



LAL LANKA ASHOK LEYLAND PLC



**2022 / 23**  
Annual Report



# 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 - 11
Board of Directors .....	12 - 14
Management Discussion and Analysis.....	15 - 18
Annual Report of the Board of Directors.....	19 - 23
Corporate Governance .....	24 - 31
Audit Committee Report.....	32
Remuneration Committee Report .....	33
Nomination Committee Report .....	34
Related Party Transaction Review Committee Report .....	35 - 36
Directors' Statement on Internal Controls .....	37
Management of Risk .....	38 - 41
The Statement of Directors' Responsibilities .....	42
Financial Calendar .....	43
Independent Auditor's Report .....	44 - 46
Statement of Profit or Loss and Other Comprehensive Income.....	47
Statement of Financial Position .....	48
Statement of Changes in Equity .....	49
Statement of Cash Flows .....	50
Notes to the Financial Statements .....	51 - 99
Value Added Statement .....	100
Share Information .....	101 - 102
Decade at a Glance .....	103 - 104
Distribution Network .....	105
Glossary.....	106 - 107
Notice of Meeting .....	108
Corporate Information .....	109
Form of Proxy .....	111 - 112

## ABOUT THE COMPANY

---

Lanka Ashok Leyland PLC was incorporated in 1982, with 41.77% of Share Capital held by Lanka Leyland (Pvt) 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 14 sales outlets 22 authorized service centers spread throughout the country.

## MAIN ACTIVITIES

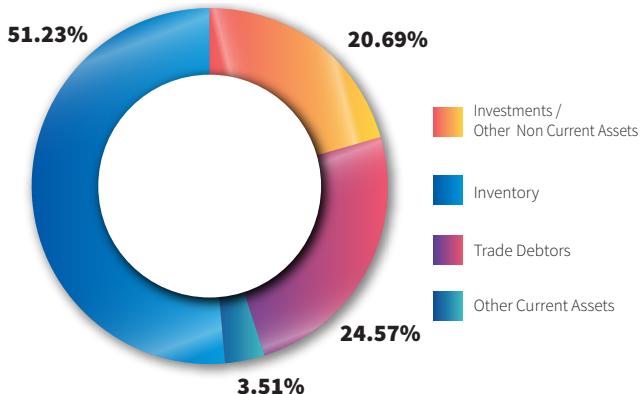
*The main activities are:*

- 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.
- Providing of day to day running repairs and services.
- Providing vehicles on hire.

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

## FINANCIAL HIGHLIGHTS

**TOTAL ASSETS**  
**Rs. 5,121.57 Mn**



INVESTMENTS / OTHER NON CURRENT ASSETS	VALUE (Rs.)
Fixed Assets	697,391,472
Right-of-use Assets	36,021,119
Intangible Assets	920,356
Financial Investments	11,542,980
Deferred Tax Asset	313,755,104
<b>SUBTOTAL</b>	<b>1,059,631,031</b>

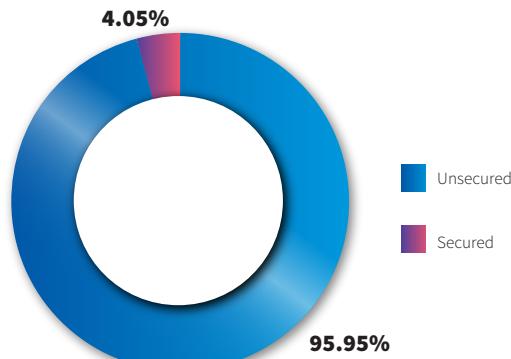
INVENTORY	VALUE (Rs.)
Vehicles	1,882,332,798
Spare Parts & Consumables	366,457,759
Generators	34,939,394
Cab/Bodies & Work in Progress	303,567,296
Goods in Transit	36,696,905
<b>SUBTOTAL</b>	<b>2,623,994,152</b>

TRADE DEBTORS	VALUE (Rs.)
Lease Customers	838,811,946
Other Customers	419,540,250
<b>SUBTOTAL</b>	<b>1,258,352,196</b>

OTHER CURRENT ASSETS	VALUE (Rs.)
VAT Receivable	40,227,912
Deposits and Prepayments	112,241,570
Other Receivables	71,137
Cash and Cash Equivalent	27,050,059
<b>SUBTOTAL</b>	<b>179,590,678</b>

**NET WORTH**  
**Rs. 3,814.34 Mn**

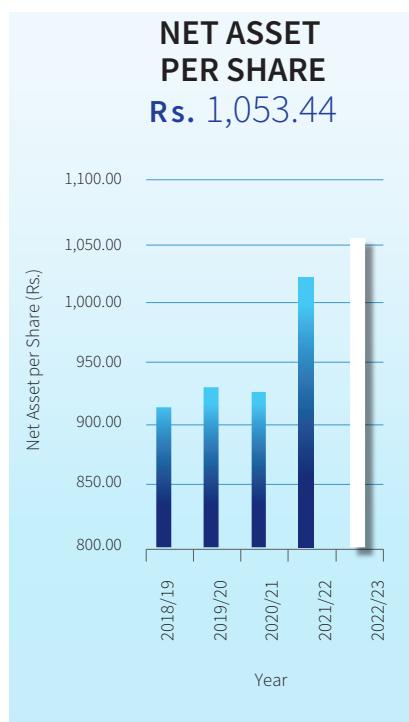
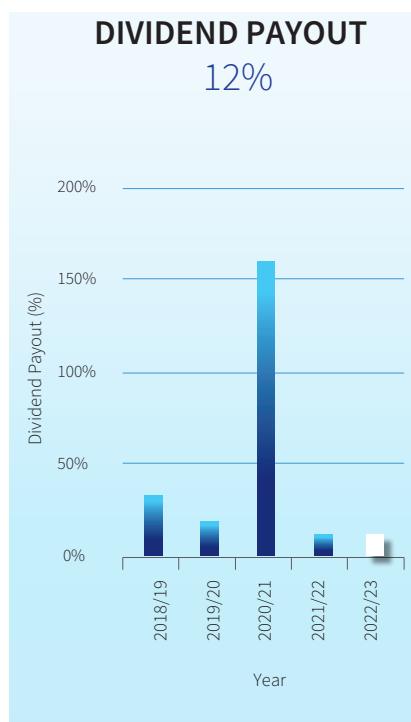
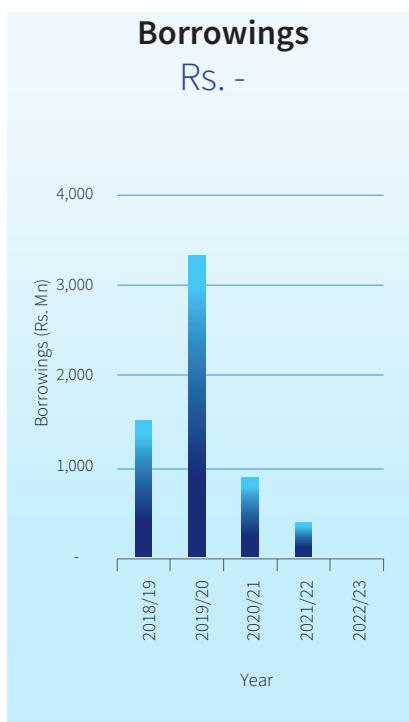
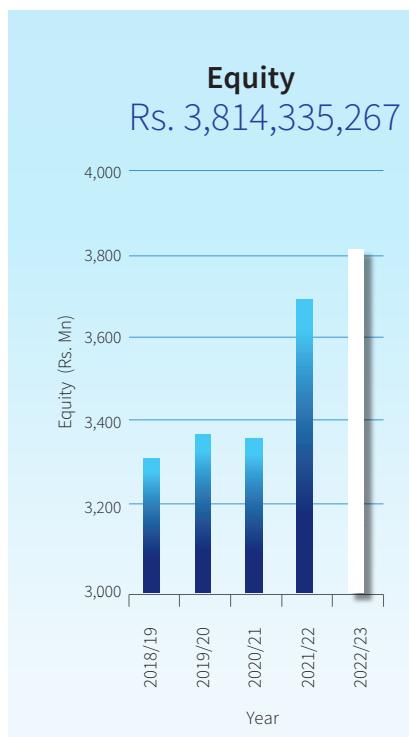
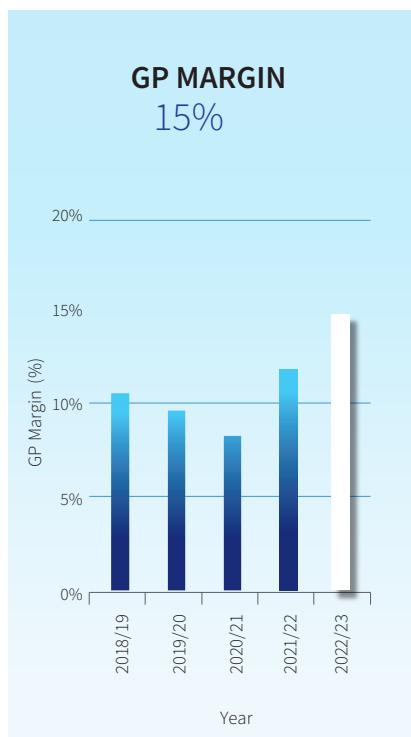
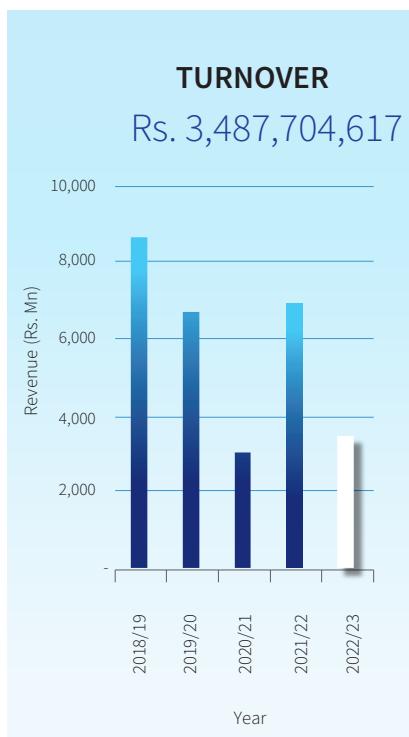
**TOTAL LIABILITIES**  
**Rs. 1,307.23 Mn**

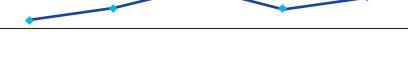


UNSECURED	VALUE (Rs.)
Retirement Benefits	109,918,855
Trade Payables	528,961,833
Accrued Expenses	71,869,624
Income Tax Liability	19,007,471
Amount due to Related Party	333,303,000
Other Payables & Warrenty Provision	130,423,869
Lease Liability	60,775,690
<b>SUBTOTAL</b>	<b>1,254,260,342</b>

SECURED	VALUE (Rs.)
Bank Overdraft	52,972,448
<b>SUBTOTAL</b>	<b>52,972,448</b>

## FINANCIAL HIGHLIGHTS (Contd.)



KEY PERFORMANCE INDICATORS	THIS YEAR (2022/23)	LAST YEAR (2021/22)		% CHANGE	5 YEAR TREND
<b>OPERATING RESULTS</b>					
TURNOVER (Rs.)	3,487,704,617	6,860,962,989	⬇️	-49%	
GROSS PROFIT (Rs.)	518,286,304	814,265,656	⬇️	-36%	
OPERATING PROFIT (Rs.)	33,687,501	451,617,924	⬇️	-93%	
PROFIT BEFORE TAX (Rs.)	80,823,090	448,648,262	⬇️	-82%	
PROFIT AFTER TAX (Rs.)	148,994,115	342,975,015	⬇️	-57%	
DIVIDEND PROPOSED / PAID (Rs.)	18,104,215	36,208,430	⬇️	-50%	
<b>CAPITAL STRUCTURE</b>					
EQUITY (Rs.)	3,814,335,267	3,696,644,686	⬆️	3.2%	
DEBT (Rs.)	-	378,205,767	⬇️	-100%	
<b>PROFITABILITY INDICATOR RATIOS</b>					
GROSS PROFIT MARGIN (%)	14.9%	11.9%	⬆️	3.0%	
NET PROFIT MARGIN (%)	4.3%	5.0%	⬇️	-0.7%	
RETURN ON ASSETS (%)	2.9%	4.5%	⬇️	-1.6%	
RETURN ON EQUITY (%)	3.9%	9.3%	⬇️	-5.4%	
RETURN ON CAPITAL EMPLOYED (%)	0.9%	11.1%	⬇️	-10.2%	
<b>LIQUIDITY MEASUREMENT RATIOS</b>					
CURRENT RATIO (NO OF TIMES)	3.21	1.54	⬆️	109%	
QUICK RATIO (NO OF TIMES)	0.96	0.76	⬆️	26%	
<b>DEBT RATIOS</b>					
GEARING RATIO (%)	0%	9%	⬇️	-9%	
INTEREST COVER (NO OF TIMES)	4.20	19.67	⬇️	-79%	
<b>EQUITY RATIOS</b>					
NET ASSET PER SHARE (Rs.)	1,053.44	1,020.93	⬆️	3%	
EARNINGS PER SHARE (Rs.)	41.15	94.72	⬇️	-57%	
DIVIDEND PER SHARE (Rs.)	5.00	10.00	⬇️	-50%	
PRICE EARNINGS RATIO	19.15	7.50	⬆️	155%	
DIVIDEND PAYOUT (%)	12%	11%	⬆️	1%	
MARKET VALUE PER SHARE (Rs.)	788.00	710.00	⬆️	11%	
HIGHEST MARKET VALUE (Rs.)	815.00	1,029.50	⬇️	-21%	
LOWEST MARKET VALUE (Rs.)	566.00	551.00	⬆️	3%	
MARKET CAPITALIZATION	2,853,224,284	2,570,798,530	⬆️	11%	



# THE CHIEF EXECUTIVE OFFICER'S REVIEW

## **Dear Stakeholder,**

It is my distinct pleasure to present the annual performance of Lanka Ashok Leyland for the FY 2022/23 in what has been another unprecedented year for Sri Lanka. The last few years have brought significant and unique challenges, and this year was the most challenging yet as the nation endured socioeconomic and political upheaval that affected everyone. In this incredibly challenging environment, I am proud of how Lanka Ashok Leyland has performed, and its results reflect the resilience, determination, and commitment to adapt and meet the challenges faced.

## **The Economy in 2022**

The Sri Lankan economy faced a balance of payments crisis in 2022 when foreign reserves were depleted and an inability to import essential items resulted in widespread social and political turmoil. The government suspended its foreign debt obligations in April 2022 resulting in our credit rating being downgraded severing access to international capital markets. Power cuts, import restrictions, shortages of fuel and other essentials, high inflation, and a loss of confidence had devastating effects on every sector of the economy. Real GDP contracted 7.8% in 2022 compared to growth of 3.5% in 2021 with agriculture, manufacturing and construction sectors seeing very acute contractions.

In March 2022, the currency which was maintained at around LKR 298.99 per USD was allowed to depreciate and fell to LKR 368 per USD by November 2022, an 82% decrease. Inflation rose drastically throughout the year peaking in September 2022 at almost 70%. The government had to raise interest rates to try and stabilise the currency and inflation, which saw commercial lending rates reach almost 30% by October 2022.

The road transportation sector being heavily dependent on the health and vibrancy of the overall economy faced a daunting operating environment. Road infrastructure faced fiscal constraints, and as a result, little progress was made on the development of our expressway network.

Road passenger transport recovered in 2022 from prior years in the absence of mandatory lockdowns while also being a beneficiary of the fuel shortages. The average number of buses operated by the

Sri Lanka Transport Board increased by 216% to 4279 buses, around 84% of their total fleet while buses utilized by the private sector increased by 8.3% to 9807 buses as well.

## **Financial Highlights**

In spite of depressed demand conditions, Lanka Ashok Leyland was able to register a commendable turnover of LKR 3.5 Bn for the year driven largely by the sale of new commercial vehicles. This figure was down 49% from last year's turnover of LKR 6.8 Bn. Our healthy inventory position combined with our local assembly of knock-down kits helped mitigate the import restrictions and meet our customer demand. Furthermore, income from hiring, spare parts sales, repair income and generator sales did extremely well growing 268%, 10%, 24%, and 06% year on year respectively. This growth in our other verticals is by design and is the culmination of strategic initiatives targeting our marketing and distribution channels over the last few years to buffer our revenue dependence on vehicle sales only.



Our gross profit margin expanded to 15% in 2022 compared to 12% in 2021 due to our aggressive provisioning policy. Sales against our inventory will continue to drive future profitability until import restrictions relax.

Other income largely derived from lease income declined 23% to LKR 282.7 Mn for the year against LKR 367.5 Mn last year owing to the leases getting closer to maturity.

Tight financial control saw operating expenses marginally increase by 5% to LKR 767.3 Mn in 2022 over LKR 730.1 Mn in 2021, resulting in an EBIT of LKR 33.6 Mn, a substantial reduction over last year's EBIT of LKR 451.6 Mn.

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

The company has aggressively deleveraged its balance sheet since 2020, which in light of high interest rates over the last year, has proved timely and extremely positive. Interest bearing liabilities fell from LKR 448.6 Mn last year to LKR 53.0 Mn at present. As a result, we were able to report a net finance income of LKR 47.1 Mn for the year. Reflecting on a healthy inventory position of LKR 2.6 Bn as of 31<sup>st</sup> March 2023, we expect to be able to manage another year or two without imports, which should line up with when import restrictions are expected to be lifted. The debt to inventory ratio of the company stands at 2.0% and the company is virtually debt free.

The company closed a very challenging year with a net profit of LKR 149.0 Mn compared to LKR 342.9 Mn last year. The net profit margin for the year is 4.3%, marginally lower than 5% a year ago.

One of biggest accomplishments this year was our International market expansion strategy and improvement in our export sales revenue to the value of LKR 80 mn . We were able to successfully establish ourselves in the overseas markets and already received repeated large orders for the export of locally assembled trucks.



### **Corporate Social Responsibility**

Throughout the last few years, a key focus of the company has been on looking after our employees and ensuring that they remain productive, motivated, and able to navigate the economic difficulties with as much support from the company as possible. To this extent, we can be proud of our track record of retaining staff and maintaining their wages at a time when job security for so many people was under threat.

Going further than the welfare of our employees, Lanka Ashok Leyland continues to support the communities and stakeholders we work with. Our staff has been empowered to be change makers within their communities with the backing of the company. To this effect, the company provided uninterrupted light and space around its factory premises for children in the area to study daily after sundown.

In addition, the employees took the initiative to support and offer repairs around the Homagama base hospital. Several initiatives were put in place to help mitigate the rising food costs and fuel shortages faced by our employees.

During the fuel crisis, the company played an active role in supporting the government and fuel providers to facilitate their logistical requirements with round the clock support.



The company continued its longstanding partnerships with the Apeksha cancer hospital in Maharagama by providing fuel and buses for the transport of patients and the Friend-in-Need Society, where we provide mobile clinic buses utilized to help disabled people receive prosthetic limbs all over the island.

We have taken lead in adopting the Environment, Social and Governance ( ESG) targets in our plans and operations . Areas covering various aspects of ESG will be pursued as relevant to our industry and in line with UN Sustainable Development Goals (SDG), Inauguration ceremony of Children's Parliament of Sri Lanka was organized at Lanka Ashok Leyland auditorium. We, at Lanka Ashok Leyland, are proud that we continue to actively associate in building the leadership qualities and presentation skills of the youngsters who are the future of the country.



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

### **Outlook**

Looking ahead, the country has made several bold and positive steps in curtailing the economic crisis and the situation has improved considerably over the last few months, a lot of hard work still remains and the situation is precarious. However, many indicators are starting to trend positively.

At the end of March 23, an IMF agreement was entered into and the first tranche of the USD 2.90 Bn programme was released to Sri Lanka. The continued support of the IMF depends on the government's resolve in achieving the negotiated conditions with the first review to take place in September 2023.

As we look to the new fiscal year, we see early signs of inflation easing off and interest rates are on a downward trend with the expectation that inflation will fall to single digits and interest rates to settle in the early teens.

The central bank has indicated that the first two quarters of 2023 will see a GDP contraction while the second half of the year will see growth and they estimate GDP to contract by 2% in 2023 before bouncing back to 3.3% next year and reach 5% by 2027.

Lanka Ashok Leyland will be a beneficiary of the economic recovery as confidence returns, rates stabilise and investment returns to our key customer segments. Our large inventory will be an asset in meeting demand requirements in the near term until import restrictions are lifted, which we anticipate will be in the next year or two. Contributions from our other revenue streams will also improve as the economy recovers, especially accident repair, and spare parts income.

Our dominant market position, name recognition and the trust we have earned in the commercial segment have helped the company navigate a difficult environment thus far. We continue to prove ourselves a steadfast, reliable, and supportive partner to our customers in the most difficult of times and believe this strong commitment to our stakeholders will entrench us with them as the economy rebounds.

