.

### 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. 2/- per share (20%) amounting to Rs. 7,241,686/- for the year ended 31<sup>st</sup> March 2021 (2019/20- Rs. 5/- per share (50%) amounting to Rs. 18,104,215/-), which will be declared at the Annual General Meeting to be held on 17<sup>th</sup> September 2021.

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 31<sup>st</sup> March 2021. 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 <sup>st</sup> March	2021	2020
Executives	55	57
Non Executives	122	122
	177	179

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 42 FINANCIAL INSTRUMENTS - FAIR VALUES

#### 42.1 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 <sup>st</sup> March 2021	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.
Financial Assets Measured at Fair Value											
Investment in Equity Securities	-	131,441	-	-	-	-	131,441	131,441	-	-	131,441
	-	131,441	-	-	-	-	131,441	131,441	-	-	131,441
Financial Assets not Measured at Fair Value											
Investment in Debentures	-	-	-	-	11,426,662	-	11,426,662	-	-	-	-
Trade Receivable	-	-	-	-	98,733,455	-	98,733,455	-	-	-	-
Rental Receivable from Trade Debtors	-	-	-	-	1,729,793,093	-	1,729,793,093	-	-	-	-
Cash & Cash Equivalents	-	-	-	-	17,278,304	-	17,278,304	-	-	-	-
	-	-	-	-	1,857,231,514	-	1,857,231,514				
Financial Liabilities Not Measured at Fair Value											
Trade Payable	-	-	-	-	-	236,530,357	236,530,357	-	-	-	-
Lease Liabilities	-	-	-	-	-	82,430,182	82,430,182	-	-	-	-
Short Term Borrowings	-	-	-	-	-	863,724,158	863,724,158	-	-	-	-
Bank Overdrafts	-	-	-	-	-	53,934,240	53,934,240	-	-	-	-
Amounts due to Related Parties	-	-	-	-	-	1,826,684,846	1,826,684,846	-	-	-	-
	-	-	-	-	-	3,063,303,783	3,063,303,783				

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 42 FINANCIAL INSTRUMENTS - FAIR VALUES (Contd.)

#### 42.1 Accounting Classifications and Fair Values (Contd.)

As at 31 <sup>st</sup> 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.							
					Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets Measured at Fair Value											
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	-	-	-	-
	-	-	-	-	2,345,023,080	-	2,345,023,080				
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	-	-	-	-	-	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				

#### Transfer between levels

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 43 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 counterparty 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 <sup>st</sup> March	2021 Rs.	2020 Rs.
Trade Receivables	98,733,455	280,187,647
Other Receivables	230,131,834	156,838,067
Rental Receivable from Trade Debtors	1,729,793,093	2,045,486,904
Cash at Banks and Fixed Deposits	11,613,935	7,294,135
Total	2,070,272,317	2,489,806,753

#### 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 2020/21, approximately 4% (2019/20 : 36.45%) 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 43 FINANCIAL RISK MANAGEMENT (Contd.)

The maturity analysis of Rental Receivable from Trade Debtors is given in Note 19.5 and 19.6. The aging of Trade Receivables as at 31<sup>st</sup> March was as follows;

As at 31 <sup>st</sup> March 2021	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 (Gross)	56,054,661	4,857,974	3,631,358	17,032,100	78,339,271	159,915,364
Impairment	(1,402,963)	(675,127)	(668,017)	(2,379,249)	(56,056,553)	(61,181,909)
Trade Receivables (Net)	54,651,698	4,182,847	2,963,341	14,652,851	22,282,718	98,733,455

As at 31 <sup>st</sup> 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 (Gross)	122,905,182	60,634,313	7,966,392	71,675,308	96,751,537	359,932,732
Impairment	(3,042,697)	(5,394,311)	(891,296)	(13,934,402)	(56,482,379)	(79,745,085)
Trade Receivables (Net)	119,862,485	55,240,002	7,075,096	57,740,906	40,269,158	280,187,647

The maximum exposure to credit risk for rental receivable from trade debtors by type of counterparty is given in Note 19.4. The maximum exposure to credit risk for trade receivable by type of counterparty was as follows;