### **Acknowledgements**

I would like to thank our Chairman and the Board of Directors for their steadfast support and guidance this year. I am very proud and continuously indebted to our management team, who have shown such comradery, teamwork, and professionalism under challenging circumstances to help navigate these years. My sincere gratitude towards all our employees who in spite of their own personal hardships, have shown incredible commitment to the company, and have gone above and beyond their own responsibilities to contribute to the welfare of others. They represent our greatest asset and the reason I remain confident and optimistic for the future.

We are extremely grateful to our principal, Ashok Leyland India, for extending their support and flexibility to us allowing Lanka Ashok Leyland to operate under the stringent import and forex controls. A special thanks to the government of Sri Lanka and the Ministry of Industries for their continued partnership. Also our undefined gratitude towards our shareholders for their faith in such a challenging environment.

To our bankers, auditors, suppliers, and other stakeholders, we are incredibly appreciative to all the support and faith you have given us this year. Through adversity we hope our bonds have strengthened and we look forward to building on these relationships further as things improve.

Lastly, and most importantly, I would like to extend my sincerest thanks to our customers, who remain the bedrock of our company. Your unwavering support inspires us and motivates us to reach further heights and work harder for your success. Our relationships are built for prosperity and made stronger through adversity, and we remain grateful for your patronage over the last few years.



**Umesh Gautam**

Chief Executive Officer

26<sup>th</sup> May 2023

# BOARD OF DIRECTORS



## MR. K. C. LESHAN DE SILVA

*Chairman (Appointed w.e.f 15<sup>th</sup> March 2023)*

Mr. Leshan De Silva was appointed as the Non-executive Non-Independent Chairman to the Board of Lanka Ashok Leyland PLC on 15<sup>th</sup> March 2023 and he also serves as the Chairman of Lanka Leyland Limited.

Mr. Leshan has served as the Managing Director and Board of Director of Jaya Container Terminals Limited, Sri Lanka Ports Authority and prior to that he was the Public Relations Director and Operations Manager of Tapaua Pvt Ltd, Queensland, Australia.

He has more than 10 years of Experience in Operations Management, Business Development, Financial Management & Strategic Planning.

Mr. Leshan holds a Bachelor of Business Management (Hons) from University of Sunderland, United Kingdom.



## MR. A K S A JAYASENA

*Chairman (Resigned w.e.f 15<sup>th</sup> March 2023)*

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 served as the Chairman of Lanka Leyland Limited.

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

He has over 20 years' of experience in mobile telecommunication industry, high tech digital technology, solar energy security solutions.

Mr. Jayasena holds a Honorary Doctor rate from Holistic Medical Academy Chennai-India and Bachelor's Degree from the University of Sabaragamuwa.



## 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.

## BOARD OF DIRECTORS (Contd.)



### **MR. N SUNDARARAJAN**

*Independent Director*

Mr. Sundararajan was appointed in July 2009, as a Non-Executive Independent Director to 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 an Independent Director of CMIFPE Ltd, India, (Manufacturers of cold rolling mills, etc. for steel plants).

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.



### **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 Chief Financial Officer of Ashok Leyland Limited, India. Mr. Gopal also serves as a director of Gro Digital Platforms 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 50 years' of 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 till 1999.

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

## BOARD OF DIRECTORS (Contd.)



### MR. AMANDEEP SINGH ARORA

*Non-Executive Director*

Mr. Amandeep Singh Arora was appointed as a Non-Executive Director to the Board of Lanka Ashok Leyland PLC on 24<sup>th</sup> December 2021. He is the Head of International Operations, Ashok Leyland Limited and has overall responsibility of Ashok Leyland's Global Sales & Distribution business.

Mr. Amandeep commenced his career with Ashok Leyland in 1992 through campus placement as management trainee and has worked with the company in various capacities across India.

Mr. Amandeep completed his MBA from Institute of Management Technology, Ghaziabad, post his Masters in Operations and is a trained business professional from IIM Ahmedabad and Kellogg School of Management, Chicago.



### MR. W H C P S WIJESKARA

*Non-Executive Director (Resigned w.e.f 31<sup>st</sup> January 2023)*

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 served as a Director of Lanka Leyland Limited.

Mr. Wijesekara has over 20 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.

### MS. H A BOGODAGEDARA

*Non-Executive Director (Appointed w.e.f 15<sup>th</sup> March 2023)*

Ms. Bogodagedara was appointed as a Non-Executive Non-Independent Director to the Board of Lanka Ashok Leyland PLC with effect from 15<sup>th</sup> March 2023 and currently, she serves as a Director of Lanka Leyland Limited and Deputy Director of Department of External Resources, Ministry of Finance.

Ms. Bogodagedara served as Assistant Director of Ministry of Finance, Ministry of Sports and Rural Development - Western Province, Ministry of Finance and Planning (Sri Lanka Institute for Development Administration) and as Human Development Assistant of Ministry of Labour Relations and Man Power.

Ms. Bogodagedara completed her Bachelor of Arts (Hons) in Statistics, at the University of Sri Jayawardenepura, Master of Arts in Economics at the University of Kelaniya and Master of Applied Economics at the University of Adelaide, Australia.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

Lanka Ashok Leyland PLC (LAL) was incorporated in 1982 as a joint venture Company between Lanka Leyland (Pvt) Limited, a fully owned Company of the Government of Sri Lanka and Ashok Leyland Limited, India.

Currently, the main business of the Company includes import and assemble of Semi-Knocked-Down (SKD) chassis and fabricate bodies, import and marketing of Ashok Leyland range of vehicles, spare parts, power generators and providing vehicles on hire. The Company also carries out repairs and restoration of commercial vehicles.

LAL is managed by a Board comprised of seven non-executive directors with strong corporate acumen, skills, knowledge and experience aided by astute and knowledgeable support from senior management and external specialists. The Company has established a governance structure that adheres to the laws of the country and ensures compliance with numerous regulatory mandates. As a result, the governance structure consists of committees responsible for specific responsibilities as well as determining 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.
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

The Sri Lankan economy during 2022 witnessed severe macroeconomic pressures which brought about social upheaval and political turmoil. As foreign exchange reserves depleted, the foreign debt burden became unmanageable and the country experienced a scarcity of essential imports such as gas and fuel for households, medicines and electricity generation. Power cuts, long queues, inadequate supply of essentials, high inflation and a loss of faith paved the way to social unrest, and protests that eventually lead to a collapse in government.

This had a severe impact on all sectors of the economy and as a result real GDP contracted by 7.8% in 2022 compared to the growth of 3.5% in 2021.

In March 2022, the currency which was maintained around Rs. 300 per USD was allowed to depreciate and fell to Rs. 336 per USD by March 2023, an 11% decrease.

Sri Lanka defaulted on its foreign debt commitments in May 2022 and began negotiating with the IMF for assistance. The government had useable reserves of USD 20 Mn as of April 2022 and was expected to repay USD 7.6 Bn in 2022 had it not defaulted.

The depreciation of the currency, supply shortages and large monetary financing led to rapid inflation which peaked at 70% in September 2022. In response, the interest rates rose rapidly through the year with the Prime rate peaking at 29.7% in November 2022.

Fuel, LP Gas, electricity prices were increased almost 100% coupled with currency devaluation resulting in an increase in the cost of living.

Looking ahead, the country has made several bold and positive steps in curtailing the economic crisis and the situation has improved considerably over the last few months, a lot of work remains to be done.

Sri Lanka has embarked on an IMF program having already received the first tranche of its USD 2.7 Bn aid package. The programme requires the government to take necessary actions to improve its fiscal health by raising more tax revenues, foreign exchange reserves, reducing its deficits, and restructuring their loss making State Owned Enterprises.

Building on the current improvement in macroeconomic fundamentals, inflation is expected to gradually decrease throughout the year and there is strong consensus that interest rates will fall significantly from current levels. With this, we expect credit to the private sector to improve marking an increase in economic activity.

The focus on foreign exchange reserves will provide a stabilizing effect for the currency with increased inflows from tourism and worker remittances along with additional bilateral and multilateral funding. The government is expected to announce its plan to open up import restrictions by July which will provide clarity, especially for the automotive sector. The LKR has already appreciated from 360 levels to around 310 to the USD, and the lifting of imports will have

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

downward pressure on the currency. Sri Lanka is unlikely to be able to allow free automotive imports in the coming fiscal year, and this is most likely to happen in 2024.

### Financial Review

The Company has delivered Rs. 148.99 Mn. as profit after tax for the financial year ended 31<sup>st</sup> March 2023 which was marked by major risk events and volatility in both the domestic and global economy.

### Revenue and Earnings

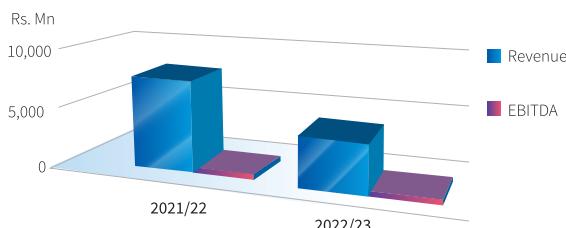
During the year, the Company has recorded Rs. 3.49 Bn in revenue which is 49% decrease compared to the previous year. Commercial vehicle sales accounted for 77% of total revenue, with the remaining 23% represented by generator sales, repair income, spare parts sales, hiring income, and local agency commission.

Revenue from vehicle sales fell 58% to Rs. 2.69 Bn against Rs. 6.33 Bn last year, however, the share of vehicle sales to total revenue declined to 77% from 92% last year as the other revenue verticals showed increased contributions to total turnover.

Income from vehicle repairs, generators, spare parts, and hiring showed growths of 24%, 2%, 10%, and 268% respectively.

Other revenue was mostly obtained from lease interest income, which fell 23% to Rs. 282.67 Mn for the year compared to Rs. 367.47 Mn the previous year as leases reached maturity.

Tight financial management saw operational expenditures rise by 5% to Rs. 767.27 Mn in 2022/23 from Rs. 730.12 Mn in 2021/22, resulting in an EBITDA of Rs. 158.48 Mn, a significant decrease from Rs. 565.68 Mn previous year.



	2021/22 Rs.	<b>2022/23 Rs.</b>
Revenue	6,860,962,989	<b>3,487,704,617</b>
Gross Profit	814,265,656	<b>518,286,304</b>
Other Income	367,472,452	<b>282,667,376</b>
EBITDA	565,681,039	<b>158,475,460</b>
Net Finance Income / (Cost)	(2,969,662)	<b>47,135,589</b>
Profit Before Tax	448,648,262	<b>80,823,090</b>
Profit After Tax	342,975,015	<b>148,994,115</b>

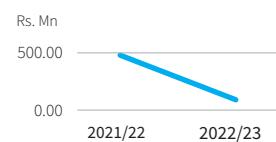
### Gross Profit Margin



The gross profit margin stood at 15% for 2022, compared to 12% last financial year, all achieved through better margins on local value additions and reversals of inventory provision during the current financial year.

### Profitability

#### Profit Before Tax



#### Profit After Tax



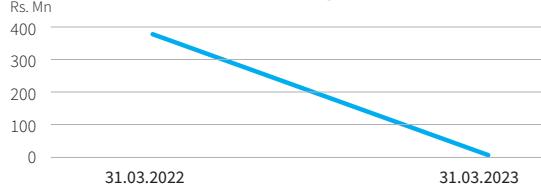
Profit before tax for the year 2022/23 stood at Rs. 80.82 Mn. A deferred tax reversal resulted in a net profit of Rs. 148.99 Mn for the year as opposed to Rs. 342.97 Mn a year ago. The net profit margin for the year is 4.3%, compared to 5% a year before.

### Interest Cost and Borrowings

#### Finance Expense



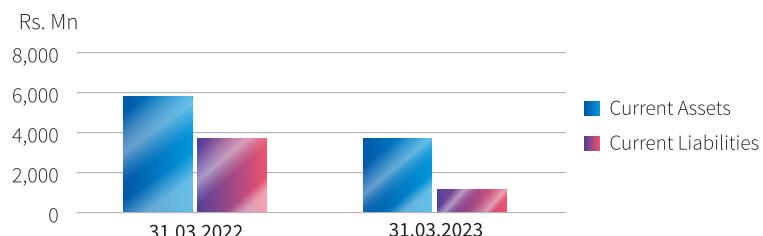
#### Borrowings



A decline in imports and good cash flow management enabled the company to rapidly reduce its borrowings by 100% opposed to Rs. 378.21 Mn of last year. The interest expense on short term borrowings decreased by 76% to Rs. 3.81 Mn, compared to Rs. 15.99 Mn recorded in 2021/22.

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

### Working Capital / Liquidity



	31.03.2022 Rs.	<b>31.03.2023 Rs.</b>
Current Assets	5,859,272,677	<b>3,747,303,730</b>
Current Liabilities	3,804,507,529	<b>1,166,893,445</b>
Working Capital	2,054,765,148	<b>2,580,410,285</b>

Working capital has improved primarily as a result of the reduction of Amounts due to Related Party and Borrowings.

### Leverage and Capital Structure

Total equity of the Company as at 31<sup>st</sup> March 2023 stood at Rs. 3,814.34 Mn (2021/22: Rs. 3,696.64 Mn).

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

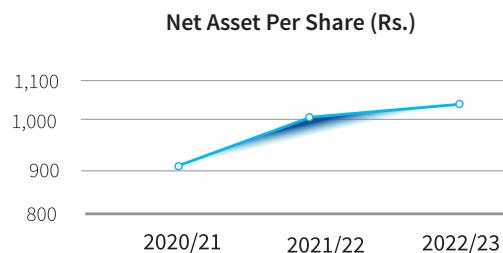
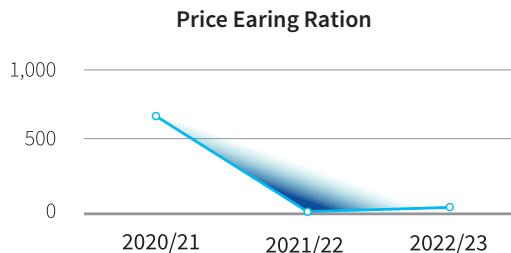


### Value Created to Shareholders

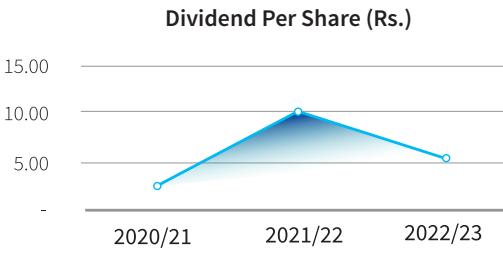
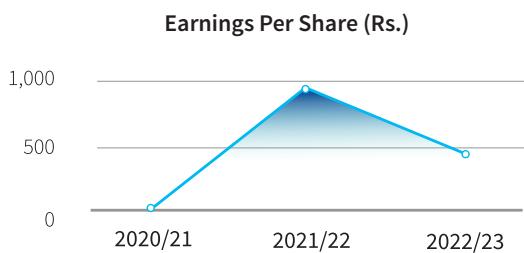
LAL's value creation is formed on balanced approach towards all stakeholders focusing on shareholder wealth maximization. The Company was able to grow shareholder equity to at Rs. 3.81 Bn, a Rs. 117.69 Mn increase from the previous year (2021/22: Rs. 3.69 Bn). The contributors were profit after tax of Rs. 148.99 Mn and other comprehensive income of Rs. 4.01 Mn, which were partially offset by dividend payment of Rs. 36.21 Mn during the year.

	2021/22	<b>2022/23</b>	% Change
Net Asset Per Share (Rs.)	1,020.93	<b>1,053.44</b>	3%
Earnings Per Share (Rs.)	94.72	<b>41.15</b>	(57%)
Dividend Payout (%)	12%	<b>11%</b>	1%
Price Earnings Ratio	7.50	<b>19.15</b>	155%

## MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)



**Value  
Created to  
Share  
Holders**



### Key Challenges and Opportunities

Risks and challenges are inextricably linked in the business of running an organization, regardless of whether the risk stems from environmental problems, social dissatisfaction, political and social instability, or 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 course of the year, the obstacles we experienced ultimately revealed developing possibilities, such as restrictions on vehicle imports, which prompted us to respond by investing in commercial vehicle assembly, which was a strategic move for the Company.

### Looking Forward

We are optimistic that Sri Lanka will be able to manage the unprecedented and complex challenges in the coming years by developing a shared understanding of the magnitude and

scope of the challenge and delivering a clear road map to achieve economic stability with the assistance of domestic and international professional agencies.

Import restrictions are likely to remain in place until the foreign exchange issue is resolved; however, restrictions might be removed as a condition of the IMF. Even so, we will rely on our substantial inventory position to fulfill demand over the coming year, while remaining optimistic about the development of other business verticals such as hiring, after-sales services, and spare part sales.

While we expect great challenges over the next twelve months, we remain confident that Sri Lanka will overcome the acute phase of the crisis. The investments we have made and continue to make at the factory for local assembly of chassis and bodies will further consolidate our position as the market leader and we will be in the best position to capitalize when the economy improves.

Our ability to deliver value has relied on the strength of our relationships with our customers, suppliers, employees and communities we serve. Our commitment to grow together with our stakeholders will help maintain our market leadership position as the country navigates the crisis.

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

The Board of Directors is pleased to present the **Fortieth (40<sup>th</sup>) 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 2023 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.

The table of disclosures in page 28 to 31 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 range of vehicles, spare parts, power generators and providing 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.

## 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.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Statement of Directors' Responsibility for Financial Reporting is given on page 42 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 47 to 99.

The aforementioned Financial Statements for the year ended 31<sup>st</sup> March 2023 signed on behalf of the Board by the Chairman, a Director, Chief Executive Officer and Senior Manager - Finance are given on page 48.

## 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 44 to 46.

## 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 51 to 64 of this Annual Report.

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

### **PROFIT AND APPROPRIATIONS**

	<b>2022/23</b> <b>Rs.</b>	2021/22 Rs.
<b>Profit</b>		
Profit after taxation	<b>148,994,115</b>	342,975,015
Other Comprehensive Income	<b>4,010,228</b>	3,256,308
Total Comprehensive Income for the year	<b>153,004,343</b>	346,231,323
Profit brought forward from previous year	<b>2,759,922,036</b>	2,419,620,055
Profit available for appropriation	<b>2,912,926,379</b>	2,765,851,378
<b>Appropriations</b>		
Unclaimed Dividend Reversed	<b>894,668</b>	1,312,344
Dividend Paid for previous year	<b>(36,208,430)</b>	(7,241,686)
Un-appropriated profit carried forward	<b>2,877,612,617</b>	2,759,922,036

### **DIVIDENDS**

The Board of Directors have recommended payment of a first and final dividend of Rs. 5.00 per share (50%) (2021/22- Rs. 10.00 per share i.e. 100% on the par value) for the year ended 31<sup>st</sup> March 2023.

The Directors 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 2023, on the trading floor of the Colombo Stock Exchange was at a price of Rs. 755 per share. (Corresponding price on 31<sup>st</sup> March 2022 was Rs. 847 per share)

The number of ordinary shares held by the public as at 31<sup>st</sup> March 2023 was 1,100,011 (31<sup>st</sup> March 2022 - 1,100,011) which represent 30.38% (31<sup>st</sup> March 2022 – 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 103 to 104 of this annual report.

### **STATED CAPITAL AND RESERVES**

The Stated Capital of the Company as at 31<sup>st</sup> March 2023 amounted to Rs. 49,375,150 (31<sup>st</sup> March 2022 - 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 page 101.

### **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. 734.33 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 70.

### **CAPITAL EXPENDITURE**

The total Capital Expenditure incurred on the acquisition of Fixed Assets and Intangible Assets during the year is given in Note 15, 16 & 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 12 to 14 and their memberships on the Board committees of the Company are given in page 25 of this annual report.

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

- Mr. K C Leshan De Silva - Chairman (Non-Executive)  
Appointed w.e.f 15<sup>th</sup> March 2023
- Mr. A K S A Jayasena - Chairman (Non-Executive)  
Resigned w.e.f 15<sup>th</sup> March 2023
- 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. Amandeep Singh Arora - Director (Non-Executive)
- Ms. H A Bogodagedara - Director (Non-Executive)  
Appointed w.e.f 15<sup>th</sup> March 2023
- Mr. W H C P S Wijesekara - Director (Non-Executive)  
Resigned w.e.f 31<sup>st</sup> January 2023

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

During the year Mr. A K S A Jayasena & Mr. W H C P S Wijesekara had resigned from the Board and Mr. K C Leshan De Silva and Ms. H A Bogodagedara were appointed to the Board.

### **RETIREMENT AND RE-ELECTION OF DIRECTORS**

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

The agenda for the Annual General Meeting includes two separate ordinary resolutions to be taken up to re-elect 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 26 to the Annual Report.

### **DIRECTORS' MEETINGS**

The Directors' meetings comprise 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 25 to 27 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.

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

## 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 86 to 91 to the Financial Statements.

## BOARD COMMITTEES

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

### • AUDIT COMMITTEE

Mr. D P Kumarage – Chairman  
Mr. K C Leshan De Silva (Appointed w.e.f 15<sup>th</sup> March 2023)  
Mr. A K S A Jayasena (Resigned w.e.f. 15<sup>th</sup> March 2023)  
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. Amandeep Singh Arora  
Ms. H A Bogodagedara (Appointed w.e.f 15<sup>th</sup> March 2023)  
Mr. W H C P S Wijesekara (Resigned w.e.f 31<sup>st</sup> January 2023)

### • NOMINATION COMMITTEE

Mr. N Sundararajan – Chairman  
Mr. D P Kumarage  
Mr. D A Abeyawardene  
Mr. Amandeep Singh Arora  
Ms. H A Bogodagedara (Appointed w.e.f 15<sup>th</sup> March 2023)  
Mr. W H C P S Wijesekara (Resigned w.e.f 31<sup>st</sup> January 2023)

### • RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. N Sundararajan – Chairman  
Mr. K C Leshan De Silva (Appointed w.e.f 15<sup>th</sup> March 2023)  
Mr. A K S A Jayasena (Resigned w.e.f. 15<sup>th</sup> March 2023)  
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 38 to 41 of this annual report.

## 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 (2021/22 - Nil).

## DECLARATION

The Directors declare that

### • Compliance with laws and regulations

To the best of their 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 2023, based on available information, 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 that the businesses continue as least impacted as possible.

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

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

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

- **Effectiveness of Internal Controls**

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

- **Corporate governance**

The Board of Directors is committed to maintain an effective corporate governance culture within the Company in compliance with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. A detailed report on corporate governance is provided on pages 24 to 31 of this annual report.

### 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 2023 was 230. (31<sup>st</sup> March 2022 - 239).

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, M/s. 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. 2,300,000/- (2021/22 – Rs. 2,000,000/-) 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. 66,000/- (2021/22 - Rs. 60,000/-) and Rs. 400,000/- (2021/22 – Rs. 275,000/-) 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 11<sup>th</sup> August 2023.

### ANNUAL GENERAL MEETING

The Fortieth Annual General Meeting will be held on 11<sup>th</sup> August 2023. The notice of Annual General Meeting is given on page 108 of this annual report.

### 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 (Pvt) 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



**K C Leshan De Silva**

Chairman



**D P Kumarage**

Director



**D A Abeyawardene**

Director / Secretary

Colombo

26<sup>th</sup> May 2023

# CORPORATE GOVERNANCE

Lanka Ashok Leyland PLC is committed to maintain the highest standards of corporate governance and this statement describes the principles and practices followed by the Company in this regard.

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).

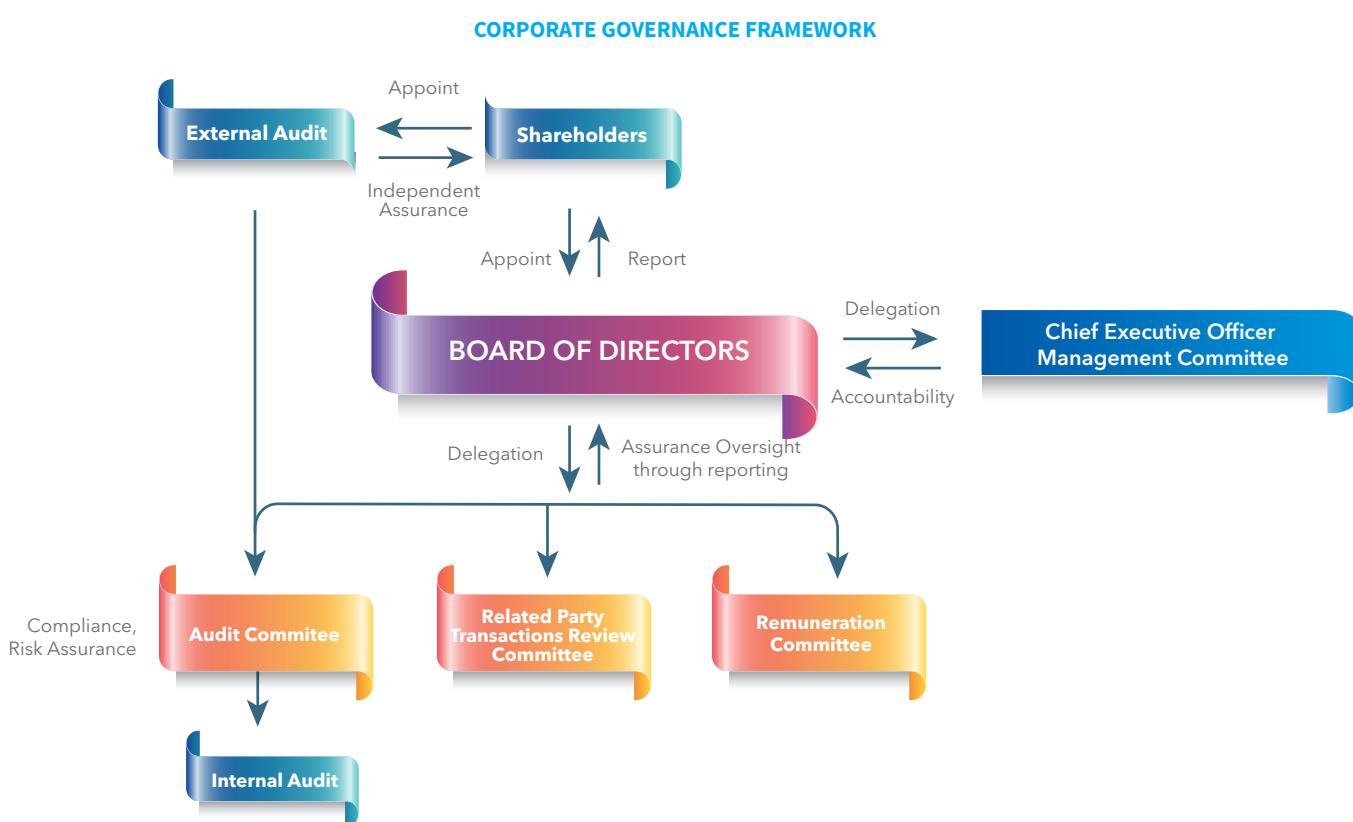
## BOARD OF DIRECTORS

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, 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 32 to 36. The Board reviews periodic updates presented by the Chairman of each of these Committees at the Board meetings.

The Board currently consists of seven Directors including the Chairman. All the Directors are Non-Executive Directors and three of them are Independent Directors. The composition of the Board and brief profile of the Directors highlighting the range of expertise they bring to the Board are set out on pages 25 and 12 to 14.



## CORPORATE GOVERNANCE (Contd.)

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

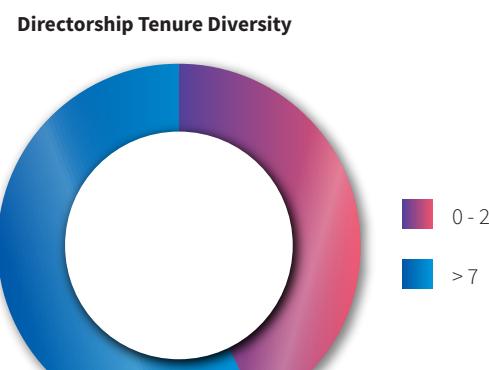
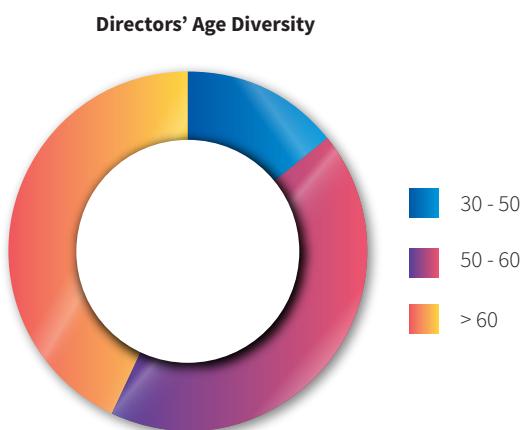
Name of the Director	Category				Board Committees as Chairman or Member			
	Executive	Non - Executive	Independent	Non - Independent	Audit Committee	Remuneration Committee	Nomination Committee	Related- Party Transactions Review Committee
Mr. K C Leshan De Silva <b>(Chairman)</b>	-	✓	-	✓	Member	-	-	Member
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. Amadeep Singh Arora	-	✓	-	✓	-	Member	Member	-
Ms. H A Bogodagedara	-	✓	-	✓	-	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 - <b>Chairman</b> (Resigned w.e.f 15 <sup>th</sup> March 2023)	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. Amadeep Singh Arora	4	3
Mr. W H C P S Wijesekara (Resigned w.e.f 31 <sup>st</sup> January 2023)	4	4

### NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS

During the year, Mr. A K S A Jayasena & Mr. W H C P S Wijesekara had resigned from the Board and Mr. K C Leshan De Silva and Ms. H A Bogodagedara were appointed to the Board.



## 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. K C Leshan De Silva	Chairman of Lanka Leyland (Pvt) Limited, which holds 41.77% of the total share capital of Lanka Ashok Leyland PLC.
Mr. Gopal Mahadevan	Whole time Director and also 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. Amandeep Singh Arora	Head of International Operations 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.
Ms. H A Bogodagedara	Director of Lanka Leyland (Pvt) Limited, which holds 41.77% of the total share capital of Lanka Ashok Leyland PLC.

### AUDIT COMMITTEE

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 32 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 (Resigned w.e f 15 <sup>th</sup> March 2023)	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 33 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. Amandeep Singh Arora	1	-
Mr. W H C P S Wijesekara (Resigned w.e.f 31 <sup>st</sup> January 2023)	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 34 of the Annual Report.

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

Name of the Director	Nomination Committee Meetings	
	No. held	No. attended
Mr. N Sundararajan (Chairman)	1	1
Mr. D P Kumarage	1	1
Mr. D A Abeyawardene	1	1
Mr. Amadeep Singh Arora	1	1
Mr. W H C P S Wijesekara (Resigned w.e.f. 31 <sup>st</sup> January 2023)	1	1

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

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

A separate report by the Chairman of the Related Party Transactions Review Committee is given on pages 35 to 36 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 (Resigned w.e.f 15 <sup>th</sup> March 2023)	4	4
Mr. D P Kumarage	4	2
Mr. Gopal Mahadevan	4	3
Mr. D A Abeyawardene	4	4

### INTERNAL AUDIT

The Internal Audit provides an independent risk based oversight to the Audit Committee on the processes and controls within the Company. M/s. Ernst & Young Consulting 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.	19/51
Section 168 (1) b	Financial Statements for the accounting period completed and signed in accordance with section 151.	47 - 99
Section 168 (1) c	Auditor's report on the Financial Statements	44 - 46
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.	21
Section 168 (1) f	Remuneration and other benefits of directors during the accounting period	66
Section 168 (1) g	Amount of donations made by the Company during the accounting period.	22
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.	21
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.	23
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.	23
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.	19 -23

### 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.	21
Rule 7.6 (ii)	Principal activities of the Entity during the year and any changes therein.	19 / 51
Rule 7.6 (iii)	The names and the number of shares held by the 20 largest holders of shares and the percentage of such shares held.	101
Rule 7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	102
Rule 7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Entity at the beginning and end of financial year.	21
Rule 7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	38 - 41
Rule 7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	23
Rule 7.6 (viii)	Extent, locations, valuations of land and buildings and investment properties.	70
Rule 7.6 (ix)	Number of shares presenting the Entity's stated capital.	80
Rule 7.6 (x)	Distribution schedule of the number of holders in each class of security, and the percentage of their holding as per given categories	101
Rule 7.6 (xi)	Ratios and market price information	7 / 102-104
Rule 7.6 (xii)	Significant changes in the Entity's fixed assets and the market value of land if differs substantially from the book value.	70 - 72
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	29 - 30
Rule 7.6 (xvi)	Details of Related party transactions as per the specified criteria.	86 -91

## 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.

<b>Rule No.</b>	<b>Subject</b>	<b>Applicable Requirement</b>	<b>Details</b>	<b>Compliance Status</b>
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 2023.	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 2023.	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 25 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©	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 12 to 14 to the Annual Report.	Complied
7.10.3(d)	Appointment of new Directors	A brief resume of new Directors appointed to the Board to be provided to Colombo Stock Exchange.	The Company has submitted the brief resume of newly appointed director to Colombo Stock Exchange.	Complied
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	The Company has a Remuneration Committee. Refer page 33 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 26. The report of the Remuneration Committee is given on page 33 and the remuneration paid to Directors is given in the Note 10 to the Financial Statement on page 66.	Complied
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	The Company has an Audit Committee. Refer page 32 to the Annual Report.	Complied

## CORPORATE GOVERNANCE (Contd.)

<b>Rule No.</b>	<b>Subject</b>	<b>Applicable Requirement</b>	<b>Details</b>	<b>Compliance Status</b>
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 25 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 32.	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 32 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.

<b>Rule No.</b>	<b>Subject</b>	<b>Applicable Requirement</b>	<b>Details</b>	<b>Compliance Status</b>
9.2.1	Related Party Transactions Review Committee (RPTRC)	Related Party Transactions should be reviewed by the RPTRC.	Refer RPTRC Report on pages 35 to 36 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 35 to the Annual Report	Complied
9.3.1	Immediate Disclosures – Non Recurrent Related Party Transactions	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 35 to 36 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 35 to 36 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 instance 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 35 to 36 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 22 of the Annual Report of the Board of Directors.	Complied

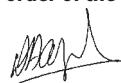
### ETHICAL STANDARDS

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  
26<sup>th</sup> May 2023

# 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 2022/23 comprised of the following Non-Executive Directors;

- Mr. D P Kumarage - Chairman Non-Executive Independent Director
- Mr. K. C. Leshan De Silva - Member Non-Executive Director (Appointed w.e.f 15<sup>th</sup> March 2023)
- Mr. A K S A Jayasena - Member Non-Executive Director (Resigned w.e.f 15<sup>th</sup> March 2023)
- 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, 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 12 to 14 of this annual report.

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 2023 and the attendance details are given in page 26 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 Consulting 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 38 to 41 of this annual report.

## 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 contained in 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.

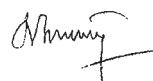
The Committee reviewed the non-audit services and its impact on the independence of the External Auditors and recommended to the Board that M/s. KPMG be re-appointed as the Independent External Auditor and also the re-appointment be included in the agenda of the Annual General Meeting, for securing the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

26<sup>th</sup> May 2023

# 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. Amandeep Singh Arora - Member Non-Executive Director
- Ms. H A Bogodagedara - Member Non-Executive Director (Appointed w.e.f 15<sup>th</sup> March 2023)
- Mr. W H C P S Wijesekara - Member Non-Executive Director (Resigned w.e.f 31<sup>st</sup> January 2023)

Brief profile of each member is given on pages 12 to 14 to this annual report.

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.

## **SCOPE 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 of 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, taking in to account the 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 pages 66 and 90 of this annual report.

## **MEETINGS**

The Committee held one meeting during the year under review and the attendance details are given on page 26 as part of the Corporate Governance Report.



**N Sundararajan**

Chairman - Remuneration Committee

Chennai

26<sup>th</sup> May 2023

# 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<br>Independent Director                                    |
| • Mr. D P Kumarage         | - Member   | Non-Executive<br>Independent Director                                    |
| • Mr. D A Abayawardene     | - Member   | Non-Executive<br>Independent Director                                    |
| • Mr. Amandeep Singh Arora | - Member   | Non-Executive Director   |
| • Ms. H A Bogodagedara     | - Member   | Non-Executive Director<br>(Appointed w.e.f 15 <sup>th</sup> March 2023)  |
| • Mr. W H C P S Wijesekara | - Member   | Non-Executive Director<br>(Resigned w.e.f 31 <sup>st</sup> January 2023) |

Brief profile of each member is given on pages 12 to 14 of this annual report.

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 to 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 requirements of the Company.

## TERMS OF REFERENCE AND KEY ACTIVITIES

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

- To review (as and when necessary) 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 person(s) for appointments to the Board as Director(s) based on the nominations by the Promoter shareholders and also the provisions of Articles of Association of the Company. As per 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 accepts such Promoters' choice of Directors.

- To advise the Board on selection and appointment of Chairman of the Committees of the Board.
- 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 meets fully the requirements and demands of the Company.

## MEETINGS

The Committee held one meeting during the year under review and the attendance details are given on page 27 as part of the Corporate Governance Report.



N Sundararajan

Chairman - Nomination Committee

Chennai

26<sup>th</sup> May 2023

# 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 Related Party Transactions Review Committee consists of the following Non-executive Directors of the Board;

- Mr. N Sundararajan - Chairman Non-Executive Independent Director
- Mr. K. C. Leshan De Silva - Member Non-Executive Director (Appointed w.e.f 15<sup>th</sup> March 2023)
- Mr. A K S A Jayasena - Member Non-Executive Director (Resigned w.e.f 15<sup>th</sup> March 2023)
- Mr. D P Kumarage - Member Non-Executive Independent Director
- Mr. Gopal Mahadevan - Member Non-Executive Director
- Mr. D A Abeyawardene - Member Non-Executive Independent Director

Brief profile of each member is provided on pages 12 and 14 of this annual report.

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 (Pvt) Limited and Ashok Leyland Limited, India) of the Company and the parties related to Lanka Leyland (Pvt) Limited and Ashok Leyland Limited, India and also entities and organisations directly or indirectly related to them as per the applicable laws, 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 27 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 REVIEW COMMITTEE REPORT (Contd.)

### **RELATED PARTY TRANSACTIONS DURING THE YEAR 2022/23**

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 86 to 91 to Financial Statements.

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, any 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 political pandemic situations. Also, it is to be recorded that Government of Sri Lanka has been supportive of the Company; and Ashok Leyland Limited had extended very special credit terms to enable the Company to hold inventory for Sales, during the difficult economic conditions of 2022-23. Therefore, the delay and the consequents 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 22. 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

26<sup>th</sup> May 2023

# 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 and followed up 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 and has been done in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) and regulatory requirements.

## By order of the Board



D P Kumarage

Chairman – Audit Committee



D A Abeyawardene

Director / Secretary

Colombo

26<sup>th</sup> May 2023

# MANAGEMENT OF RISK

## OVERVIEW

The Company believes that successful and proactive risk management initiatives can minimize the likelihood and the impact of risks, though it is not possible to completely avoid risks, as risk is an integral part of any business and risk and returns goes hand in hand while doing business. Risk Management is a continuous and developing process which runs throughout the Company's strategic initiatives and the implementations, to maintain a balance between the risks of uncertainty and change necessary to grab opportunities.

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

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.

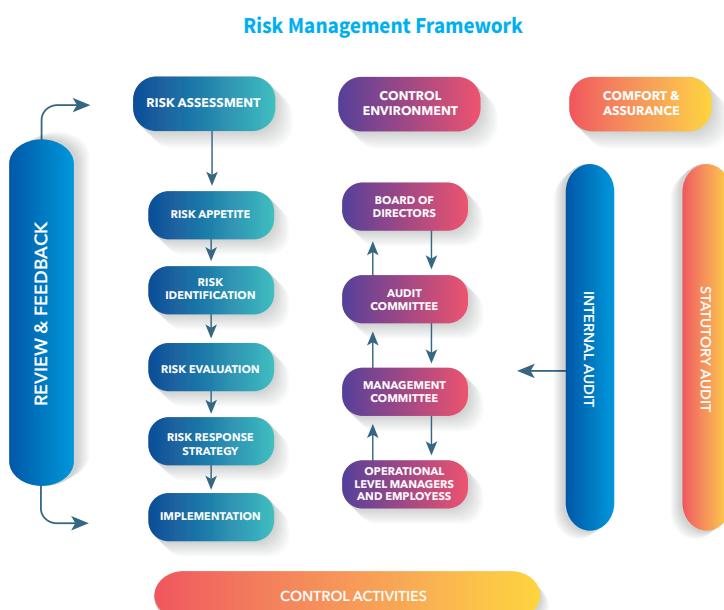
The Board has delegated its responsibility to the Audit Committee to oversee the system of Risk Management, compliance and controls

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 control 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.



## 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

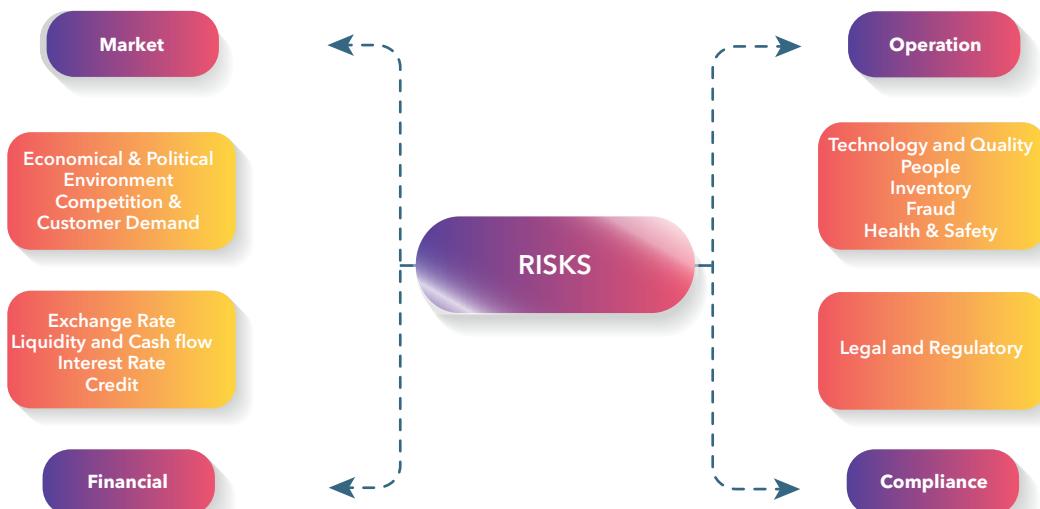
Control activities established through policies and procedures are performed at all levels of the company at various stages within business processes, and over the technological environment. They may be preventive or detective in nature. Segregation of duties is typically built into the selection and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

Management Committee is responsible for effectively implementing 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.