As At 31 <sup>st</sup> March	Carrying Amount 2021 Rs.	2020 Rs.
Government Entities	55,055,460	191,954,904
Corporates and Other Institutions	34,016,430	70,693,116
End-user Customers	9,661,565	17,539,627
	98,733,455	280,187,647

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

As at 31 <sup>st</sup> March 2021	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance as at 01 <sup>st</sup> April 2020	109,113,602	77,850,022	186,963,624
Provision Charge for the year	22,668,437	(25,997,755)	(3,329,318)
Balance as at 31 <sup>st</sup> March 2021	131,782,039	51,852,267	183,634,306

As at 31 <sup>st</sup> March 2020	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance as at 01 <sup>st</sup> April 2019	16,606,338	61,584,345	78,190,683
Provision Reversal for the year	92,507,264	16,265,677	108,772,941
Balance as at 31 <sup>st</sup> March 2020	109,113,602	77,850,022	186,963,624

Credit risk associated with the Company's Trade Receivables due to the outbreak of COVID-19 economic implication disclosed in Note 2.7.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 43 FINANCIAL RISK MANAGEMENT (Contd.)

#### Cash at Banks

The Company held cash at banks of Rs. 11.6 Mn as at 31<sup>st</sup> March 2021 (2019/20: Rs. 7.2 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 <sup>st</sup> March Bank	Credit Rate	Cash at Bank	
		2021 Rs.	2020 Rs.
Bank of Ceylon	AA - (lka)	1,975	12,117
Commercial Bank of Ceylon PLC	AA - (lka)	5,670,416	695,286
Indian Bank	BBB -	51,130	51,558
People's Bank	AA + (lka)	898,306	533,757
Seylan Bank PLC	A (lka)	20,000	20,000
State Bank of India	BBB -	2,672,107	3,681,417
Fixed Deposits - Bank of Ceylon	AA - (lka)	2,300,000	2,300,000
		<b>11,613,934</b>	<b>7,294,135</b>

#### 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.)

### 43 FINANCIAL RISK MANAGEMENT (Contd.)

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

As at 31 <sup>st</sup> March 2021	Carrying Amount Rs.	Contractual Cash Flows			
		Total Rs.	0 - 30 Days Rs.	31 - 90 Days Rs.	More than 90 Days Rs.
Trade Payables	236,530,357	236,530,357	70,926,370	165,603,987	-
Short Term Borrowings	863,724,158	863,724,158	-	863,724,158	-
Lease Liability	82,430,182	98,017,920	-	-	98,017,920
Bank Overdrafts	53,934,240	53,934,240	53,934,240	-	-
Amounts due to Related Party	1,826,684,846	1,826,684,846	62,634,167	45,774,170	1,718,276,509
<b>Total</b>	<b>3,063,303,783</b>	<b>3,078,891,521</b>	<b>187,494,777</b>	<b>1,075,102,315</b>	<b>1,816,294,429</b>

As at 31 <sup>st</sup> March 2020	Carrying Amount Rs.	Contractual Cash Flows			
		Total Rs.	0 - 30 Days Rs.	31 - 90 Days Rs.	More than 90 Days 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	-	-
<b>Total</b>	<b>3,844,903,919</b>	<b>3,877,836,679</b>	<b>234,037,591</b>	<b>3,530,800,158</b>	<b>112,998,930</b>

#### 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 31<sup>st</sup> March are;

As at 31 <sup>st</sup> March	2021			2020		
	LKR	Exchange Rate	USD	LKR	Exchange Rate	USD
Payable to Ashok Leyland Limited - India	1,826,684,846	201.60	9,060,937	81,514,793	192.45	423,557
	<b>1,826,684,846</b>		<b>9,060,937</b>	81,514,793		423,557

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar in March 2021 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.



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 43 FINANCIAL RISK MANAGEMENT (Contd.)