During the year under concern the focus was mainly on the foreign exchange risk and the market risk management due to ongoing political and economical developments in the Country.

## 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 monitored and evaluated as part of the Company's "strategy and objectives".
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.	Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar during 2022/23 year as a result of ongoing currency crisis in the Country. The Company carefully and actively monitored the situation, since the beginning of the year and took proactive mitigation measures as well as necessary policy decisions on pricing and supply chain management etc.
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.)

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

Operational Risk		
Risk	Potential Impact	Treatment/s
Technology and Quality	Possibility of products or processes being outdated or obsolete due to advanced technology.	Keep pace with current technological developments in the industry. Upgrade knowledge of technical staff through trainings and seminars. Ensure strong supplier and customer relationship to understand customers' changing requirements and suppliers' new developments.
People	Impact on business competitiveness due to difficulties in attracting, developing and retaining employees with the appropriate skills, experience and aptitude.	Recruitment of high caliber staff, establishing of effective communication lines and developing the Company's culture to foster good employer employee relationships. Regular training programs are carried out in order to infuse motivation, commitment and empowerment among the staff.
Inventory	Risk of carrying inventory that is not saleable.	Maintain optimum levels in all possible categories of inventory. Taking into consideration of the supply chain barriers faced by Sri Lankan economy due to ongoing forex restrictions. Ensure required quality standards are met at all stages of inventory to maintain quality until the product is delivered.
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.	Conduct periodic internal audits by an independent firm of Chartered Accountants. Formation of an Audit Committee which reviews internal audit reports and other financial and non-financial reports on a quarterly basis. Establishment of stringent procedures and internal control measures and their continuous improvement.

# THE STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibility in relation to the preparation and presentation of the Financial Statements is set out in the following statement. Responsibility of the auditors in relation to the Financial Statements is set out in the report of the auditors.

The Financial Statements comprise of:

- 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;
- 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;
- Statement of Changes in Equity depicting all changes in shareholders' funds of the Company during the year under review;
- 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 the 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. 5.00 per share as the first and final dividend for the financial year ended 31<sup>st</sup> March 2023.

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

26<sup>th</sup> May 2023



## FINANCIAL CALENDAR 2022/2023

	2022/23	2021/22
Annual Report	<b>20<sup>th</sup> July 2023</b>	20 <sup>th</sup> July 2022
Annual General Meeting to be held / held	<b>11<sup>th</sup> August 2023</b>	10 <sup>th</sup> August 2022
Final Dividend to be Declared / Declared	<b>11<sup>th</sup> August 2023</b>	10 <sup>th</sup> August 2022
Final Dividend to be Paid / Paid	<b>04<sup>th</sup> September 2023</b>	01 <sup>st</sup> September 2022

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

	2022/23	2021/22
01 <sup>st</sup> Quarter Report	<b>10<sup>th</sup> August 2022</b>	29 <sup>th</sup> July 2021
02 <sup>nd</sup> Quarter Report	<b>14<sup>th</sup> November 2022</b>	09 <sup>th</sup> November 2021
03 <sup>rd</sup> Quarter Report	<b>17<sup>th</sup> January 2023</b>	08 <sup>th</sup> February 2022
04 <sup>th</sup> Quarter Report	<b>26<sup>th</sup> May 2023</b>	30 <sup>th</sup> May 2022

# 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 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 47 to 99.

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 2023, 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.

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

C. P. Jayatilake FCA  
Ms. S. Joseph FCA  
S. T. D. L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA

T. J. S. Rajakarier FCA  
Ms. S.M.B. Jayasekara FCA  
G. A. U. Karunaratne FCA  
R. H. Rajan FCA  
A.M.R.P. Alahakoon ACA

W. J. C. Perera FCA  
W. K. D. C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FTII

## INDEPENDENT AUDITOR'S REPORT (Contd.)



- 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;
- 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. 838,811,946 and Trade receivables amounted to Rs 419,540,250 as at 31<sup>st</sup> March 2023.

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 ongoing economic downturn experienced by the country. We identified assessing the recoverability of receivable as a key audit matter because of the significance of rental and receivable to the financial statements as a whole and the assessment of the recoverability of trade receivable 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 estimation 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. The annual report is expected to be made available to us after the date of this auditor's report.

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.

When we read the other information in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## INDEPENDENT AUDITOR'S REPORT (Contd.)



### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

### 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

26<sup>th</sup> May 2023

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 <sup>st</sup> March	Note	2023 Rs.	2022 Rs.
<b>Revenue</b>	5	<b>3,487,704,617</b>	6,860,962,989
Cost of Sales		(2,969,418,313)	(6,046,697,333)
<b>Gross Profit</b>		<b>518,286,304</b>	814,265,656
Other Income	6	<b>282,667,376</b>	367,472,452
Selling and Distribution Expenses	7	(22,799,313)	(27,844,602)
Administrative Expenses		(570,395,869)	(467,084,284)
Impairment Charge of Trade Receivables	8	(51,292,523)	(146,571,496)
Other Operating Expenses		(122,778,474)	(88,619,802)
<b>Profit from Operations</b>		<b>33,687,501</b>	451,617,924
Finance Income	9.1	<b>72,367,900</b>	21,059,478
Finance Cost	9.2	(25,232,311)	(24,029,140)
<b>Net Finance Income / (Cost)</b>	9	<b>47,135,589</b>	(2,969,662)
<b>Profit Before Tax</b>	10	<b>80,823,090</b>	448,648,262
Tax Reversal / (Expense)	11.1	<b>68,171,025</b>	(105,673,247)
<b>Profit for the Year</b>		<b>148,994,115</b>	342,975,015
<hr/>			
<b>Other Comprehensive Income</b>			
<i>Items that will Never be Reclassified to Profit or Loss</i>			
Remeasurement of Employee Benefits - Actuarial Gain	27.2	<b>5,728,897</b>	4,121,909
Deferred Tax Charge on Defined Benefit Plan	11.3	(1,718,669)	(865,601)
<b>Total Other Comprehensive Income, net of Tax</b>		<b>4,010,228</b>	3,256,308
Total Comprehensive Income for the Year		<b>153,004,343</b>	346,231,323
Basic and Diluted Earnings Per Share	12	<b>41.15</b>	94.72
<b>Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (Adjusted EBITDA)</b>	14	<b>158,475,460</b>	565,681,039

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

# STATEMENT OF FINANCIAL POSITION

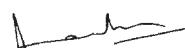
<b>As at 31<sup>st</sup> March</b>	<b>Note</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, Plant & Equipment	15	<b>697,391,472</b>	647,642,072
Right-of-use Asset	16	<b>36,021,119</b>	42,894,834
Intangible Assets	17	<b>920,356</b>	3,054,331
Financial Investments	18	<b>11,542,980</b>	11,550,475
Rental Receivable from Trade Debtors	19.1	<b>314,633,296</b>	864,856,471
Deferred Tax Asset	20	<b>313,755,104</b>	213,558,928
<b>Total Non Current Assets</b>		<b>1,374,264,327</b>	1,783,557,111
<b>Current Assets</b>			
Inventories	21	<b>2,623,994,152</b>	2,952,421,165
Trade and Other Receivables	22	<b>459,839,299</b>	217,401,901
Rental Receivable from Trade Debtors	19.2	<b>524,178,650</b>	514,945,517
Deposits and Prepayments	23	<b>112,241,570</b>	107,435,055
Cash & Cash Equivalents	24.1	<b>27,050,059</b>	2,067,069,039
<b>Total Current Assets</b>		<b>3,747,303,730</b>	5,859,272,677
<b>Total Assets</b>		<b>5,121,568,057</b>	7,642,829,788
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Stated Capital	25	<b>49,375,150</b>	49,375,150
General Reserve	26	<b>887,347,500</b>	887,347,500
Retained Earnings		<b>2,877,612,617</b>	2,759,922,036
<b>Equity attributable to Owners of the Company</b>		<b>3,814,335,267</b>	3,696,644,686
<b>Non Current Liabilities</b>			
Employee Benefits	27	<b>109,918,855</b>	96,937,072
Lease Liability	28.2	<b>30,420,490</b>	44,740,501
<b>Total Non Current Liabilities</b>		<b>140,339,345</b>	141,677,573
<b>Current Liabilities</b>			
Trade and Other Payables	29	<b>730,660,779</b>	1,143,611,311
Amount due to Related Party	30	<b>333,303,000</b>	2,146,013,053
Current Tax Liabilities	31	<b>19,007,471</b>	39,528,436
Provision for Warranty	32	<b>594,547</b>	3,479,532
Short-Term Borrowings	33	-	378,205,767
Lease Liability	28.2	<b>30,355,200</b>	23,232,000
Bank Overdrafts	24.2	<b>52,972,448</b>	70,437,430
<b>Total Current Liabilities</b>		<b>1,166,893,445</b>	3,804,507,529
<b>Total Liabilities</b>		<b>1,307,232,790</b>	3,946,185,102
<b>Total Equity &amp; Liabilities</b>		<b>5,121,568,057</b>	7,642,829,788
<b>Net Assets per Share</b>		<b>1,053.44</b>	1,020.93

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

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



**G R Jayalath**  
Senior Manager - Finance



**U Gautam**  
Chief Executive Officer

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



**K C L De Silva**  
Chairman



**D A Abeyawardene**  
Director

Colombo, 26<sup>th</sup> May 2023

# 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 2021</b>	49,375,150	887,347,500	2,419,620,055	3,356,342,705
<b>Total Comprehensive Income</b>				
Profit for the year	-	-	342,975,015	342,975,015
Other Comprehensive Income for the year	-	-	3,256,308	3,256,308
<b>Total Comprehensive Income</b>	-	-	346,231,323	346,231,323
<b>Transactions with Owners of the Company</b>				
<b>Contribution / Distribution</b>				
Unclaimed Dividend Reversed (Note 13.1)	-	-	1,312,344	1,312,344
Dividend (Note 13.2)	-	-	(7,241,686)	(7,241,686)
<b>Total Transactions with Owners of the Company</b>	-	-	(5,929,342)	(5,929,342)
<b>Balance as at 31<sup>st</sup> March 2022</b>	49,375,150	887,347,500	2,759,922,036	3,696,644,686
<b>Balance as at 01<sup>st</sup> April 2022</b>	<b>49,375,150</b>	<b>887,347,500</b>	<b>2,759,922,036</b>	<b>3,696,644,686</b>
<b>Total Comprehensive Income</b>				
Profit for the year	-	-	148,994,115	148,994,115
Other Comprehensive Income for the year	-	-	4,010,228	4,010,228
<b>Total Comprehensive Income</b>	-	-	<b>153,004,343</b>	<b>153,004,343</b>
<b>Transactions with Owners of the Company</b>				
<b>Contribution / Distribution</b>				
Unclaimed Dividend Reversed (Note 13.1)	-	-	894,668	894,668
Dividend (Note 13.2)	-	-	(36,208,430)	(36,208,430)
<b>Total Transactions with Owners of the Company</b>	-	-	<b>(35,313,762)</b>	<b>(35,313,762)</b>
<b>Balance as at 31<sup>st</sup> March 2023</b>	<b>49,375,150</b>	<b>887,347,500</b>	<b>2,877,612,617</b>	<b>3,814,335,267</b>

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

# STATEMENT OF CASH FLOWS

<b>For the Year Ended 31<sup>st</sup> March</b>	<b>Note</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
<b>Cash flows from Operating Activities</b>			
Profit Before Tax		<b>80,823,090</b>	448,648,262
<b>Adjustment For :</b>			
Depreciation of Property, Plant and Equipment	10	<b>108,722,068</b>	97,535,233
Depreciation of Right of Use Assets	10	<b>12,827,791</b>	13,190,065
Amortization of Intangible Assets	10	<b>3,238,100</b>	3,337,817
Provision for Employee Benefits	27.1	<b>21,286,093</b>	9,438,039
Impairment Provision of Trade & Other Receivables	8	<b>51,292,523</b>	146,571,496
(Reversal) / Charge for Provision for Inventory	10	<b>(10,186,564)</b>	171,132,955
Finance Costs		<b>25,226,657</b>	24,023,115
Interest Income	9.1	<b>(70,558,490)</b>	(15,719,713)
Lease Interest Income	6	<b>(249,312,231)</b>	(336,923,951)
Gain on Sale of Property, Plant and Equipment	6	<b>(5,217)</b>	(4,007,019)
(Reversal) / Charge of Provision for Free Service	10	<b>(3,017,682)</b>	4,150,600
(Reversal) / Charge of Warranty Provision	10	<b>(2,884,985)</b>	2,827,697
Fair Value Loss on Equity Investments	9.2	<b>5,654</b>	6,025
		<b>(113,366,283)</b>	115,562,359
<b>Operating Profit before Working Capital Changes</b>		<b>(32,543,193)</b>	564,210,621
<b>Working Capital Changes in</b>			
Working Capital Changes in			
Inventories		<b>279,112,709</b>	1,201,011,322
Trade and Other Receivables		<b>73,640,457</b>	34,313,696
Amount due from Related Party		<b>168,813,149</b>	177,335,083
Trade and Other Payables		<b>(409,038,965)</b>	204,726,134
Amounts due to Related Party		<b>(1,812,710,053)</b>	319,328,207
		<b>(1,700,182,703)</b>	1,936,714,442
<b>Cash Generated from / (Used in) Operations</b>		<b>(1,732,725,896)</b>	2,500,925,063
Interest Paid		<b>(15,325,348)</b>	(19,308,006)
Employee Benefits Paid	27	<b>(2,575,413)</b>	(4,495,867)
Payments / Set off of Income Taxes	31	<b>(54,264,785)</b>	(113,178,219)
		<b>(72,165,546)</b>	(136,982,092)
<b>Net Cash Generated from / (Used in) Operating Activities</b>		<b>(1,804,891,442)</b>	2,363,942,971
<b>Cash flows from Investing Activities</b>			
Interest Received		<b>319,872,562</b>	352,645,267
Proceeds from Sale of Property, Plant and Equipment		<b>6,000</b>	8,201,712
Acquisition of Property, Plant and Equipment	15.5	<b>(98,970,600)</b>	(179,569,538)
Acquisition of Intangible Assets	17	<b>(1,104,125)</b>	-
<b>Net Cash Flows Generated from Investing Activities</b>		<b>219,803,837</b>	181,277,441
<b>Cash Flows from Financing Activities</b>			
Short Term Loans obtained during the year	33.1	<b>222,848,000</b>	2,002,630,837
Short Term Loans repaid during the year	33.1	<b>(601,053,767)</b>	(2,488,149,228)
Payment for Lease Liability		<b>(23,052,196)</b>	(19,172,790)
Dividend Paid		<b>(36,208,430)</b>	(7,241,686)
<b>Net Cash Flows Used in from Financing Activities</b>		<b>(437,466,393)</b>	(511,932,867)
<b>Net Decrease in Cash &amp; Cash Equivalents</b>		<b>(2,022,553,998)</b>	2,033,287,545
Net Cash & Cash Equivalents at the beginning of the year		<b>1,996,631,609</b>	(36,655,936)
Net Cash & Cash Equivalents at the end of the year	24	<b>(25,922,389)</b>	1,996,631,609
<b>Analysis of Cash &amp; Cash Equivalents at the end of the year</b>			
Cash & Cash Equivalents	24.1	<b>27,050,059</b>	2,067,069,039
Bank Overdrafts	24.2	<b>(52,972,448)</b>	(70,437,430)
		<b>(25,922,389)</b>	1,996,631,609

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 230 (2022 – 239).

### 1.3 Ultimate Holding Company

The Company is a quoted public Company with 41.77% of the Share Capital held by Lanka Leyland (Pvt) 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 2023 were approved and authorised for issue by the Board of Directors on 26<sup>th</sup> May 2023.

### 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 in Note 18.1. 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 31st March 2023 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, based on the Company's historical experience, informed credit assessment and including forward-looking information.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### **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 inflation rate of Sri Lanka increased to 50.3% in March of 2023 and there is a high probability that inflation may not increase further. To respond to the current economic crisis and inflation, Central Bank of Sri Lanka (CBSL), has tightened the Monetary Policy while increasing policy rates to 16.50%. Accordingly, yields on Government securities have also increased notably to reflect market conditions in view of the higher financing requirement of the Government. However, the IMF led restructuring of the economy is in progress to stabilize any negative impact of the economy.

As the company has a considerable segment of customers who depends on finance leasing facilities, negative impact would be experienced by the company as a result of the increase in interest rates. The Board of Directors continues to monitor the potential implications of these monetary factors along with other economic and political factors on the sustainability of the Company and take proactive action to meet future obligations and ensure business continuity.

Therefore, given the Company's current financial performance, and expected future performance based on internal budgeting and planning, the Financial Statements continue to be prepared on a going concern basis.

### **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 closing 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 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.

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:

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

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

### **Financial Assets – Subsequent Measurement and Gains and Losses**

#### **Financial Assets at FVTPL**

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

#### **Financial Assets at Amortised Cost**

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

### **3.3.3. 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

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

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

### **Measurement of ECLs**

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

### **Credit-Impaired Financial Assets**

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

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

- significant financial difficulty of the debtor;
- 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 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 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%
Tools and Equipment - Factory	25%
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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### **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.

### **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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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.

### **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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### **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.

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	<p>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.</p> <p>The Company may recognize Revenue from free services when the service is rendered.</p>	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	<p>The Company constructs some of the body parts in resalable nature, where it is less customized to the particular customer.</p> <p>The Company also constructs the body parts fully customized to the specifications provided by the customer.</p> <p>The Company has a guaranteed right to payment by the advance or the full payment charged from the customer.</p>	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	<p>The Company acts as an indent agent for Ashok Leyland – India.</p> <p>LAL receives a commission from its indent principal for arranging the transaction.</p>	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	<p>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.</p>	<p>Revenue from sale of generators are recognized at the point of delivery.</p> <p>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.</p>
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.

- Deferred Tax related to Tax and Liabilities Arising from a single Transactions (Amendments to LKAS 12).
- Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1).
- Disclosure of Accounting Policies (Amendments to LKAS 1 and LKAS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to LKAS 8).