#### 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.

	<b>Profit before Tax</b>	
	<b>Strengthening</b>	<b>Weakening</b>
<b>2020-21</b>		
LKR (5% movement)	91,334,242	(91,334,242)
<b>2019-20</b>		
LKR (5% movement)	4,075,740	(4,075,740)

#### 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 33.1 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.)

### 43 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.
<b>2020-21</b>		
Interest Rate (1% movement)	19,802,184	(19,802,184)
<b>2019-20</b>		
Interest Rate (1% movement)	23,484,003	(23,484,003)

#### 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 31<sup>st</sup> March was as follows;

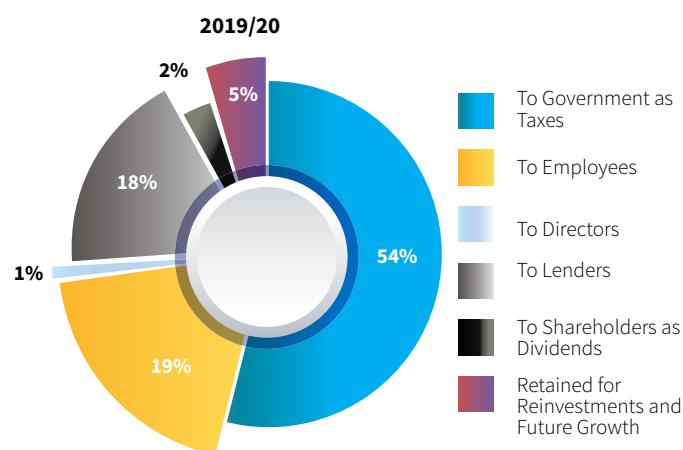
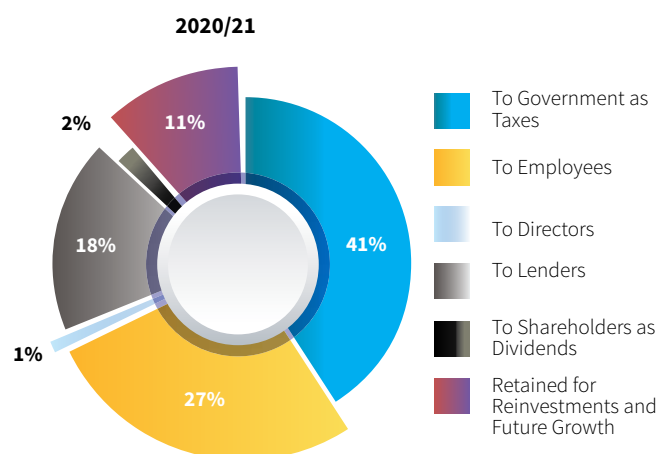
As At 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
Interest Bearing Borrowings	863,724,158	3,360,660,856
Total Equity	3,356,342,705	3,368,085,594
Equity and Debts	4,220,066,863	6,728,746,450
Gearing Ratio	20%	50%

# VALUE ADDED STATEMENT

For the Year Ended 31 <sup>st</sup> March	2021 Rs.	2020 Rs.
Revenue	2,973,106,405	6,718,236,808
Operating Expenses	(2,424,944,558)	(5,592,160,855)
	548,161,847	1,126,075,953
Other Operating Income	435,406,681	293,632,415
Finance Income	1,779,657	43,273,553
<b>Total Value Added by the Company</b>	<b>985,348,185</b>	<b>1,462,981,921</b>

## Distributed as Follows

For the Year Ended 31 <sup>st</sup> March	2021 Rs.	As a %	2020 Rs.	As a %
To Government as Duties and Taxes	405,776,137	41%	796,881,891	54%
To Employees	262,872,575	27%	283,783,466	19%
To Directors	11,765,000	1%	10,560,549	1%
To Lenders (Interest on Loan Capital)	177,863,775	18%	267,371,756	18%
To Shareholders as Dividends	18,104,215	2%	36,208,430	3%
Retained for Reinvestments and Future Growth (Depreciation & Retained Profits)	108,966,483	11%	68,175,829	5%
	<b>985,348,185</b>	<b>100%</b>	<b>1,462,981,921</b>	<b>100%</b>



# SHARE INFORMATION

There were 720 registered shareholders as at 31<sup>st</sup> March 2021 distributed as follows;