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the Year Ended 31 <sup>st</sup> March		2023	2022
		Rs.	Rs.
<b>5 REVENUE</b>			
<b>5.1 Disaggregation of Revenue from Contract with Customers</b>			
<b>5.1.1 Major Products / Service Lines</b>			
New Vehicle Sales		<b>2,698,724,989</b>	6,329,561,251
Diesel Generator Set Sales		<b>66,122,086</b>	62,408,676
Repair Income		<b>211,997,961</b>	171,144,000
Spare Parts Sales		<b>232,949,366</b>	211,063,613
Vehicle Hiring Income		<b>249,699,443</b>	67,813,227
Local Agency Commission		<b>28,210,772</b>	18,972,222
		<b>3,487,704,617</b>	6,860,962,989
<b>5.1.2 Sales by Type of Counter-party</b>			
Government Entities		<b>556,531,316</b>	262,922,901
Corporates and Institutions		<b>1,892,622,241</b>	3,238,395,797
Individuals		<b>1,038,551,060</b>	3,359,644,291
		<b>3,487,704,617</b>	6,860,962,989
<b>5.1.3 Timing of Revenue Recognition</b>			
Products & Services Transferred at a Point in Time		<b>3,238,005,174</b>	6,793,149,762
Product & Services Transferred Over Time		<b>249,699,443</b>	67,813,227
		<b>3,487,704,617</b>	6,860,962,989
<b>5.2 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		2023	2022
		Rs.	Rs.
<b>6 OTHER INCOME</b>			
Profit on Sale of Property, Plant and Equipment		<b>5,217</b>	4,007,019
Lease Interest Income (Note 19.7)		<b>249,312,231</b>	336,923,951
Sundry Income		<b>33,349,928</b>	26,541,482
		<b>282,667,376</b>	367,472,452
<b>7 SELLING AND DISTRIBUTION EXPENSES</b>			
Distribution Expenses Comprise of the Followings;			
Sales Promotions		<b>1,559,168</b>	886,275
Discounts		<b>1,587,769</b>	2,048,621
Advertising		<b>31,200</b>	226,720
Other Selling Expenses		<b>19,621,176</b>	24,682,986
		<b>22,799,313</b>	27,844,602

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	<b>For the Year Ended 31<sup>st</sup> March</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
<b>8</b>	<b>IMPAIRMENT CHARGE OF TRADE RECEIVABLES</b>		
	Impairment Reversal (Charge) of Rental Receivable from Trade Receivables (Note 19.3)	<b>7,201,136</b>	(146,050,797)
	Impairment Charge of Trade Receivables (Note 22.2)	<b>(58,493,659)</b>	(520,699)
		<b>(51,292,523)</b>	(146,571,496)
<b>9</b>	<b>NET FINANCE INCOME / (COST)</b>		
<b>9.1</b>	<b>Finance Income</b>		
	Interest Income	<b>70,558,490</b>	15,719,713
	Net Foreign Exchange Gain	<b>1,809,410</b>	5,339,765
		<b>72,367,900</b>	21,059,478
<b>9.2</b>	<b>Finance Cost</b>		
	Interest Expense on Short Term Borrowings	<b>(3,806,829)</b>	(15,990,461)
	Interest Expense on Bank Overdrafts	<b>(10,250,715)</b>	(1,370,335)
	Interest Cost on Lease Liability	<b>(11,169,113)</b>	(6,662,319)
	Financial Assets at FVTPL - Net Change in Fair Value Loss	<b>(5,654)</b>	(6,025)
		<b>(25,232,311)</b>	(24,029,140)
	<b>NET FINANCE INCOME / (COST)</b>	<b>47,135,589</b>	(2,969,662)
<b>10</b>	<b>PROFIT BEFORE TAX</b>		
	Profit before tax is stated after charging all the expenses / (reversal) including followings;		
	Directors' Emoluments	<b>16,275,000</b>	12,025,833
	Auditors' Remuneration - Audit Services	<b>2,300,000</b>	2,000,000
	- Audit Related Services	<b>66,000</b>	60,000
	- Non Audit Services	<b>400,000</b>	275,000
	Staff Cost (Note 10.1)	<b>365,650,617</b>	299,988,834
	Depreciation of Property, Plant and Equipment (Note 15)	<b>108,722,068</b>	97,535,233
	Depreciation of Right of Use Asset (Note 16)	<b>12,827,791</b>	13,190,065
	Amortization of Intangible Assets (Note 17)	<b>3,238,100</b>	3,337,817
	(Reversal) / Charge Provision for Slow Moving and Obsolete Stocks (Note 21.2)	<b>(10,186,564)</b>	171,132,955
	(Reversal) / Charge of Provision for Free Service (Note 29.1)	<b>(3,017,682)</b>	4,150,600
	(Reversal) / Charge of Warranty Provision (Note 32)	<b>(2,884,985)</b>	2,827,697
<b>10.1</b>	<b>Staff Cost</b>		
	Salaries, Wages and Other Benefits	<b>316,477,256</b>	265,607,461
	Defined Contribution Plans - EPF	<b>22,309,814</b>	19,954,667
	Defined Contribution Plans - ETF	<b>5,577,454</b>	4,988,667
	Defined Benefit Plans (Note 27.1)	<b>21,286,093</b>	9,438,039
		<b>365,650,617</b>	299,988,834

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### **11 TAX EXPENSE / (REVERSAL)**

The rate of 24% on taxable income & 14% on export income were applied on the taxable income of 1<sup>st</sup> half of the financial year ended 31<sup>st</sup> March 2023. However, with the enactment of the Inland Revenue (Amendment) Act No. 45 of 2022 with effective from 01<sup>st</sup> October 2022 of the year of Assessment 2022/23, the income tax rate was revised to 30%. Accordingly, 30% was applied on the taxable income of the Company for the 2<sup>nd</sup> half of the financial year ended 31<sup>st</sup> March 2023. The composition of income tax expense is as follows ;

	For the Year Ended 31 <sup>st</sup> March	2023	2022
		Rs.	Rs.
<b>11.1 Tax (Reversal) / Expense</b>			
Income Tax on Profits for the year (Note 11.2)	<b>33,617,820</b>	135,989,307	
Over Provision of Current Tax in Respect of Previous years	<b>126,000</b>	(124,989)	
Deferred Tax Reversal (Note 11.3)	<b>(101,914,845)</b>	(30,191,071)	
	<b>(68,171,025)</b>	105,673,247	
<b>11.2 Reconciliation of the Accounting Profit and Taxable Profit</b>			
Profit Before Tax	<b>80,823,090</b>	448,648,262	
Income from Other Sources and Exempt Income	<b>(70,967,614)</b>	(20,089,540)	
Aggregated Expenses Disallowed for Taxation	<b>207,980,819</b>	452,982,948	
Aggregated Deductible Expenses for Taxation	<b>(163,658,698)</b>	(289,910,443)	
Assessable Income from Business	<b>54,177,597</b>	591,631,227	
Assessable Income from Investment	<b>70,558,490</b>	15,722,813	
Taxable Income	<b>124,736,087</b>	607,354,040	
<b>Taxation</b>			
Income Tax at 14%	<b>85,292</b>	402,156	
Income Tax at 18%	<b>-</b>	28,465,226	
Income Tax at 24%	<b>14,822,115</b>	107,121,925	
Income Tax at 30%	<b>18,710,413</b>	-	
Income Tax on Profits for the year	<b>33,617,820</b>	135,989,307	
<b>11.3 Deferred Tax Reversal Recognized in Comprehensive Income</b>			
Statement of Profit or Loss (Note 20)	<b>101,914,845</b>	30,191,071	
Other Comprehensive Income (Note 20)	<b>(1,718,669)</b>	(865,601)	
	<b>100,196,176</b>	29,325,470	

	For the Year Ended 31 <sup>st</sup> March	2023	2022
		Rs.	Rs.
<b>11.4 Effective Tax Rate</b>			
Effective Tax Rate Excluding Deferred Tax (Note 11.5)	<b>41.59%</b>	30.31%	
Effective Tax Rate Including Deferred Tax (Note 11.5)	<b>-84.50%</b>	23.58%	
Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years (Note 11.5)	<b>-84.35%</b>	23.55%	

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the Year Ended 31 <sup>st</sup> March	2023	2022		
	Rate	Rs.	Rate	Rs.
<b>11 TAX EXPENSE / (REVERSAL) (Contd.)</b>				
<b>11.5 Reconciliation of Effective Tax Rate</b>				
Profit Before Tax		<b>80,823,090</b>		448,648,262
Income Tax Expense at the Average Statutory Income Tax Rate	<b>26.95%</b>	<b>21,782,759</b>	22.39%	100,454,368
Exempted Income	<b>-0.14%</b>	<b>(110,264)</b>	-0.22%	(977,730)
Disallowable Expenses	<b>69.35%</b>	<b>56,053,239</b>	22.61%	101,424,924
Deductible Expenses	<b>-54.57%</b>	<b>(44,107,914)</b>	-14.47%	(64,912,255)
<b>Effective Tax Rate Excluding Deferred Tax</b>	<b>41.59%</b>	<b>33,617,820</b>	30.31%	135,989,307
Temporary Differences	<b>-126.10%</b>	<b>(101,914,845)</b>	-6.73%	(30,191,071)
<b>Effective Tax Rate Including Deferred Tax</b>	<b>-84.50%</b>	<b>(68,297,025)</b>	23.58%	105,798,236
Over Provision of Current Tax in Respect of Previous years	<b>0.16%</b>	<b>126,000</b>	-0.03%	(124,989)
<b>Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years</b>	<b>-84.35%</b>	<b>(68,171,025)</b>	23.55%	105,673,247

### 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	2023	2022
Profit Attributable to Ordinary Shareholders (Rs.)	<b>148,994,115</b>	342,975,015
Weighted Average Number of Ordinary Shares	<b>3,620,843</b>	3,620,843
Basic and Diluted Earnings per Share (Rs.)	<b>41.15</b>	94.72

#### 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	2023	2022
Dividend for the Year (Rs.)	<b>18,104,215</b>	36,208,430
Weighted Average Number of Ordinary Shares	<b>3,620,843</b>	3,620,843
Dividend per Share (Rs.)	<b>5.00</b>	10.00

**13.1** During the year, an amount of Rs. 894,668/- (2021/22 - Rs. 1,312,344/-) reversed as unclaimed dividend.

**13.2** 2021/22 Company has declared a first and final Dividend amount of Rs. 36,208,430/- was paid during 2022/23 and dividend declared for 2020/21 year amounting to Rs. 7,241,686/- paid during 2021/22.

### **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	2023 Rs.	2022 Rs.
<b>Profit from Continuing Operations</b>		<b>148,994,115</b>	342,975,015
Tax (Expense) / Income	11.1	<b>(68,171,025)</b>	105,673,247
<b>Profit before Tax</b>		<b>80,823,090</b>	448,648,262
Adjustments for:			
- Net Finance (Income) / Costs	9	<b>(47,135,589)</b>	2,969,662
- Depreciation of Property, Plant & Equipment	10	<b>108,722,068</b>	97,535,233
- Depreciation of Right-of-use Asset	10	<b>12,827,791</b>	13,190,065
- Amortisation of Intangible Assets	10	<b>3,238,100</b>	3,337,817
<b>Adjusted EBITDA</b>		<b>158,475,460</b>	565,681,039

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 15 PROPERTY, PLANT & EQUIPMENT

For the Year Ended 31 <sup>st</sup> March 2023	As at 01 <sup>st</sup> April 2022 Rs.	Cost			As at 31 <sup>st</sup> March 2023 Rs.
		Additions Rs.	Disposals / Transfers / Rs.		
Freehold Land	10,700,810	-	-	-	10,700,810
Freehold Factory & Building	360,820,756	78,135,230	-	-	438,955,986
Data Processing Equipment	46,783,752	3,617,756	(70,000)	50,331,508	
Machinery & Equipment	56,886,860	287,000	-	57,173,860	
Factory Equipment	37,330,840	4,740,800	-	42,071,640	
Office Equipment	11,611,896	4,903,436	-	16,515,332	
Furniture & Fittings	26,858,621	11,754,554	-	38,613,175	
Motor Vehicles	946,316,896	59,500,868	-	1,005,817,764	
Plant & Machinery and Equipment - Assy Line	47,788,198	6,540,778	-	54,328,976	
Tools and Equipment - Factory	-	4,195,450	-	4,195,450	
	1,545,098,629	173,675,872	(70,000)	1,718,704,501	
<b>Capital Work In Progress - Building</b>	<b>15,204,404</b>	-	(15,204,404)	-	-
	1,560,303,033	173,675,872	(15,274,404)	1,718,704,501	

For the Year Ended 31 <sup>st</sup> March 2022	As at 01 <sup>st</sup> April 2021 Rs.	Cost			As at 31 <sup>st</sup> March 2022 Rs.
		Additions Rs.	Disposals / Transfers Rs.		
Freehold Land	10,700,810	-	-	-	10,700,810
Freehold Factory & Building	287,392,843	73,427,913	-	-	360,820,756
Data Processing Equipment	34,711,723	12,072,029	-	-	46,783,752
Machinery & Equipment	23,648,566	33,238,294	-	-	56,886,860
Factory Equipment	31,373,243	6,961,255	(1,003,658)	37,330,840	
Office Equipment	7,118,475	4,493,421	-	-	11,611,896
Furniture & Fittings	22,215,690	4,642,931	-	-	26,858,621
Motor Vehicles	885,636,245	65,470,251	(4,789,600)	946,316,896	
Plant & Machinery and Equipment - Assy Line	22,013,907	25,774,291	-	-	47,788,198
	1,324,811,502	226,080,385	(5,793,258)	1,545,098,629	
<b>Capital Work In Progress - Building</b>	<b>245,000</b>	<b>14,959,404</b>	-	<b>15,204,404</b>	
	1,325,056,502	241,039,789	(5,793,258)	1,560,303,033	

#### 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. 839 Mn	Mr. M.A. Ananda Sarath	23.01.2021	4	18 acres and 29.20 perches

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

**15.3** During the year, Rs. 59,500,868/- (2021/22 - Rs. 61,470,251/-) worth of Motor Vehicles have been capitalized from Motor Vehicle Stock.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

<b>As at 01<sup>st</sup> April 2022 Rs.</b>	<b>Charge for the year Rs.</b>	<b>Accumulated Depreciation On Disposal Rs.</b>	<b>As at 31<sup>st</sup> March 2023 Rs.</b>	<b>Carrying Value As at 31<sup>st</sup> March 2023 Rs.</b>
-	-	-	-	10,700,810
61,605,915	9,710,376	-	71,316,291	367,639,695
33,394,324	5,448,146	(70,000)	38,772,470	11,559,038
14,412,868	2,566,873	-	16,979,741	40,194,119
14,267,019	1,970,119	-	16,237,138	25,834,502
5,788,867	905,842	-	6,694,709	9,820,623
19,984,103	1,489,579	-	21,473,682	17,139,493
756,241,138	76,204,690	-	832,445,828	173,371,936
6,966,727	10,239,226	-	17,205,953	37,123,023
	187,217		187,217	4,008,233
912,660,961	108,722,068	(70,000)	1,021,313,029	697,391,472
-	-	-	-	-
912,660,961	108,722,068	(70,000)	1,021,313,029	697,391,472

<b>As at 01<sup>st</sup> April 2021 Rs.</b>	<b>Charge for the year Rs.</b>	<b>Accumulated Depreciation On Disposal Rs.</b>	<b>As at 31<sup>st</sup> March 2022 Rs.</b>	<b>Carrying Value As at 31<sup>st</sup> March 2022 Rs.</b>
-	-	-	-	10,700,810
53,755,153	7,850,762	-	61,605,915	299,214,841
30,159,119	3,235,205	-	33,394,324	13,389,428
13,122,862	1,290,006	-	14,412,868	42,473,992
13,189,334	1,550,366	(472,681)	14,267,019	23,063,821
5,095,185	693,682	-	5,788,867	5,823,029
18,923,192	1,060,911	-	19,984,103	6,874,518
682,218,866	75,148,156	(1,125,884)	756,241,138	190,075,758
260,582	6,706,145	-	6,966,727	40,821,471
816,724,293	97,535,233	(1,598,565)	912,660,961	632,437,668
-	-	-	-	15,204,404
816,724,293	97,535,233	(1,598,565)	912,660,961	647,642,072

- 15.4** Property, Plant & Equipment included fully depreciated assets that are still in use having a gross amount of Rs. 679,232,028/- (2021/22 - Rs. 613,389,908/-).
- 15.5** During the financial year, the Company purchased Property, Plant and Equipment to the aggregate value of Rs. 98,970,600/- (2021/22 - Rs. 179,569,538/-) 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 (2021/22 - Nil).

### **16 RIGHT-OF-USE ASSETS**

Carrying amounts of Right-of-use Assets.

As at 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
<b>Cost</b>		
Balance at beginning of the year	<b>90,147,130</b>	90,147,130
Additions	<b>15,829,294</b>	-
Lease Modification	<b>(9,875,218)</b>	-
Balance at end of the year	<b>96,101,206</b>	90,147,130
<b>Accumulated Depreciation</b>		
Balance at beginning of the year	<b>47,252,296</b>	34,062,231
Charge for the year	<b>12,827,791</b>	13,190,065
Balance at end of the year	<b>60,080,087</b>	47,252,296
<b>Carrying Value as at 31<sup>st</sup> March</b>	<b>36,021,119</b>	42,894,834

### **17 INTANGIBLE ASSETS**

As at 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
<b>Cost</b>		
Balance at beginning of the year	<b>27,713,196</b>	27,713,196
Additions	<b>1,104,125</b>	-
Balance at end of the year	<b>28,817,321</b>	27,713,196
<b>Accumulated Amortization</b>		
Balance at beginning of the year	<b>24,658,865</b>	21,321,048
Charge for the year	<b>3,238,100</b>	3,337,817
Balance at end of the year	<b>27,896,965</b>	24,658,865
<b>Carrying Value as at 31<sup>st</sup> March</b>	<b>920,356</b>	3,054,331

- 17.1** Intangible asset consist of ERP software Purchased during 2007 & 2018, Microsoft License Purchased during the year 2014 and also HR system purchased during the year.
- 17.2** Intangible Assets included fully amortized assets that are still in use having a gross amount of Rs. 27,713,196 as at 31<sup>st</sup> March 2023 (2021/22 - Rs. 14,361,928).

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
<b>18 FINANCIAL INVESTMENTS</b>		
Equity Securities - Fair Value Through Profit or Loss (Note 18.1)	<b>119,762</b>	125,416
Corporate Debt Securities - Amortised Cost (Note 18.2)	<b>11,423,218</b>	11,425,059
	<b>11,542,980</b>	11,550,475

As at 31 <sup>st</sup> March	2023 Cost Rs.	2023 Market Value Rs.	2022 Cost Rs.	2022 Market Value Rs.
<b>18.1 Investment in Quoted Shares</b>				
Diesel & Motor Engineering PLC (257 Ordinary Shares)	<b>7,417</b>	<b>119,762</b>	7,417	125,416
	<b>7,417</b>	<b>119,762</b>	7,417	125,416

As at 31 <sup>st</sup> March	2023 Year of Maturity	2023 Carrying Amount	2022 Year of Maturity	2022 Carrying Amount
<b>18.2 Investment in Debentures</b>				
Seylan Bank PLC (100,000 Debentures at Rate of Rs. 100/- each)	<b>2024</b>	<b>11,423,218</b>	2024	11,425,059
		<b>11,423,218</b>		11,425,059

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	2023 Rs.	2022 Rs.
<b>Balance as at the beginning of the year</b>	<b>2,046,435,646</b>	2,596,769,007
Granted during the year	16,890,000	23,044,000
<b>Total Rental Receivable</b>	<b>2,063,325,646</b>	2,619,813,007
Less : Payment received during the year	(813,340,206)	(573,377,361)
<b>Total Rental Outstanding (Note 19.4)</b>	<b>1,249,985,440</b>	2,046,435,646
Less : Deferred Interest Income	(160,780,880)	(409,039,908)
<b>Unearned Rental Income</b>	<b>1,089,204,560</b>	1,637,395,738
Less : Provision for Impairment Loss (Note 19.3)	(250,392,614)	(257,593,750)
<b>Balance as at the end of the year</b>	<b>838,811,946</b>	1,379,801,988
<b>19.1 Receivable after one year</b>		
Total Rental Receivable	335,331,341	1,024,879,345
Less - Deferred Interest Income	(20,698,045)	(160,022,874)
<b>Unearned Rental Income</b>	<b>314,633,296</b>	864,856,471
Less : Provision for Impairment Loss	-	-
<b>Balance as at 31<sup>st</sup> March</b>	<b>314,633,296</b>	864,856,471
<b>19.2 Receivable within one year</b>		
Total Rental Receivable	914,654,099	1,021,556,301
Less - Deferred Interest Income	(140,082,835)	(249,017,034)
<b>Unearned Rental Income</b>	<b>774,571,264</b>	772,539,267
Less : Provision for Impairment Loss	(250,392,614)	(257,593,750)
<b>Balance as at 31<sup>st</sup> March</b>	<b>524,178,650</b>	514,945,517
<b>Total</b>	<b>838,811,946</b>	1,379,801,988

## 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;

<b>As at 31<sup>st</sup> March 2023</b>	<b>Individual Impairment Rs.</b>	<b>Collective Impairment Rs.</b>	<b>Total Impairment Rs.</b>
Balance at the beginning of the year	257,589,023	4,727	257,593,750
Impairment Loss / (Reversal) recognized during the year	(7,607,093)	405,957	(7,201,136)
Balance at the end of the year	249,981,930	410,684	250,392,614

<b>As at 31<sup>st</sup> March 2022</b>	<b>Individual Impairment Rs.</b>	<b>Collective Impairment Rs.</b>	<b>Total Impairment Rs.</b>
Balance at the beginning of the year	122,419,083	33,314	122,452,397
Impairment Loss / (Reversal) recognized during the year	146,079,384	(28,587)	146,050,797
Amounts Write-Offs	(10,909,444)	-	(10,909,444)
Balance at the end of the year	257,589,023	4,727	257,593,750

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

<b>As at 31<sup>st</sup> March</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
Sri Lanka Transport Board (Note 34.1)	1,221,469,406	2,009,366,240
Corporate and Other Institutions	20,544,650	27,756,242
Individuals	7,971,384	9,313,164
	1,249,985,440	2,046,435,646

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

	<b>Less than 06 Months Rs.</b>	<b>06 - 12 Months Rs.</b>	<b>01 - 05 Years Rs.</b>	<b>Total Rs.</b>
Rental Receivables from Trade Debtors As at 31 <sup>st</sup> March 2023	234,333,816	289,844,834	314,633,296	838,811,946
Rental Receivables from Trade Debtors As at 31 <sup>st</sup> March 2022	279,098,736	235,846,781	864,856,471	1,379,801,988