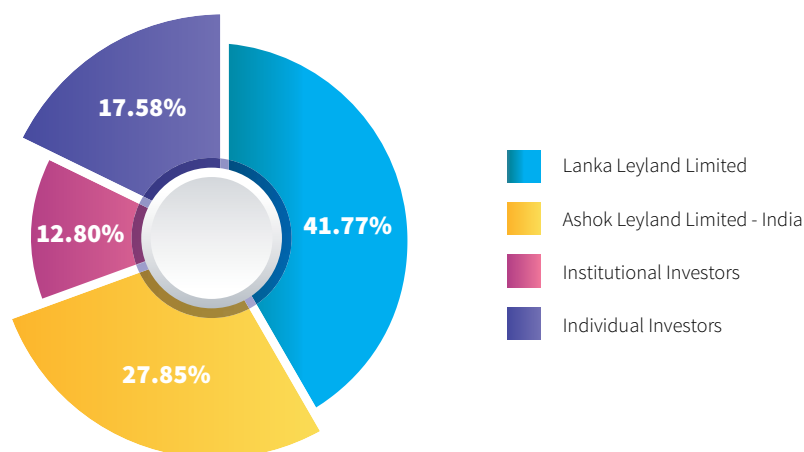
CATEGORY	NO. OF SHAREHOLDERS		NO. OF SHARES		SHAREHOLDING %	
	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2020	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2020	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2020
1 - 1,000	702	728	42,679	43,840	1.18	1.21
1,001 - 5,000	11	10	21,804	20,725	0.60	0.57
5,001 - 10,000	1	1	6,682	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	720	745	3,620,843	3,620,843	100.00	100.00

## List of 20 Major Shareholders

MAJOR SHAREHOLDERS	NO. OF SHARES HELD		SHARE HOLDING %	
	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2020	31 <sup>st</sup> March 2021	31 <sup>st</sup> March 2020
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	200,935	5.55	5.55
Sri Lanka Central Transport Board	31,250	31,250	0.86	0.86
J G De Mel	6,682	6,600	0.18	0.18
U I Suriyabandara	4,231	4,170	0.12	0.12
R P T Adams	2,700	2,700	0.07	0.07
Assetline Leasing Co. Ltd/S.M. Dharmakeerthi Samarakoon	2,649	2,649	0.07	0.07
L N J Perera	2,600	2,600	0.07	0.07
Bansei Securities Capital (Pvt) Ltd. / M A U Gnanathilaka	2,230	2,242	0.06	0.06
F M Asaf Khan	1,514	1,514	0.04	0.04
B Periyasamy	1,250	1,250	0.03	0.03
R A Y T Perera	1,200	1,300	0.03	0.04
L A P Perera	1,200	1,200	0.03	0.03
N Eeswararajah	1,130	100	0.03	0.003
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 Uduwela	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	Float Adjusted Market Capitalization
Shares held by public as at 31 <sup>st</sup> Marh 2021	718	1,100,011	30.38%	923,185,158
Shares held by public as at 31 <sup>st</sup> Marh 2020	743	1,100,011	30.38%	772,208,497

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

	Year Ended 31 <sup>st</sup> March 2021		Year Ended 31 <sup>st</sup> March 2020	
	Rs.	Date	Rs.	Date
Highest	1,000.00	13-Jan-21	960.00	19-Aug-19
Lowest	541.00	15-May-20	600.00	22-May-19
Last Traded	879.00	26-Mar-21	695.00	13-Mar-20
Year End	839.25	31-Mar-21	702.00	31-Mar-20

### Float Adjusted Market Capitalisation

The public holding of the Company as at 31<sup>st</sup> March 2021 was 30.38% comprising of 718 shareholders and the float adjusted market capitalisation in terms of Rule 7.13 1 (a) of the Listing Rule of CSE was Rs. 923,185,158/-, accordingly the Company qualifies under option five of the minimum public holding requirement.