## 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	2023 Rs.	2022 Rs.
Within 1 Year	<b>914,654,099</b>	1,021,556,301
1 - 2 Years	<b>334,669,004</b>	689,548,004
2 - 3 Years	<b>662,337</b>	334,669,004
3 - 4 Years	-	662,337
<b>Gross Rental Receivable from Trade Debtors</b>	<b>1,249,985,440</b>	2,046,435,646
Less: Deferred Interest Income	<b>(160,780,880)</b>	(409,039,908)
	<b>1,089,204,560</b>	1,637,395,738
Less: Provision for Impairment Loss	<b>(250,392,614)</b>	(257,593,750)
<b>Net Rental Receivable from Trade Debtors</b>	<b>838,811,946</b>	1,379,801,988

#### **19.7 Amounts Recognised in Profit or Loss**

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

Selling Profit	<b>131,909</b>	3,563,393
Lease Interest Income (Note 06)	<b>249,312,231</b>	336,923,951
	<b>249,444,140</b>	340,487,344

### **20 DEFERRED TAX ASSETS**

As at 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
Balance at the beginning of the year	<b>213,558,928</b>	184,233,458
Recognised in Profit or Loss (Note 20.1)	<b>101,914,845</b>	30,191,071
Recognised in Other Comprehensive Income (Note 20.3)	<b>(1,718,669)</b>	(865,601)
Balance at the end of the Year	<b>313,755,104</b>	213,558,928

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

Net Deferred Tax Charge Due to Tax Rate Change	<b>91,525,255</b>	(23,029,182)
Origination and Reversal of Temporary Differences	<b>10,389,590</b>	53,220,253
	<b>101,914,845</b>	30,191,071

As per the Inland Revenue (Amendment) Act, No. 45 of 2022, the Company income tax rate has been increased to 30%. Accordingly, deferred tax asset and liability have been computed based on 30% and Rs. 91.53 Mn have been credited 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:

<b>As at 31<sup>st</sup> March</b>	<b>Assets</b>		<b>Liabilities</b>		<b>Net Asset/( Liability)</b>	
	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>	<b>2023</b> <b>Rs.</b>	<b>2022</b> <b>Rs.</b>
Property, Plant and Equipment	-	-	(72,623,035)	(45,615,194)	(72,623,035)	(45,615,194)
Employee Benefits	32,975,657	20,356,785	-	-	32,975,657	20,356,785
Provision for Inventory	242,916,256	172,180,558	-	-	242,916,256	172,180,558
Provision for Trade Debtors	103,059,863	61,370,468	-	-	103,059,863	61,370,468
Right-of-Use Asset / Lease Liability	7,426,363	5,266,311	-	-	7,426,363	5,266,311
<b>Net Deferred Tax Asset / (Liability)</b>	<b>386,378,139</b>	<b>259,174,122</b>	<b>(72,623,035)</b>	<b>(45,615,194)</b>	<b>313,755,104</b>	<b>213,558,928</b>

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

	<b>Balance as at 01<sup>st</sup> April 2022 Rs.</b>	<b>Recognised in Profit or Loss Rs.</b>	<b>Recognised in OCI Rs.</b>	<b>Balance as at 31<sup>st</sup> March 2023 Rs.</b>
Property, Plant and Equipment	(45,615,194)	(27,007,841)	-	(72,623,035)
Employee Benefits	20,356,785	14,337,541	(1,718,669)	32,975,657
Provision for Inventory	172,180,558	70,735,698	-	242,916,256
Provision for Trade Debtors	61,370,468	41,689,395	-	103,059,863
Right-of-Use Asset / Lease Liability	5,266,311	2,160,052	-	7,426,363
<b>Net Deferred Tax Asset / (Liability)</b>	<b>213,558,928</b>	<b>101,914,845</b>	<b>(1,718,669)</b>	<b>313,755,104</b>

	<b>Balance as at 01<sup>st</sup> April 2021 Rs.</b>	<b>Recognised in Profit or Loss Rs.</b>	<b>Recognised in OCI Rs.</b>	<b>Balance as at 31<sup>st</sup> March 2022 Rs.</b>
Property, Plant and Equipment	(44,935,549)	(679,645)	-	(45,615,194)
Employee Benefits	23,068,034	(1,845,648)	(865,601)	20,356,785
Provision for Inventory	155,705,871	16,474,687	-	172,180,558
Provision for Trade Debtors	44,072,233	17,298,235	-	61,370,468
Right-of-Use Asset / Lease Liability	6,322,869	(1,056,558)	-	5,266,311
<b>Net Deferred Tax Asset / (Liability)</b>	<b>184,233,458</b>	<b>30,191,071</b>	<b>(865,601)</b>	<b>213,558,928</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 21 INVENTORIES

As at 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
Fully Built Vehicle Stock	<b>2,338,678,852</b>	2,043,704,478
Semi-Knock-Down (SKD) Vehicle Stock	-	385,827,190
Generators	<b>36,764,924</b>	30,026,596
Cabins / Bodies & Work In Progress	<b>303,567,296</b>	269,740,495
Spare Parts & Consumables	<b>718,007,030</b>	682,992,778
	<b>3,397,018,102</b>	3,412,291,537
Goods In Transit (Note 21.1)	<b>36,696,905</b>	360,037,047
	<b>3,433,715,007</b>	3,772,328,584
Provision for Slow Moving & Obsolete Stocks (Note 21.2)	<b>(809,720,855)</b>	(819,907,419)
	<b>2,623,994,152</b>	2,952,421,165

**21.1** Goods in Transit includes the inventory shipped, but not received by the Company.

As at 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
<b>21.2 Provision for Slow Moving &amp; Obsolete Stocks</b>		
Balance at the beginning of the year	<b>819,907,419</b>	648,774,464
(Reversal) / Charge for the year	<b>(10,186,564)</b>	171,132,955
Balance at the end of the year	<b>809,720,855</b>	819,907,419

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

As at 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
<b>22 TRADE AND OTHER RECEIVABLES</b>		
Trade Receivables	<b>37,751,446</b>	63,187,394
Receivables from Related Parties (Note 22.1)	<b>474,929,037</b>	104,034,633
Less: Provision for Impairment Loss (Note 22.2)	<b>(93,140,233)</b>	(34,646,574)
	<b>419,540,250</b>	132,575,453
Advances to Staff	-	9,088,170
VAT Receivable	<b>40,227,912</b>	75,217,714
Other Receivables	<b>71,137</b>	520,564
	<b>459,839,299</b>	217,401,901
<b>22.1 Receivables from Related Parties</b>		
Sri Lanka Transport Board (Note 34.1)	<b>71,843,620</b>	21,069,023
Ashok Leyland Limited - India (Note 34.1)	<b>313,098,297</b>	24,550,467
Other Government Related Entities (Note 34.1)	<b>85,987,120</b>	42,395,143
Bank of Ceylon (Note 34.1)	<b>4,000,000</b>	16,020,000
	<b>474,929,037</b>	104,034,633

## 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 2023	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	<b>10,086,867</b>	<b>24,559,707</b>	<b>34,646,574</b>
Impairment Loss recognized during the year	<b>30,777,227</b>	<b>27,716,432</b>	<b>58,493,659</b>
Balance at the end of the year	<b>40,864,094</b>	<b>52,276,139</b>	<b>93,140,233</b>

As at 31 <sup>st</sup> March 2022	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	9,362,956	51,818,953	61,181,909
Impairment Loss / (Reversal) recognized during the year	723,911	(203,212)	520,699
Amounts Write Offs	-	(27,056,034)	(27,056,034)
Balance at the end of the year	10,086,867	24,559,707	34,646,574

**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	2023 Rs.	2022 Rs.
<b>23 DEPOSITS AND PREPAYMENTS</b>		
Deposits and Advances	<b>98,245,937</b>	100,553,842
Prepayments	<b>13,995,633</b>	6,881,213
	<b>112,241,570</b>	107,435,055
<b>24 CASH &amp; CASH EQUIVALENTS</b>		
<b>24.1 Favorable Balances</b>		
Short Term Investments	<b>2,300,000</b>	2,052,813,699
Cash in Hand	<b>1,754,254</b>	4,394,025
Cash at Banks	<b>22,995,805</b>	9,861,315
	<b>27,050,059</b>	2,067,069,039
<b>24.2 Unfavorable Balances</b>		
Bank Overdrafts	<b>(52,972,448)</b>	(70,437,430)
	<b>(52,972,448)</b>	(70,437,430)
<b>Cash &amp; Cash Equivalents for the purpose of Cash Flow Statement</b>	<b>(25,922,389)</b>	1,996,631,609

## 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 +1	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 2023 amounted to Rs. 151.9 Mn (2021/22 - Rs. 151.9 Mn).

	As at 31 <sup>st</sup> March	No. of Shares	2023 Rs.	2022 Rs.
<b>25</b>	<b>STATED CAPITAL</b>			
	Ordinary Shares	3,620,843	36,208,430	36,208,430
	Share Premium		13,166,720	13,166,720
	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.

	As at 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
<b>26</b>	<b>GENERAL RESERVE</b>		
	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	2023	2022
	Rs.	Rs.
Balance at the beginning of the year	<b>96,937,072</b>	96,116,809
Expenses recognised in Profit or Loss (Note 27.1)	<b>21,286,093</b>	9,438,039
Expenses recognised in Other Comprehensive Income (Note 27.2)	<b>(5,728,897)</b>	(4,121,909)
Payments during the year	<b>(2,575,413)</b>	(4,495,867)
Balance at the end of the year	<b>109,918,855</b>	96,937,072

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 2023.

The liability is not externally funded.

For the Year Ended 31 <sup>st</sup> March	2023	2022
	Rs.	Rs.
<b>27.1 Expenses Recognised in Profit or Loss</b>		
Current Service Cost	5,776,161	4,450,879
Interest Cost	15,509,932	7,833,520
Past Service Cost (Note 27.3.2)	-	(2,846,360)
	<b>21,286,093</b>	9,438,039
<b>27.2 Expenses Recognised in Other Comprehensive Income</b>		
Actuarial Gains	(5,728,897)	(4,121,909)
	<b>(5,728,897)</b>	(4,121,909)

### **27.3 Actuarial Assumptions**

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

As at 31 <sup>st</sup> March	2023	2022
Discount Rate	19.00%	16.00%
Expected Annual Average Salary Increment	14.00%	12.50%
Staff Turnover Factor	0.8%	0.6%
Retiring Age	60 Years	60 Years
Mortality Table	A 67/70	A 67/70

**27.3.1** 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 19% p.a. (2021/22 - 16% p.a) has been used to discount future liabilities. All assumptions are reviewed at each reporting date.

**27.3.2** During the year 2021/22, the gratuity arrangement for employees were adjusted to reflect new legal requirement as per "Minimum Retirement Age of Workers Act No. 28 of 2021". As a result of the plan amendment, the Company defined benefit obligation decreased by Rs. 2.85 Mn and the corresponding past service cost was recognised in the Income Statement during the year 2021/22.

## 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	2023		2022	
	PVODOBO Rs.	Benefit / (Expense) Rs.	PVODOBO Rs.	Benefit / (Expense) Rs.
1% Increase in Discount Rate	105,107,961	4,810,894	91,629,279	5,307,793
1% Decrease in Discount Rate	115,267,874	(5,349,019)	102,899,905	(5,962,833)
1% Increase in Salary Increment Rate	115,723,059	(5,804,204)	103,267,942	(6,330,870)
1% Decrease in Salary Increment Rate	104,628,259	5,290,596	91,221,759	5,715,313

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

As at 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
<b>Expected Future Working Life</b>		
Within the Next Twelve Months	44,375,225	28,043,535
Between One to Five Years	17,570,330	19,649,194
Between Five to Ten Years	32,653,634	31,101,443
More than Ten Years	15,319,666	18,142,900
	109,918,855	96,937,072
Weighted Average duration of Defined Benefit Obligation	<b>5.4 Years</b>	6.65 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	2023	2022
	Rs.	Rs.
Balance at the beginning of the year	67,972,501	82,430,182
Additions	15,829,294	-
Lease Modification (Note 28.1)	(9,875,218)	-
Interest Expense Recognised in Profit or Loss	11,169,113	6,662,319
Payment for Lease Liability	(24,320,000)	(21,120,000)
Balance at the end of the year	60,775,690	67,972,501

**28.1** The lease liability and right of use assets were remeasured due to revisions in the future lease payments for one of the contracts.

For the Year Ended 31 <sup>st</sup> March	2023	2022
	Rs.	Rs.
<b>28.2 Lease Liabilities included in the Statement of Financial Position</b>		
Non-current	30,420,490	44,740,501
Current	30,355,200	23,232,000
	<b>60,775,690</b>	67,972,501

**28.3 Amounts recognised in Profit or Loss**

For the Year Ended 31 <sup>st</sup> March	2023	2022
	Rs.	Rs.
Interest on Lease Liabilities	11,169,113	6,662,319
<b>Recognised in Finance Cost</b>	<b>11,169,113</b>	6,662,319
Expenses Relating to Short-term and low-value Assets	35,850,000	34,923,000
Depreciation - Right-of-use Assets	12,827,791	13,190,065
<b>Recognised in Administrative Expenses</b>	<b>48,677,791</b>	48,113,065
<b>Total Amount recognised in Profit or Loss</b>	<b>59,846,904</b>	54,775,384

**28.4 Amounts Recognised in Statement of Cash Flows**

Payment for Lease Liabilities

For the Year Ended 31 <sup>st</sup> March	2023	2022
	Rs.	Rs.
Less than one year	30,355,200	23,232,000
One to five years	46,510,720	53,665,920
More than five years	-	-
<b>Total Undiscounted Lease Liabilities</b>	<b>76,865,920</b>	76,897,920

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	<b>As at 31<sup>st</sup> March</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
<b>29</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade Payables	<b>528,961,833</b>	357,729,705
	Accruals	<b>47,509,173</b>	32,529,490
	Import Duties and Related Other Payable	<b>24,360,451</b>	100,055,674
	Refundable Deposits	<b>103,398,258</b>	601,432,887
	Unclaimed Dividend	<b>2,744,602</b>	3,543,960
	Deferred Income (Note 29.1)	<b>2,172,920</b>	5,190,602
	EPF Payable	-	3,038,972
	ETF Payable	-	455,845
	Unclaimed Wages	<b>159,662</b>	217,244
	Provision for Tax Assessment (Note 29.2)	-	24,765,635
	Other Liabilities	<b>21,353,880</b>	14,651,297
		<b>730,660,779</b>	1,143,611,311
<b>29.1</b>	<b>Movement of Deferred Income</b>		
	Balance at the beginning of the year	<b>5,190,602</b>	1,040,002
	(Reversal) / Charge for the year	<b>(3,017,682)</b>	4,150,600
	Balance at the end of the year	<b>2,172,920</b>	5,190,602

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 2020/21 year and the Company was issued an assessment amounting to Rs. 93.2 Mn with penalties and fully paid as at 31<sup>st</sup> March 2023.

	<b>As at 31<sup>st</sup> March</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
<b>30</b>	<b>AMOUNTS DUE TO RELATED PARTY</b>		
	Payable to Ashok Leyland Limited - India (Note 34.1)	<b>333,303,000</b>	2,146,013,053
		<b>333,303,000</b>	2,146,013,053

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	<b>As at 31<sup>st</sup> March</b>	<b>2023</b>	<b>2022</b>
		<b>Rs.</b>	<b>Rs.</b>
<b>31</b>	<b>CURRENT TAX LIABILITIES</b>		
	Balance at the beginning of the year	39,528,436	16,842,337
	Income Tax Liability for the year (Note 11.2)	33,617,820	135,989,307
	Over Under Provision of Current Tax in Respect of Previous years	126,000	(124,989)
	Tax Paid during the year	(54,057,487)	(113,178,219)
	WHT Recoverable	(207,298)	-
	Balance at the end of the year	19,007,471	39,528,436
<b>32</b>	<b>PROVISION FOR WARRANTY</b>		
	Balance at the beginning of the year	3,479,532	651,835
	(Reversal) / Provision for the year	(2,884,985)	2,827,697
	Balance at the end of the year	594,547	3,479,532

Provision for warranties relates mainly to vehicles sold during the last six months of 2022 and 2023. 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.

	<b>As at 31<sup>st</sup> March</b>	<b>2023</b>	<b>2022</b>
		<b>Rs.</b>	<b>Rs.</b>
<b>33</b>	<b>SHORT TERM BORROWINGS</b>		
	Interest Bearing Borrowings (Note 33.1)	-	378,205,767
		-	378,205,767

### 33.1 Movement of Short Term Borrowings

For the Year Ended 31 <sup>st</sup> March 2023							
Lender	Purpose	Rate of Interest %	As at 01 <sup>st</sup> April 2022	Obtained During the Year	Repayments During the Year	As at 31 <sup>st</sup> March 2023	
			Rs.	Rs.	Rs.	Rs.	
Seylan Bank PLC	Import/ Financing	AWPLR	378,205,767	222,848,000	(601,053,767)	-	
			378,205,767	222,848,000	(601,053,767)	-	

For the Year Ended 31 <sup>st</sup> March 2022						
Lender	Purpose	Rate of Interest %	As at 01 <sup>st</sup> April 2021	Obtained During the Year	Repayments During the Year	As at 31 <sup>st</sup> March 2022
			Rs.	Rs.	Rs.	Rs.
Seylan Bank PLC	Import/ Financing	AWPLR	200,000,000	379,888,767	(201,683,000)	378,205,767
Commercial Bank	Import/ Financing	AWPLR	142,824,158	1,622,742,070	(1,765,566,228)	-
State Bank of India	Import/ Financing	AWPLR -1%	520,900,000	-	(520,900,000)	-
			863,724,158	2,002,630,837	(2,488,149,228)	378,205,767

### 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	2023 Rs.	2022 Rs.
<b>a) Transactions with Lanka Leyland (PVT) Limited</b>					
Lanka Leyland (Pvt) Limited Holds 41.77% of the Share Capital of the Company.	Mr. Leshan De Silva (Appointed w.e.f 15 <sup>th</sup> March 2023)	Chairman of Lanka Leyland (Pvt) Limited			
	Ms. H A Bogodagedara (Appointed w.e.f.15 <sup>th</sup> March 2023)	Director of Lanka Leyland (Pvt) Limited	Dividend Payment to Lanka Leyland (Pvt) Limited	<b>15,125,000</b>	3,025,000
<b>b) Transactions and Outstanding Balance with Ashok Leyland - India - Recurring Transactions - Trading Nature</b>					
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 - India	<b>Payable to Ashok Leyland India</b>	<b>2,146,013,053</b>	1,826,684,846
	Mr. Amadeep Singh Arora	Head of International Operations of Ashok Leyland Limited - India	Opening Balance as at 01 <sup>st</sup> April (Including Import Bills Payable on GIT)	<b>1,406,880,209</b>	2,010,867,200
			Purchase of Semi-Knock-Down (SKD) Chassis kits and Motor Vehicle	<b>150,623,735</b>	170,055,870
			Purchase of Spare Parts / Power Generators	<b>3,814,166</b>	5,198,342
			Usage Charges for ERP System	<b>(3,090,517)</b>	(2,861,932)
			Set-off against Receivable Balance	<b>(3,370,937,646)</b>	(1,863,931,273)
			Closing Balance as at 31 <sup>st</sup> March (Including Import Bills Payable on GIT)	<b>333,303,000</b>	2,146,013,053
<b>Receivable from Ashok Leyland India</b>					
			Opening Balance as at 01 <sup>st</sup> April	<b>24,550,467</b>	-
			Local agency commission (LAC) on Direct Supply of Vehicles	<b>291,638,347</b>	27,412,399
			Set-off against Payable Balance	<b>(3,090,517)</b>	(2,861,932)
			Closing Balance as at 31 <sup>st</sup> March	<b>313,098,297</b>	24,550,467
			Dividend Payment to Ashok Leyland Limited - India	<b>10,083,320</b>	2,016,664
<b>Aggregate Value of Related Party Transactions During the Year</b>				<b>1,863,039,777</b>	2,215,550,475
<b>Aggregate Value of Related Party Transactions as a % of Net Revenue</b>				<b>27.15%</b>	74.52%

## 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 (Pvt) 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	2023 Rs.	2022 Rs.
<b>i) Non-Recurring Transaction - Trading Nature</b>				
Sri Lanka Transport Board	Supply of Vehicles on Finance Lease Terms	Balance as at 01 <sup>st</sup> April	<b>2,009,366,240</b>	2,547,175,071
		Payment Received	(787,896,834)	(537,808,831)
		Balance Receivable as at 31 <sup>st</sup> March	<b>1,221,469,406</b>	2,009,366,240
<b>Total Future Rentals Receivable as at 31<sup>st</sup> March</b>			<b>1,221,469,406</b>	2,009,366,240
<b>ii) Recurring Transaction - Trading Nature</b>				
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	<b>21,069,023</b>	20,120,934
		Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year	<b>81,253,401</b>	33,693,132
		Hiring / Other Services rendered during the year	<b>224,644,743</b>	59,863,190
		Payment Received	(255,123,547)	(92,608,233)
		Balance Receivable as at 31 <sup>st</sup> March	<b>71,843,620</b>	21,069,023
<b>Aggregate Value of Related Party Transactions during the Year</b>			<b>305,898,144</b>	93,556,322
<b>Aggregate Value of Related Party Transactions as a % of Net Revenue</b>			<b>4.46%</b>	3.15%