# DECADE AT A GLANCE

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>TRADING RESULTS</b>											
Turnover	Rs 000'	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	<b>2,973,106</b>
Net Trading Profit /(Loss) Before Interest	Rs 000'	1,579,076	390,200	390,958	546,130	366,041	445,420	821,267	295,316	(5,641)	<b>(238,467)</b>
Interest Paid	Rs 000'	(17,850)	(313,781)	(332,748)	(87,032)	(81,505)	(124,437)	(164,289)	(229,819)	(267,372)	<b>(177,864)</b>
Net Trading Profit /(Loss) After Interest	Rs 000'	1,561,226	76,419	58,210	459,098	269,914	320,982	656,978	65,496	(273,012)	<b>(416,331)</b>
Other Income	Rs 000'	85,112	376,704	197,907	74,324	29,459	28,380	26,324	51,432	293,632	<b>435,407</b>
Profit Before Tax	Rs 000'	1,646,338	453,123	256,117	533,422	313,995	349,362	683,302	116,929	20,620	<b>19,076</b>
Taxation	Rs 000'	(463,207)	(98,300)	(91,561)	(203,447)	(104,457)	(111,156)	(179,185)	(9,468)	82,793	<b>(14,570)</b>
Profit After Tax	Rs 000'	1,183,131	354,823	164,556	329,975	209,538	238,207	504,117	107,461	103,413	<b>4,505</b>
Other Comprehensive Income	Rs 000'	(4,010)	(6,376)	(2,091)	(4,438)	5,180	(1,547)	(5,214)	7,259	4,113	<b>810</b>
Profit Brought Forward	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	<b>2,431,363</b>
Effect of Transitional Provision	Rs 000'	(33,310)	-	-	-	-	-	-	(12,913)	(19,325)	<b>-</b>
<b>Retained Earnings</b>											
Profit Available for Appropriations	Rs 000'	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	<b>2,436,678</b>
Dividend Paid	Rs 000'	(108,625)	(217,250)	(36,208)	(18,104)	(144,834)	(90,521)	(108,625)	(126,730)	(36,208)	<b>(18,104)</b>
Transfers to Reserves	Rs 000'	(300,000)	(100,000)	-	-	-	-	-	-	-	<b>-</b>
Unclaimed Dividend Reversed	Rs 000'	-	-	-	-	383	61	163	-	2,464	<b>1,046</b>
Retained Earnings	Rs 000'	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	<b>2,419,620</b>
<b>INVESTORS' FUNDS</b>											
Share Capital	Rs 000'	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	<b>36,208</b>
Retained Earnings	Rs 000'	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	<b>2,419,620</b>
Reserves	Rs 000'	800,747	900,631	900,631	900,664	900,643	900,646	900,622	900,514	900,514	<b>900,514</b>
Shareholders Fund	Rs 000'	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	<b>3,356,342</b>
<b>ASSETS &amp; LIABILITIES</b>											
Property, Plant & Equipment	Rs 000'	145,413	331,487	407,136	340,686	554,459	549,022	524,690	548,285	566,792	<b>508,332</b>
Other Non Current Assets	Rs 000'	510,776	561,712	174,085	62,708	65,926	26,404	39,288	54,619	1,929,759	<b>1,558,874</b>
Current Assets	Rs 000'	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	<b>5,165,568</b>
Short - Term Borrowings	Rs 000'	(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)	<b>(863,724)</b>
Other Current Liabilities	Rs 000'	(877,533)	(338,369)	(333,536)	(762,671)	(550,465)	(1,711,833)	(1,385,101)	(1,087,856)	(671,307)	<b>(2,853,333)</b>
Working Capital	Rs 000'	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	<b>1,448,511</b>
Non Current Liabilities	Rs 000'	(28,073)	(39,670)	(43,087)	(57,604)	(81,824)	(93,460)	(83,557)	(84,498)	(166,659)	<b>(159,374)</b>
Net worth of Company	Rs 000'	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	<b>3,356,343</b>

## DECADE AT A GLANCE (Contd.)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
--	------	------	------	------	------	------	------	------	------	------