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### **34 RELATED PARTY DISCLOSURE (Contd.)**

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

<b>Name of Related Party</b>	<b>Nature of Transaction</b>	<b>Description</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
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  Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year  Payment Received  Balance Receivable as at 31 <sup>st</sup> March	<b>42,395,143</b>  <b>282,118,480</b>  <b>(238,526,503)</b>  <b>85,987,120</b>	44,851,715  181,484,140  (183,940,712)  42,395,143
Bank of Ceylon	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01 <sup>st</sup> April  Finance Provided during the year  Payment Received for the Sale of Vehicles  Balance Receivable as at 31 <sup>st</sup> March	<b>16,020,000</b>  <b>116,923,000</b>  <b>(128,943,000)</b>  <b>4,000,000</b>	-  410,332,000  (394,312,000)  16,020,000
People's Leasing & Finance PLC	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01 <sup>st</sup> April  Finance Provided during the year  Other Services rendered  Payment Received for the Sale of Vehicles  Balance Receivable as at 31 <sup>st</sup> March	  <b>12,100,000</b>  <b>2,563,902</b>  <b>(14,663,902)</b>  -	14,175,000  306,787,000  -  (320,962,000)  -
<b>Aggregate Value of Related Party Transactions During the Year</b>		- Bank of Ceylon  - People's Leasing & Finance PLC	<b>116,923,000</b>  <b>12,100,000</b>	410,332,000  306,787,000
<b>Aggregate Value of Related Party Transactions as a % of Net Revenue</b>		- Bank of Ceylon  - People's Leasing & Finance PLC	<b>1.70%</b>  <b>0.18%</b>	13.80%  10.32%
Other Government Financial Institutions	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01 <sup>st</sup> April  Finance Provided during the year  Payment Received for the Sale of Vehicles  Balance Receivable as at 31 <sup>st</sup> March	  <b>3,700,000</b>  <b>(3,700,000)</b>  -	(50,000)  48,110,000  (48,060,000)  -
<b>Total Receivable from Government Financial Institutions</b>			<b>4,000,000</b>	16,020,000
<b>Total Related Party Receivable as at 31<sup>st</sup> March</b>			<b>161,830,740</b>	79,484,166

## 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	2023 Rs.	2022 Rs.
Sri Lanka Transport Board	Dividend Payment to Sri Lanka Transport Board	Payment during the year	312,500	62,500
Custom of Sri Lanka	Import Duty and Taxes	Balance as at 01 <sup>st</sup> April	3,720,000	-
		Taxes and Duty Charge for the Year	178,070,492	284,249,409
		Payment Made	(159,870,492)	(280,529,409)
		Balance Receivable as at 31 <sup>st</sup> March	21,920,000	3,720,000
<b>Aggregate Value of Related Party Transactions During the Year</b>		- Custom of Sri Lanka	<b>178,070,492</b>	284,249,409
<b>Aggregate Value of Related Party Transactions as a % of Net Revenue</b>		- Custom of Sri Lanka	<b>2.60%</b>	9.56%
Other Government Institutions	Statutory Payments and Utility Payments made to Government Institutions	Balance as at 01 <sup>st</sup> April	(6,158,954)	17,274,803
		Taxes, Other Statutory Expenses and Utility Expenses	193,145,352	199,787,468
		Payment Made / Set-off	(200,883,072)	(223,221,225)
		Balance Payable as at 31 <sup>st</sup> March	(13,896,674)	(6,158,954)

#### d) 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 2022 Rs.	Impairment Charge Rs.	Balance as at 31 <sup>st</sup> March 2023 Rs.
Sri Lanka Transport Board	252,607,948	20,311,066	272,919,014
Other Government Related Entities - Trade Receivables	10,969,490	26,031,804	37,001,294
	263,577,438	46,342,870	309,920,308

For the Year Ended 31 <sup>st</sup> March 2020	Balance as at 01 <sup>st</sup> April 2021 Rs.	Impairment Charge / (Reversal) Rs.	Balance as at 31 <sup>st</sup> March 2022 Rs.
Sri Lanka Transport Board	107,153,791	145,454,157	252,607,948
Other Government Related Entities - Trade Receivables	15,929,566	(4,960,076)	10,969,490
	123,083,357	140,494,081	263,577,438

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	2023 Rs.	2022 Rs.
<b>e) Open Advances - by Government of Sri Lanka and its Related Entities</b>		
Sri Lanka Transport Board	<b>54,127</b>	407,833
Bank of Ceylon	-	17,988,000
People's Leasing & Finance PLC	-	12,100,000
Other Government related entities	<b>8,606,967</b>	10,113,758
	<b>8,661,094</b>	40,609,591
<b>f) Open Advances - with Government of Sri Lanka and its Related Entities</b>		
Sri Lanka Customs	-	31,620,550
Ceylon Electricity Board	<b>637,500</b>	2,510,577
Ceylon Shipping Corporation Limited	<b>41,200,282</b>	-
	<b>41,837,782</b>	34,131,127

#### **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. 33,264,216/- (2021/22 - Rs. 28,817,209/-).

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	2023 Rs.	2022 Rs.
<b>Key Management Personnel Payments</b>		
a. Short Term Employee Benefits	<b>31,881,825</b>	27,531,266
b. Post-Employment Benefits	<b>1,382,391</b>	1,285,943
c. Termination Benefits	-	-
d. Share-Based Payments	-	-
	<b>33,264,216</b>	28,817,209

## 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 2023.

#### **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 2023.

#### **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. 5/- per share (50%) amounting to Rs. 18,104,215/- for the year ended 31<sup>st</sup> March 2023 (2021/22- Rs. 10/- per share (100%) amounting to Rs. 36,208,430/-), which will be declared at the Annual General Meeting to be held on 11<sup>th</sup> August 2023.

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 2023. 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 (Pvt) 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	2023	2022
Executives	71	73
Non Executives	159	166
	<b>230</b>	<b>239</b>

## 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 2023	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.							
<b>Financial Assets Measured at Fair Value</b>											
Investment in Equity Securities	-	119,762	-	-	-	-	119,762	119,762	-	-	119,762
	-	119,762	-	-	-	-	119,762	119,762	-	-	119,762
<b>Financial Assets not Measured at Fair Value</b>											
Investment in Debentures	-	-	-	-	11,423,218	-	11,423,218	-	-	-	-
Rental Receivable from Trade Debtors	-	-	-	-	838,811,946	-	838,811,946	-	-	-	-
Trade Receivable	-	-	-	-	419,540,250	-	419,540,250	-	-	-	-
Cash & Cash Equivalents	-	-	-	-	27,050,059	-	27,050,059	-	-	-	-
	-	-	-	-	1,296,825,473	-	1,296,825,473	-	-	-	-
<b>Financial Liabilities Not Measured at Fair Value</b>											
Trade Payable	-	-	-	-	-	528,961,833	528,961,833	-	-	-	-
Amounts due to Related Parties	-	-	-	-	-	333,303,000	333,303,000	-	-	-	-
Short Term Borrowings - Import Loans	-	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	-	-	-	-	-	60,775,690	60,775,690	-	-	-	-
Bank Overdrafts	-	-	-	-	-	52,972,448	52,972,448	-	-	-	-
	-	-	-	-	-	976,012,971	976,012,971	-	-	-	-

## 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 2022	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.
<b>Financial Assets not Measured at Fair Value</b>											
Investment in Equity Securities	-	125,416	-	-	-	-	125,416	125,416	-	-	125,416
	-	125,416	-	-	-	-	125,416	125,416	-	-	125,416
<b>Financial Assets not measured at Fair Value</b>											
Investment in Debentures	-	-	-	-	11,425,059	-	11,425,059	-	-	-	-
Rental Receivable from Trade Debtors	-	-	-	-	1,379,801,988	-	1,379,801,988	-	-	-	-
Trade Receivable	-	-	-	-	132,575,453	-	132,575,453	-	-	-	-
Cash & Cash Equivalents	-	-	-	-	2,067,069,039	-	2,067,069,039	-	-	-	-
	-	-	-	-	3,590,871,539	-	3,590,871,539				
<b>Financial Liabilities Not Measured at Fair Value</b>											
Trade Payable	-	-	-	-	-	357,729,705	357,729,705	-	-	-	-
Amounts due to Related Parties	-	-	-	-	-	2,146,013,053	2,146,013,053	-	-	-	-
Short Term Borrowings - Import Loans	-	-	-	-	-	378,205,767	378,205,767	-	-	-	-
Lease Liabilities	-	-	-	-	-	67,972,501	67,972,501	-	-	-	-
Bank Overdrafts	-	-	-	-	-	70,437,430	70,437,430	-	-	-	-
	-	-	-	-	-	3,020,358,456	3,020,358,456				

#### 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;

<b>As At 31<sup>st</sup> March</b>	<b>2023</b>	<b>2022</b>
	<b>Rs.</b>	<b>Rs.</b>
Trade Receivables	<b>419,540,250</b>	132,575,453
Other Receivables	<b>138,544,986</b>	185,380,290
Rental Receivable from Trade Debtors	<b>838,811,946</b>	1,379,801,988
Cash at Banks and Short Term Investments in Banks	<b>25,295,805</b>	2,062,675,014
<b>Total</b>	<b>1,422,192,987</b>	3,760,432,745

#### 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 2022/23, approximately 2.2% (2021/22 : 3.1%) of the Company's revenue was attributable to sales transactions with the largest single customer.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 43 FINANCIAL RISK MANAGEMENT (Contd.)

<b>As at 31<sup>st</sup> March 2023</b>	<b>0 - 60 Days Rs.</b>	<b>61 - 90 Days Rs.</b>	<b>91 - 120 Days Rs.</b>	<b>121 - 180 Days Rs.</b>	<b>More than 180 Days Rs.</b>	<b>Total Rs.</b>
Trade Receivables (Gross)	<b>412,551,405</b>	<b>27,895,174</b>	<b>29,233,847</b>	<b>6,288,263</b>	<b>36,711,794</b>	<b>512,680,483</b>
Impairment	<b>(25,301,255)</b>	<b>(15,633,523)</b>	<b>(11,915,685)</b>	<b>(4,160,320)</b>	<b>(36,129,450)</b>	<b>(93,140,233)</b>
Trade Receivables (Net)	<b>387,250,150</b>	<b>12,261,651</b>	<b>17,318,162</b>	<b>2,127,943</b>	<b>582,344</b>	<b>419,540,250</b>
As at 31 <sup>st</sup> March 2022	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)	117,276,441	1,968,495	6,143,573	7,064,907	34,768,611	167,222,027
Impairment	(1,950,464)	(115,906)	(359,161)	(695,006)	(31,526,037)	(34,646,574)
Trade Receivables (Net)	115,325,977	1,852,589	5,784,412	6,369,901	3,242,574	132,575,453

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;

<b>As At 31<sup>st</sup> March</b>	<b>Carrying Amount</b>	
	<b>2023 Rs.</b>	<b>2022 Rs.</b>
Government Entities	<b>84,346,822</b>	58,427,786
Corporates and Other Institutions	<b>330,465,748</b>	68,657,188
End-user Customers	<b>4,727,680</b>	5,490,479
	<b>419,540,250</b>	132,575,453

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

<b>As at 31<sup>st</sup> March 2023</b>	<b>Individual Impairment Rs.</b>	<b>Collective Impairment Rs.</b>	<b>Total Impairment Rs.</b>
Balance as at 01 <sup>st</sup> April 2022	<b>267,675,890</b>	<b>24,564,434</b>	<b>292,240,324</b>
Provision Charge for the year	<b>23,170,134</b>	<b>28,122,389</b>	<b>51,292,523</b>
Balance as at 31 <sup>st</sup> March 2023	<b>290,846,024</b>	<b>52,686,823</b>	<b>343,532,847</b>

<b>As at 31<sup>st</sup> March 2022</b>	<b>Individual Impairment Rs.</b>	<b>Collective Impairment Rs.</b>	<b>Total Impairment Rs.</b>
Balance as at 01 <sup>st</sup> April 2021	131,782,039	51,852,267	183,634,306
Provision Charge / (Reversal) for the year	146,803,295	(231,799)	146,571,496
Write-off during the year	(10,909,444)	(27,056,034)	(37,965,478)
Balance as at 31 <sup>st</sup> March 2022	267,675,890	24,564,434	292,240,324

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 43 FINANCIAL RISK MANAGEMENT (Contd.)

#### Cash at Banks

The Company held cash at banks of Rs. 25.29 Mn. as at 31<sup>st</sup> March 2023 (2021/22: Rs. 2.06 Bn.), 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	
		2023 Rs.	2022 Rs.
Bank of Ceylon	CC (lka)	2,300,000	2,300,000
Cargills Bank	A+ (lka)	2,766,297	950,026,789
Commercial Bank of Ceylon PLC	AA - (lka)	19,458,081	759,675,810
Indian Bank	BBB -	477,000	300,652,415
Sampath Bank	A (lka)	226,761	-
Seylan Bank PLC	A- (lka)	25,000	20,000
State Bank of India	BBB -	42,667	50,000,000
		25,295,806	2,062,675,014

#### 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. 151.9 Mn 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 2023	Carrying Amount Rs.	Contractual Cash Flows		
		Total Rs.	0 - 30 Days Rs.	31 - 90 Days Rs.
Trade Payables	528,961,833	528,961,833	50,407,783	478,554,050
Amounts due to Related Party	333,303,000	333,303,000	333,303,000	-
Lease Liability	60,775,690	76,865,920	1,200,000	26,755,200
Bank Overdrafts	52,972,448	52,972,448	52,972,448	-
<b>Total</b>	<b>976,012,971</b>	<b>992,103,201</b>	<b>437,883,231</b>	<b>505,309,250</b>
				<b>48,910,720</b>

As at 31 <sup>st</sup> March 2022	Carrying Amount Rs.	Contractual Cash Flows		
		Total Rs.	0 - 30 Days Rs.	31 - 90 Days Rs.
Trade Payables	357,729,705	357,729,705	109,085,380	248,644,325
Amounts due to Related Party	2,146,013,053	2,146,013,053	261,203,329	6,925,939
Short Term Borrowings	378,205,767	378,205,767	378,205,767	-
Lease Liability	67,972,501	76,897,920	-	-
Bank Overdrafts	70,437,430	70,437,430	70,437,430	-
<b>Total</b>	<b>3,020,358,456</b>	<b>3,029,283,875</b>	<b>818,931,906</b>	<b>255,570,264</b>
				<b>1,954,781,705</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	2023			2022		
	LKR	Exchange Rate	USD	LKR	Exchange Rate	USD
Payable to Ashok Leyland Limited - India	333,303,000	336.01	991.944	2,146,013,053	298.99	7,177,402
	333,303,000		991.944	2,146,013,053		7,177,402

Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar in March 2023 as a result of ongoing currency crisis in the Country and on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. The Company is exposed to currency risk on foreign currency denominated liabilities and economic risk identified by currency risk.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### **43 FINANCIAL RISK MANAGEMENT (Contd.)**

Sri Lankan Rupee witnessed a steep depreciation during the year. In addition to the depreciation of the currency, there were significant challenges in the foreign currency market on the back of a marked reduction in liquidity amidst declining confidence and a depletion of foreign currency reserves in the country. This resulted in a series of measures such as the continuation of certain import controls and stipulations on foreign currency conversions and remittances. However, the International Monetary Fund's (IMF) Extended Fund Facility arrangement is supporting the country's efforts to stabilize its economy and recover from the crisis. Accordingly, towards the end of the year, the rupee strengthened against USD, and the rate was 336.01/-.

The Company carefully monitored the implications and took preventive measures to early settle the liabilities when ever possible.

#### **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>2022-23</b>			
LKR (5% movement)	16,665,150	(16,665,150)	
<b>2021-22</b>			
LKR (5% movement)	107,300,653	(107,300,653)	

#### **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 Central Bank of Sri Lanka tightened the monetary policy during the second half of the 2021/22, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted in strong actions by the CBSL on monetary policy post end of the reporting period. Such actions have raised monetary policy rates significantly and helped bridge the gap between policy and market interest rates. The Company proactively managed the risk of increasing interest rates by matching its borrowings and short term investment portfolios.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### **43 FINANCIAL RISK MANAGEMENT (Contd.)**

#### **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;

<b>As At 31<sup>st</sup> March</b>	<b>2023</b>	2022
	<b>Rs.</b>	Rs.
Interest Bearing Borrowings	<b>52,972,448</b>	448,643,197
Total Equity	<b>3,814,335,267</b>	3,696,644,686
Equity and Debts	<b>3,867,307,715</b>	4,145,287,883
Gearing Ratio	<b>1%</b>	11%

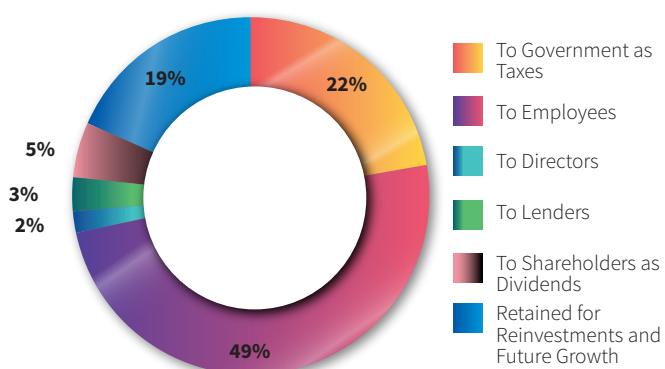
# VALUE ADDED STATEMENT

For the Year Ended 31 <sup>st</sup> March	2023 Rs.	2022 Rs.
Revenue	<b>3,487,704,617</b>	6,860,962,989
Operating Expenses	<b>(3,102,525,428)</b>	(6,076,149,536)
Other Operating Income	<b>385,179,189</b>	784,813,453
Finance Income	<b>282,667,376</b>	367,472,452
<b>Total Value Added by the Company</b>	<b>740,214,465</b>	1,173,345,383

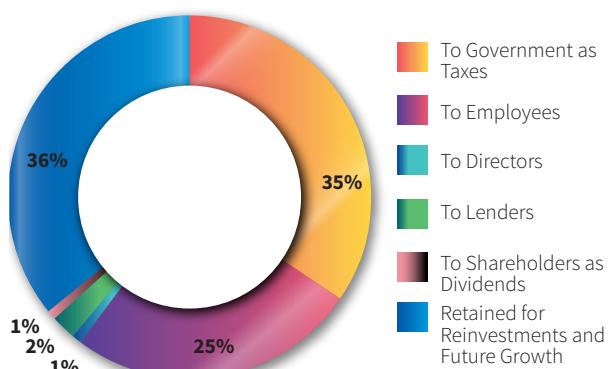
## Distributed as Follows

For the Year Ended 31 <sup>st</sup> March	2023 Rs.	As a %	2022 Rs.	As a %
To Government as Duties and Taxes	<b>161,189,308</b>	<b>22%</b>	410,454,517	35%
To Employees	<b>365,650,617</b>	<b>49%</b>	299,988,834	25%
To Directors	<b>16,275,000</b>	<b>2%</b>	12,025,833	1%
To Lenders (Interest on Loan Capital)	<b>25,226,657</b>	<b>3%</b>	24,023,115	2%
To Shareholders as Dividends	<b>36,208,430</b>	<b>5%</b>	7,241,686	1%
Retained for Reinvestments and Future Growth (Depreciation & Retained Profits)	<b>135,664,453</b>	<b>19%</b>	419,611,398	36%
	<b>740,214,465</b>	<b>100%</b>	1,173,345,383	100%

**2022/23**



**2021/22**



# SHARE INFORMATION

There were 728 registered shareholders as at 31<sup>st</sup> March 2023 distributed as follows;