### CASH FLOW ANALYSIS

Investments in Property,

Plant and Equipment	Rs 000'	48,333	225,991	14,231	34,540	57,654	77,003	29,766	51,553	15,948	24,782
---------------------	---------	--------	---------	--------	--------	--------	--------	--------	--------	--------	--------

Depreciation and Amortization	Rs 000'	21,635	39,069	61,581	80,855	86,989	125,582	121,295	115,993	134,200	136,404
-------------------------------	---------	--------	--------	--------	--------	--------	---------	---------	---------	---------	---------

Net Cash Generated from / (used in)

Operating Activities	Rs 000'	(2,104,274)	(333,771)	1,164,145	(54,445)	500,605	326,513	(1,205,776)	852,480	(2,023,320)	2,146,543
----------------------	---------	-------------	-----------	-----------	----------	---------	---------	-------------	---------	-------------	-----------

Investing Activities	Rs 000'	39,334	(23,760)	(47,831)	(28,496)	(57,482)	(69,464)	(13,913)	(27,653)	234,806	403,660
----------------------	---------	--------	----------	----------	----------	----------	----------	----------	----------	---------	---------

Financing Activities	Rs 000'	2,331,334	10,622	(1,117,774)	83,511	(411,639)	(276,277)	1,271,671	(924,092)	1,772,704	(2,538,672)
----------------------	---------	-----------	--------	-------------	--------	-----------	-----------	-----------	-----------	-----------	-------------

Net Increase / (Decrease) in Cash and Cash Equivalents	Rs 000'	266,395	(346,909)	(1,460)	570	31,485	(19,227)	51,982	(99,265)	(15,810)	11,531
--	---------	---------	-----------	---------	-----	--------	----------	--------	----------	----------	--------

### 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.	598.48	634.68	669.55	754.46	773.86	814.24	922.07	915.15	930.19	926.95
----------------------	-----	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Dividend per Share	Rs.	60.00	10.00	5.00	40.00	25.00	30.00	35.00	10.00	5.00	2.00
--------------------	-----	-------	-------	------	-------	-------	-------	-------	-------	------	------

Market Price per Share	Rs.	2,069.70	1,717.80	1,292.00	1,300.00	1,513.40	1,062.00	990.50	628.00	702.00	839.25
------------------------	-----	----------	----------	----------	----------	----------	----------	--------	--------	--------	--------

Market Capitalisation	Rs 000'	7,494,059	6,219,884	4,678,129	4,707,096	5,479,784	3,845,335	3,586,445	2,273,889	2,541,832	3,038,792
-----------------------	---------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Earnings per Share	Rs.	326.76	97.99	45.45	91.13	57.87	65.79	139.23	29.68	28.56	1.24
--------------------	-----	--------	-------	-------	-------	-------	-------	--------	-------	-------	------

Dividend Payout	%	18.36	10.20	11.00	43.89	43.20	45.60	25.14	33.69	17.51	161.29
-----------------	---	-------	-------	-------	-------	-------	-------	-------	-------	-------	--------

Price Earning Ratio	No of Times	6.33	17.53	28.43	14.27	26.15	16.14	7.11	21.16	24.58	676.81
---------------------	-------------	------	-------	-------	-------	-------	-------	------	-------	-------	--------

Current Ratio	No of Times	1.37	1.40	1.77	1.80	1.91	1.93	1.77	2.07	1.26	1.39
---------------	-------------	------	------	------	------	------	------	------	------	------	------

Quick Ratio	No of Times	0.33	0.25	0.67	0.66	0.37	0.44	0.25	0.24	0.21	0.21
-------------	-------------	------	------	------	------	------	------	------	------	------	------

Interest Cover	No of Times	93.23	2.44	1.77	7.13	4.85	3.81	5.16	1.51	1.08	1.11
----------------	-------------	-------	------	------	------	------	------	------	------	------	------

Trading Profit Before Int. / Net Turnover.	%	9.38	3.70	5.57	6.63	4.03	3.90	5.28	3.42	(0.08)	(8.02)
--	---	------	------	------	------	------	------	------	------	--------	--------

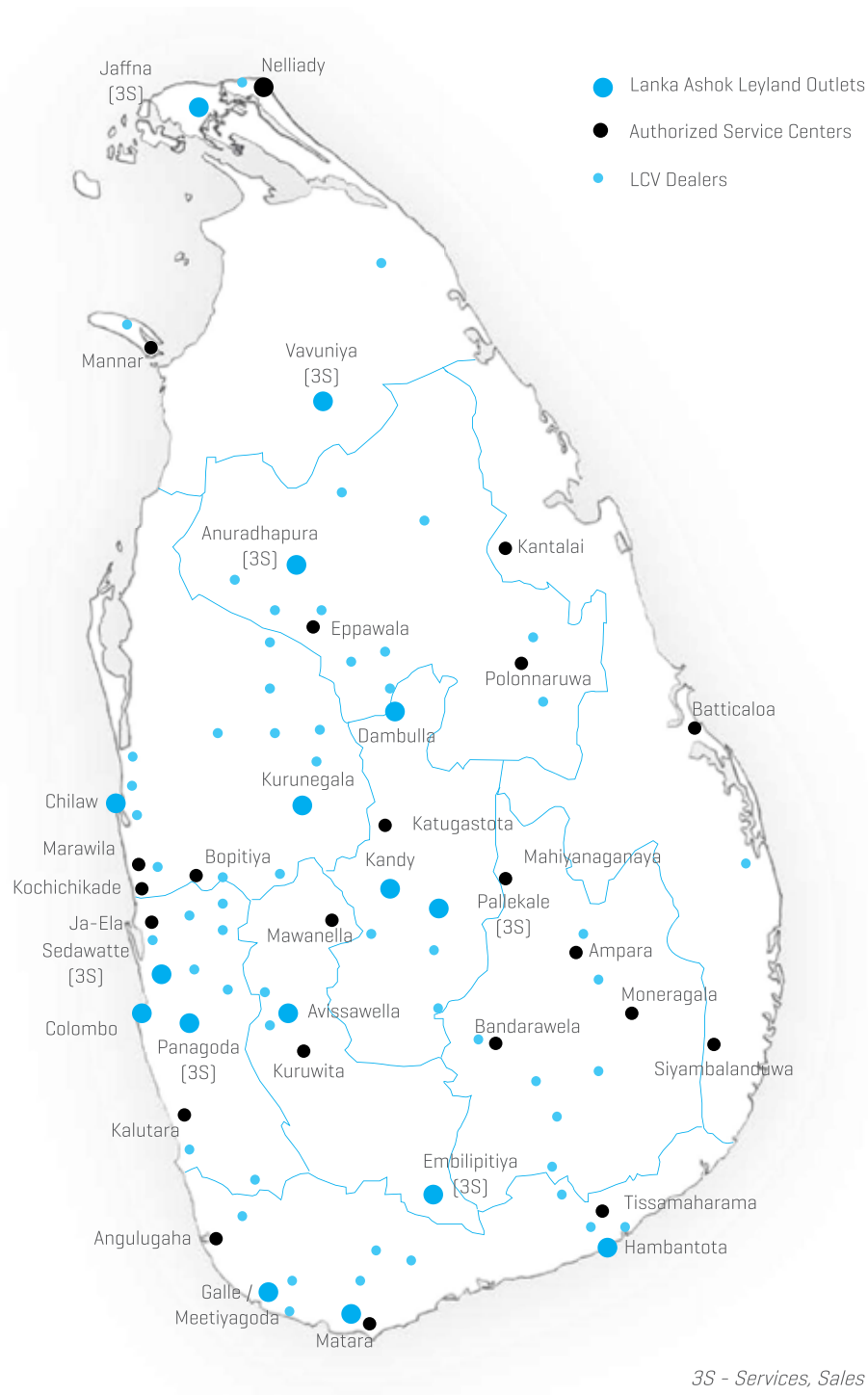
Trading Profit After Int. / Net Turnover.	%	9.27	0.72	0.83	5.57	2.97	2.81	4.22	0.76	(4.06)	(14.00)
---	---	------	------	------	------	------	------	------	------	--------	---------