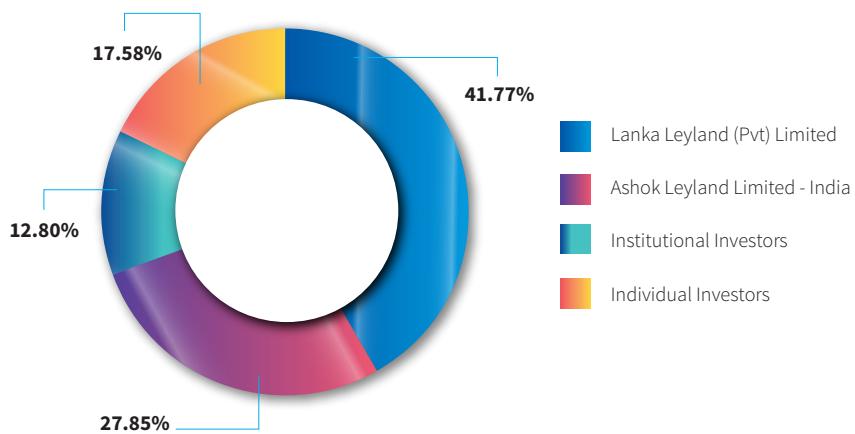
CATEGORY	NO. OF SHAREHOLDERS		NO. OF SHARES		SHAREHOLDING %	
	31 <sup>st</sup> March 2023	31 <sup>st</sup> March 2022	31 <sup>st</sup> March 2023	31 <sup>st</sup> March 2022	31 <sup>st</sup> March 2023	31 <sup>st</sup> March 2022
1 - 1,000	<b>708</b>	701	<b>42,131</b>	44,108	<b>1.16</b>	1.21
1,001 - 5,000	<b>14</b>	12	<b>29,034</b>	27,057	<b>0.80</b>	0.75
5,001 - 10,000	-	-	-	-	-	-
10,001 - 50,000	<b>1</b>	1	<b>31,250</b>	31,250	<b>0.86</b>	0.86
50,001 - 100,000	-	-	-	-	-	-
100,001 - 500,000	<b>2</b>	2	<b>429,291</b>	429,291	<b>11.86</b>	11.86
500,001 - 1,000,000	<b>1</b>	1	<b>568,305</b>	568,305	<b>15.70</b>	15.70
OVER 1,000,000	<b>2</b>	2	<b>2,520,832</b>	2,520,832	<b>69.62</b>	69.62
TOTAL	<b>728</b>	719	<b>3,620,843</b>	3,620,843	<b>100.00</b>	100.00

## List of 20 Major Shareholders

MAJOR SHAREHOLDERS	NO. OF SHARES HELD		SHARE HOLDING %	
	31 <sup>st</sup> March 2023	31 <sup>st</sup> March 2022	31 <sup>st</sup> March 2023	31 <sup>st</sup> March 2022
Lanka Leyland (Pvt) Limited	<b>1,512,500</b>	1,512,500	<b>41.77</b>	41.77
Ashok Leyland Limited	<b>1,008,332</b>	1,008,332	<b>27.85</b>	27.85
N Thirimanne	<b>568,305</b>	568,305	<b>15.70</b>	15.70
Perpetual Equities (Pvt) Limited	<b>228,356</b>	228,356	<b>6.31</b>	6.31
Rahul Capital (Pvt) Limited	<b>200,935</b>	200,935	<b>5.55</b>	5.55
Sri Lanka Central Transport Board	<b>31,250</b>	31,250	<b>0.86</b>	0.86
U I Suriyabandara	<b>4,695</b>	4,546	<b>0.13</b>	0.13
D B D Danthanarayana	<b>4,550</b>	2,000	<b>0.13</b>	0.06
R P T Adams	<b>2,700</b>	2,700	<b>0.07</b>	0.07
L N J Perera	<b>2,600</b>	2,600	<b>0.07</b>	0.07
Bansei Securities Capital (Pvt) Limited / M A U Gnanathilaka	<b>2,230</b>	2,230	<b>0.06</b>	0.06
R V D Piyathilake / R V D C G Rajapakse	<b>2,070</b>	2,785	<b>0.06</b>	0.08
Assetline Leasing Co. Ltd / S M Dharmakeerthi Samarkoon	<b>1,957</b>	1,957	<b>0.05</b>	0.05
F M Asaf Khan	<b>1,514</b>	1,514	<b>0.04</b>	0.04
B Periyasamy	<b>1,250</b>	1,250	<b>0.03</b>	0.03
L A P Perera	<b>1,200</b>	1,200	<b>0.03</b>	0.03
N Eeswararajah / S Sivarasa	<b>1,100</b>	1,107	<b>0.03</b>	0.031
P L Perera	<b>1,100</b>	1,100	<b>0.03</b>	0.03
N R Fonseka	<b>1,068</b>	1,068	<b>0.03</b>	0.03
R A Y T Perera	<b>1,000</b>	1,000	<b>0.03</b>	0.03

## SHARE INFORMATION (Contd.)

### Overview of Lanka Ashok Leyland PLC Shareholder Structure by Ownership



### Public Holding

<b>Public Holding</b>	<b>No. of Shareholders</b>	<b>No. of Shares</b>	<b>% Holding</b>	<b>Float Adjusted Market Capitalization</b>
Shares held by public as at 31 <sup>st</sup> March 2023	726	1,100,011	30.38%	866,809,537
Shares held by public as at 31 <sup>st</sup> March 2022	717	1,100,011	30.38%	781,008,593

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

	<b>Year Ended 31<sup>st</sup> March 2023</b>		Year Ended 31 <sup>st</sup> March 2022	
	<b>Rs.</b>	<b>Date</b>	<b>Rs.</b>	<b>Date</b>
Highest	815.00	26-May-22	1,029.50	9-Feb-22
Lowest	566.00	5-Jul-22	551.00	9-Mar-22
Last Traded	755.00	31-Mar-23	847.00	30-Mar-22
Year End	788.00	31-Mar-23	710.00	31-Mar-22

### Float Adjusted Market Capitalisation

The public holding of the Company as at 31<sup>st</sup> March 2023 was 30.38% comprising of 718 shareholders and the float adjusted market capitalization in terms of Rule 7.13 1 (a) of Listing Rule of CSE was Rs. 866,809,537/-, accordingly the Company qualifies under option five of the minimum public holding requirement.

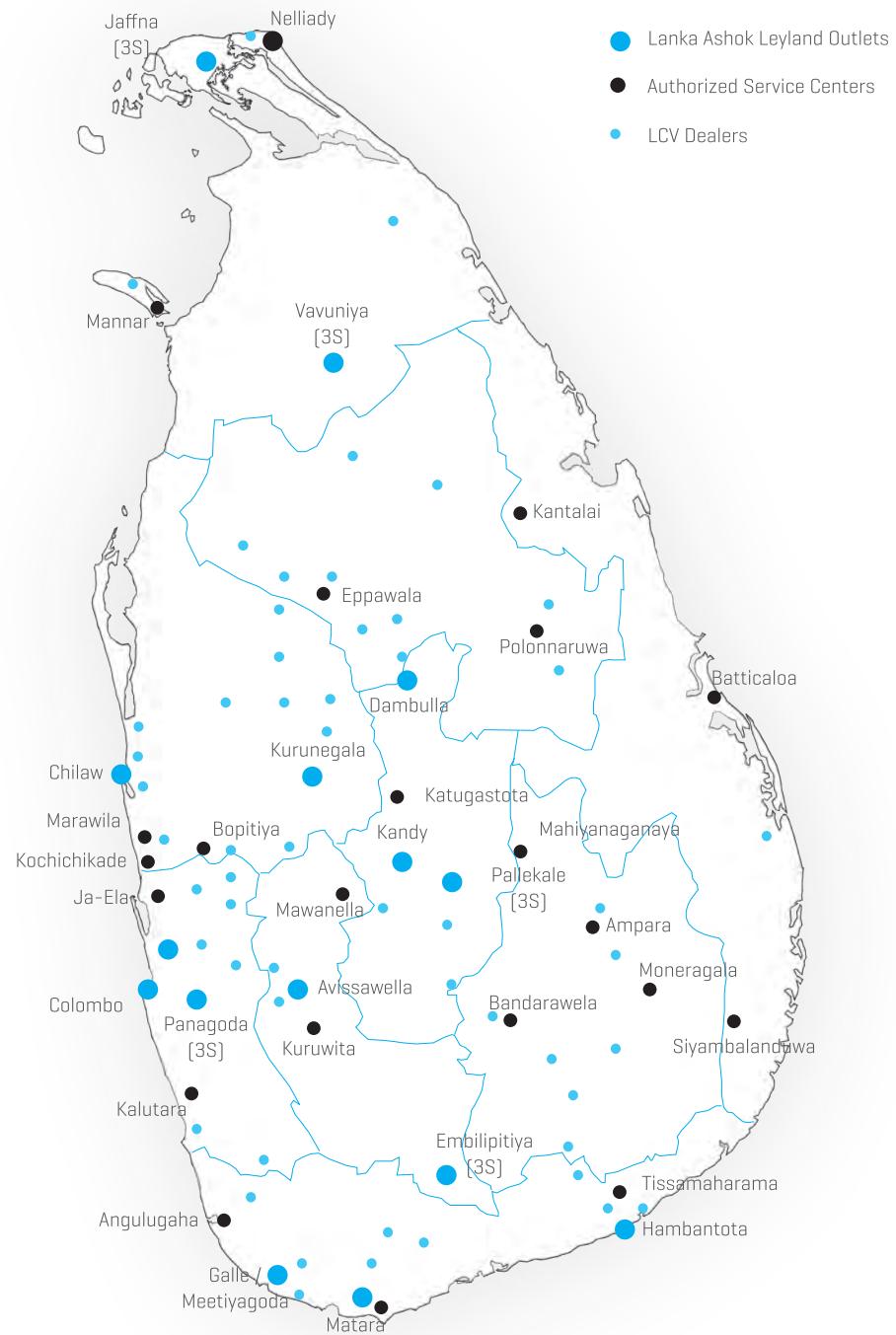
# DECADE AT A GLANCE

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>TRADING RESULTS</b>											
Turnover	Rs 000'	7,013,558	8,235,660	9,088,008	11,416,595	15,565,077	8,627,775	6,718,237	2,973,106	6,860,963	<b>3,487,705</b>
Net Trading Profit /(Loss) Before Interest	Rs 000'	390,958	546,130	366,041	445,420	821,267	295,316	(5,641)	(238,735)	105,205	<b>(176,612)</b>
Interest Paid	Rs 000'	(332,748)	(87,032)	(81,505)	(124,437)	(164,289)	(229,819)	(267,372)	(177,596)	(24,029)	<b>(25,232)</b>
Net Trading Profit /(Loss) After Interest	Rs 000'	58,210	459,098	269,914	320,982	656,978	65,496	(273,012)	(416,331)	81,176	<b>(201,844)</b>
Other Income	Rs 000'	197,907	74,324	29,459	28,380	26,324	51,432	293,632	435,407	367,472	<b>282,667</b>
Profit Before Tax	Rs 000'	256,117	533,422	313,995	349,362	683,302	116,929	20,620	19,076	448,648	<b>80,823</b>
Taxation	Rs 000'	(91,561)	(203,447)	(104,457)	(111,156)	(179,185)	(9,468)	82,793	(14,570)	(105,673)	<b>68,171</b>
Profit After Tax	Rs 000'	164,556	329,975	209,538	238,207	504,117	107,461	103,413	4,505	342,975	<b>148,994</b>
Other Comprehensive Income	Rs 000'	(2,091)	(4,438)	5,180	(1,547)	(5,214)	7,259	4,113	810	3,256	<b>4,010</b>
Profit Brought Forward	Rs 000'	1,361,233	1,487,489	1,794,922	1,865,189	2,011,388	2,401,829	2,376,907	2,431,363	2,419,620	<b>2,759,922</b>
Effect of Transitional Provision	Rs 000'	-	-	-	-	-	(12,913)	(19,325)	-	-	-
<b>Retained Earnings</b>											
Profit Available for Appropriations	Rs 000'	1,523,698	1,813,026	2,009,640	2,101,848	2,510,291	2,503,636	2,465,107	2,436,678	2,765,852	<b>2,912,927</b>
Dividend Paid	Rs 000'	(36,208)	(18,104)	(144,834)	(90,521)	(108,625)	(126,730)	(36,208)	(18,104)	(7,242)	<b>(36,208)</b>
Unclaimed Dividend Reversed	Rs 000'	-	-	-	383	61	163	-	2,464	1,046	1,312
Retained Earnings	Rs 000'	1,487,489	1,794,922	1,865,189	2,011,388	2,401,829	2,376,907	2,431,363	2,419,620	2,759,922	<b>2,877,613</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'	1,487,489	1,794,922	1,865,189	2,011,388	2,401,829	2,376,907	2,431,363	2,419,620	2,759,922	<b>2,877,613</b>
Reserves	Rs 000'	900,631	900,664	900,643	900,646	900,622	900,514	900,514	900,514	900,514	<b>900,514</b>
Shareholders Fund	Rs 000'	2,424,328	2,731,794	2,802,040	2,948,242	3,338,660	3,313,629	3,368,085	3,356,342	3,696,644	<b>3,814,335</b>
<b>ASSETS &amp; LIABILITIES</b>											
Property, Plant & Equipment	Rs 000'	407,136	340,686	554,459	549,022	524,690	548,285	566,792	508,332	647,642	<b>697,391</b>
Other Non Current Assets	Rs 000'	174,085	62,708	65,926	26,404	39,288	54,619	1,929,759	1,558,874	1,135,915	<b>676,873</b>
Current Assets	Rs 000'	4,351,212	5,363,668	4,762,133	5,118,300	6,563,827	5,406,205	5,070,161	5,165,568	5,859,273	<b>3,747,304</b>
Short - Term Borrowings	Rs 000'	(2,131,483)	(2,214,994)	(1,948,189)	(940,192)	(2,320,488)	(1,523,125)	(3,360,661)	(863,724)	(378,206)	-
Other Current Liabilities	Rs 000'	(333,536)	(762,671)	(550,465)	(1,711,833)	(1,385,101)	(1,087,856)	(671,307)	(2,853,333)	(3,426,302)	<b>(1,166,893)</b>
Working Capital	Rs 000'	1,886,193	2,386,003	2,263,479	2,466,275	2,858,238	2,795,224	1,038,193	1,448,511	2,054,765	<b>2,580,410</b>
Non Current Liabilities	Rs 000'	(43,087)	(57,604)	(81,824)	(93,460)	(83,557)	(84,498)	(166,659)	(159,374)	(141,678)	<b>(140,339)</b>
Net worth of Company	Rs 000'	2,424,328	2,731,794	2,802,040	2,948,242	3,338,660	3,313,629	3,368,086	3,356,343	3,696,645	<b>3,814,335</b>

## DECade at a Glance (Contd.)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>CASH FLOW ANALYSIS</b>										
Investments in Property,										
Plant and Equipment	Rs 000'	14,231	34,540	57,654	77,003	29,766	51,553	15,948	24,782	179,570
Depreciation and Amortization	Rs 000'	61,581	80,855	86,989	125,582	121,295	115,993	134,200	136,404	114,063
Net Cash Generated from / (used in)										<b>124,788</b>
Operating Activities	Rs 000'	1,164,145	(54,445)	500,605	326,513	(1,205,776)	852,480	(2,023,320)	2,146,543	2,363,943
Investing Activities	Rs 000'	(47,831)	(28,496)	(57,482)	(69,464)	(13,913)	(27,653)	234,806	403,660	181,277
Financing Activities	Rs 000'	(1,117,774)	83,511	(411,639)	(276,277)	1,271,671	(924,092)	1,772,704	(2,538,672)	(511,933)
Net Increase / (Decrease) in Cash and Cash Equivalents	Rs 000'	(1,460)	570	31,485	(19,227)	51,982	(99,265)	(15,810)	11,531	2,033,288
										<b>(2,022,554)</b>
<b>RATIOS &amp; STATISTICS</b>										
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	<b>3,620,843</b>
Net Assets per Share	Rs.	669.55	754.46	773.86	814.24	922.07	915.15	930.19	926.95	1,020.93
Dividend per Share	Rs.	5.00	40.00	25.00	30.00	35.00	10.00	5.00	2.00	10.00
Market Price per Share	Rs.	1,292.00	1,300.00	1,513.40	1,062.00	990.50	628.00	702.00	839.25	710.00
Market Capitalisation	Rs 000'	4,678,129	4,707,096	5,479,784	3,845,335	3,586,445	2,273,889	2,541,832	3,038,792	2,570,799
Earnings per Share	Rs.	45.45	91.13	57.87	65.79	139.23	29.68	28.56	1.24	94.72
Dividend Payout	%	11.00	43.89	43.20	45.60	25.14	33.69	17.51	160.74	10.56
Price Earning Ratio	No of Times	28.43	14.27	26.15	16.14	7.11	21.16	24.58	674.49	7.50
Current Ratio	No of Times	1.77	1.80	1.91	1.93	1.77	2.07	1.26	1.39	1.54
Quick Ratio	No of Times	0.67	0.66	0.37	0.44	0.25	0.24	0.21	0.21	0.76
Interest Cover	No of Times	1.77	7.13	4.85	3.81	5.16	1.51	1.08	1.11	19.67
Trading Profit Before Int. / Net Turnover.%		5.57	6.63	4.03	3.90	5.28	3.42	(0.08)	(8.03)	1.53
Trading Profit After Int. / Net Turnover. %		0.83	5.57	2.97	2.81	4.22	0.76	(4.06)	(14.00)	1.18
Return on Net Assets	%	6.79	12.08	7.48	8.08	15.10	3.24	3.07	0.13	9.28
Asset Turnover	No of Times	1.42	1.43	1.69	2.01	2.18	1.44	0.89	0.41	0.90
Gearing (Debt Capital/Debt+Equity Capital) %		0.47	0.45	0.41	0.25	0.41	0.32	0.51	0.22	0.11
										<b>0.01</b>

# DISTRIBUTION NETWORK



3S - Services, Sales {Vehicle} & Spare parts

# GLOSSARY

## **Actuarial Gains and Losses**

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

## **Adjusted EBITDA**

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

## **Amortisation**

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

## **Borrowings**

All interest bearing liabilities.

### Capital Employed

Total equity, minority interest and interest bearing Borrowings.

## **Capital Reserves**

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

## **Cash Equivalents**

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

## **Contingent Liability**

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

## **Current Ratio**

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

## **Current Service Cost**

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

## **Debenture**

A long-term debt instrument issued by a corporate.

## **Deferred Taxation**

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

## **Dividend Cover**

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

## **Dividend Payout**

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

## **Dividend Yield**

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

## **EBIT**

Abbreviation for Earnings Before Interest and Tax.

## **Effective Tax Rate**

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

## **Equity**

Shareholders' funds.

## **Equity Accounted Investees**

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

## **Expected Credit Losses (ECLs)**

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

## **Fair Value**

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

## **Fair Value Through Profit and Loss**

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

## **Financial Asset**

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

## GLOSSARY (Contd.)

### **Financial Instrument**

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

### **Gearing**

Proportion of total interest bearing borrowings to capital employed.

### **Gross Profit Ratio**

Gross profit divided by revenue.

### **Interest Cover**

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

### **Key Management Personnel (KMP)**

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

### **Lease**

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

### **Loss Given Default (LGD)**

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

### **Market Capitalisation**

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

### **Net Assets Per Share**

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

### **Other Comprehensive Income**

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

### **Present Value of a Defined Benefit Obligation**

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

### **Price Earnings Ratio**

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

### **Probability of Default (PD)**

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

### **Related Parties**

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

### **Return on Average Capital Employed**

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

### **Return on Average Shareholders' Funds**

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

### **Right-of-use Asset**

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

### **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

Notice is hereby given that the Fortieth Annual General Meeting (AGM) of Lanka Ashok Leyland PLC will be held at Lanka Ashok Leyland PLC, Panagoda, Homagama on 11<sup>th</sup> August 2023 at 11.00 a.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 2023.
2. To elect Mr. K C Leshan De Silva as a Director of the Company in place of Mr. A K S A Jayasena.
3. To elect Ms. H. A. Bogodagedara as a Director of the Company in place of Mr. W H C P S Wijesekara.
4. To elect a Director in place of Mr. N Sundararajan who retires by rotation in terms of Article 84 of the Articles of Association of the Company and who being eligible, offers himself for re-appointment.
5. 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."

6. 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."

7. To declare a dividend as recommended by the Board of Directors.
8. 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 2023/24, on a remuneration of Rs. 2,725,000/- (Rupees Two Million Seven Hundred Twenty Five Thousand), in addition to reimbursement of out of pocket expenses."

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

## By order of the Board



**D A Abeyawardene**  
Director / Secretary

Colombo  
26<sup>th</sup> May 2023

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>	Mr. K C Leshan De Silva - Chairman Mr. D P Kumarage Mr. N Sundararajan Mr. Gopal Mahadevan Mr. D A Abeyawardene Mr. Amandeep Singh Arora Ms. H A Bogodagedara
<b>COMPANY SECRETARY</b>	Mr. D A Abeyawardene 80/12, Rubberwatte Road Gangodavila Nugegoda. Tel : 0112 801205
<b>CHIEF EXECUTIVE OFFICER</b>	Mr. 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 Cargills Bank 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 Consulting 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. K C Leshan De Silva ..... of Colombo or failing him  
Mr. D P Kumarage ..... of Colombo or failing him  
Mr. N Sundararajan ..... of Colombo or failing him  
Mr. Gopal Mahadevan ..... of Colombo or failing him  
Mr. D A Abeyawardene..... of Colombo or failing him  
Mr. Amandeep Singh Arora ..... of Colombo or failing him  
Ms. H A Bogodagedara..... of Colombo or failing him

as my/ our\* proxy to represent me/ us\* and on my/ our\* behalf at the Annual General Meeting of the Company to be held at Lanka Ashok Leyland PLC, Panagoda, Homagama on 11<sup>th</sup> August 2023 at 11.00 a.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 Three.

.....  
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 (I) 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 11.00 a.m on 09<sup>th</sup> August 2023 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)