Return on Net Assets	%	54.60	15.44	6.79	12.08	7.48	8.08	15.10	3.24	3.07	0.13
----------------------	---	-------	-------	------	-------	------	------	-------	------	------	------

Asset Turnover	No of Times	2.67	1.78	1.42	1.43	1.69	2.01	2.18	1.44	0.89	0.41
----------------	-------------	------	------	------	------	------	------	------	------	------	------

Gearing (Debt Capital/Debt+Equity Capital)	%	0.60	0.59	0.47	0.45	0.41	0.24	0.41	0.31	0.50	0.20
--	---	------	------	------	------	------	------	------	------	------	------

# DISTRIBUTION NETWORK





# 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.

### **Semi-Knocked-Down (SKD)**

Units those are imported / exported in sets of new parts of a single model vehicle with type approval certificate from an internationally recognized institute which certified by the manufacturer that have been partly assembled and which are further assembled as a Completely Built Unit using imported and domestically manufactured components.

### **Working Capital**

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

# NOTICE OF MEETING

Taking into consideration the current regulations / restrictions prevailing in the country due to the COVID- 19 pandemic, the Board of Directors of Lanka Ashok Leyland PLC has decided to conduct the Thirty Eighth Annual General Meeting (AGM) virtually from Lanka Ashok Leyland PLC head office at No. 41, EDWARD LANE, R A DE MEL MAWATHA, COLOMBO 03 in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs.

Hence, Notice is hereby given that the Thirty Eighth Annual General Meeting of Lanka Ashok Leyland PLC will be held by way of electronic means on 17<sup>th</sup> September 2021 at 3.30 p.m. for following purposes.

1. To consider the report of the Directors' and the audited Financial Statements for the year ended 31<sup>st</sup> March 2021.
2. To declare a dividend as recommended by the Board of Directors.
3. To elect a Director in place of Mr. D.P. Kumarage 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 Mr. D P Kumarage as a Director 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 P Kumarage who is over the age of 70 years prior to this Annual General Meeting and that he be re-elected."

5. To re-elect Mr. N Sundararajan as a Director 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.

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 2021/22, on a remuneration of Rs. 1,700,000/= (Rupees One Million Seven Hundred Thousand Only), in addition to reimbursement of out of pocket expenses."

7. To transact any other business of which due notice has been given.

## By order of the Board



**D A Abeyawardene**  
Director / Secretary

Colombo  
29<sup>th</sup> July 2021

## 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

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

## NOTES

# 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

Mr. A K S A Jayasena ..... of Colombo or failing him  
 Mr. D P Kumarage ..... of Colombo or failing him  
 Mr. N Sundararajan ..... of Chennai or failing him  
 Mr. Gopal Mahadevan ..... of Chennai or failing him  
 Mr. D A Abeyawardene ..... of Colombo or failing him  
 Mr. W H C P S Wijesekara ..... of Colombo or failing him  
 Mr. 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 Virtually at Lanka Ashok Leyland PLC head office at No 41, Edward Lane, R. A. De Mell Mawatha, Colombo 03 on 17<sup>th</sup> September 2021 at 3.30 p.m. and at any adjournment thereof and at every poll which may be taken consequence thereof.

In witness my/ our hand/ hands this.....day of.....Two Thousand and Twenty one.

.....  
 Signature

\* Note :

1. \*Please delete the inappropriate words.
2. Instructions as to completion are noted on the reverse hereof.

## FORM OF PROXY (Contd.)

### Instructions to Complete Proxy

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 3.30 p.m on 15<sup>th</sup> September 2021 being forty-eight hours before the time appointed for the holding of the meeting.
5. If a form of proxy is signed by an Attorney, the relevant power of Attorney or a notarially certified copy of such power of Attorney should accompany the completed form of proxy for registration if such power of attorney has not already been registered with the Company.



**LAL LANKA ASHOK LEYLAND PLC**

Panagoda, Homagama, Sri Lanka.

Tel : +94(11) 2750232, +94(11)2751321

Fax : +94(11) 2752400

E-mail : [info@lal.lk](mailto:info@lal.lk)

Web : [www.lal.lk](http://www.lal.lk)