



**LANKA ASHOK LEYLAND PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MARCH 2024**

**Dynamic
Audit**

Underpinned by

Quality integrity and insight



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

INDEPENDENT AUDITOR'S REPORT

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 March 31, 2024, 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 material accounting policies and other explanatory information as set out on pages 10 to 55.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2024, 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 for professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Carrying Value of Inventories

Refer to material accounting policies in Note 3.10 and explanatory note in Note 21 of the financial statements. The Company held inventories which comprised several different vehicles, generators and spare parts with an aggregate carrying value of Rs.3,752,742,105/- as at March 31, 2024.



Risk Description

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

Our audit procedures included

- Evaluating whether the inventory provisions at the end of the reporting period were determined in a manner consistent with the Company's inventory provision policy by recalculating the inventory provisions based on the percentages and other parameters in the Company's inventory provision policy.
- Assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing category by comparing individual items with the underlying documentation which included purchase invoices and goods receipt notes.
- Enquiring of management about any expected changes in plans for markdowns or disposals of slow moving or obsolete inventories and comparing their representations with actual transactions subsequent to the reporting date and assumptions adopted in determining the inventory provisions;
- 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 material 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. 415,867,412/- and Trade receivables amounted to Rs 586,997,809/- as at March 31, 2024.

Risk Description

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 condition in 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.



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.



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 relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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
09 May 2024

LANKA ASHOK LEYLAND PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>For the Year Ended 31st March</i>		2024	2023
	Note	Rs.	Rs.
Revenue	5	5,404,387,774	3,487,704,617
Cost of Sales		<u>(3,589,971,737)</u>	<u>(2,969,418,313)</u>
Gross Profit		1,814,416,037	518,286,304
Other Income	6	194,551,854	282,667,376
Selling and Distribution Expenses	7	(29,813,836)	(22,799,313)
Administrative Expenses		(668,179,894)	(570,395,869)
Impairment Reversal / (Charge) of Trade Receivables	8	28,073,853	(51,292,523)
Other Operating Expenses		<u>(144,792,205)</u>	<u>(122,778,474)</u>
Profit from Operations		1,194,255,809	33,687,501
Finance Income	9.1	69,262,053	72,367,900
Finance Cost	9.2	<u>(10,365,364)</u>	<u>(25,232,311)</u>
Net Finance Income / (Cost)	9	<u>58,896,689</u>	<u>47,135,589</u>
Profit Before Tax	10	1,253,152,498	80,823,090
Tax (Expense) / Reversal	11.1	<u>(395,365,601)</u>	<u>68,171,025</u>
Profit for the Year		<u>857,786,897</u>	<u>148,994,115</u>
Other Comprehensive Income			
<i>Items that will Never be Reclassified to Profit or Loss</i>			
Remeasurement of Employee Benefits - Actuarial (Loss) / Gain	27.5	(93,831,402)	5,728,897
Deferred Tax Gain/ (Charge) on Defined Benefit Plan	11.3	<u>28,149,421</u>	<u>(1,718,669)</u>
Total Other Comprehensive Income, net of Tax		<u>(65,681,981)</u>	<u>4,010,228</u>
Total Comprehensive Income for the Year		<u>792,104,916</u>	<u>153,004,343</u>
Basic and Diluted Earnings Per Share	12	<u>236.90</u>	<u>41.15</u>
Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (Adjusted EBITDA)	14	<u>1,345,796,399</u>	<u>158,475,460</u>

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



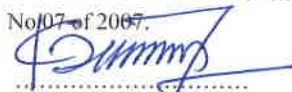
LANKA ASHOK LEYLAND PLC
STATEMENT OF FINANCIAL POSITION

As At 31st March

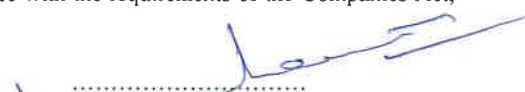
	Note	2024 Rs.	2023 Rs.
ASSETS			
Non Current Assets			
Property, Plant & Equipment	15	1,051,332,875	697,391,472
Right-of-use Asset	16	16,771,752	36,021,119
Intangible Assets	17	644,325	920,356
Financial Investments	18	131,904	11,542,980
Rental Receivable from Trade Debtors	19.1	41,795,691	314,633,296
Deferred Tax Asset	20	231,069,976	313,755,104
Total Non Current Assets		1,341,746,523	1,374,264,327
Current Assets			
Inventories	21	3,752,742,105	2,623,994,152
Trade and Other Receivables	22	619,357,222	459,839,299
Rental Receivable from Trade Debtors	19.2	374,071,721	524,178,650
Deposits and Prepayments	23	55,924,997	112,241,570
Cash & Cash Equivalents	24.1	1,441,114,057	27,050,059
Total Current Assets		6,243,210,102	3,747,303,730
Total Assets		7,584,956,625	5,121,568,057
EQUITY & LIABILITIES			
Equity			
Stated Capital	25	49,375,150	49,375,150
General Reserve	26	887,347,500	887,347,500
Retained Earnings		3,652,674,229	2,877,612,617
Equity attributable to Owners of the Company		4,589,396,879	3,814,335,267
Non Current Liabilities			
Defined Benefit Obligation (Net)	27.1	57,723,545	109,918,855
Lease Liability	28.2	11,112,605	30,420,490
Total Non Current Liabilities		68,836,150	140,339,345
Current Liabilities			
Trade and Other Payables	29	989,740,655	730,660,779
Amount due to Related Party	30	1,655,721,179	333,303,000
Current Tax Liabilities	31	196,925,645	19,007,471
Provision for Warranty	32	9,773,122	594,547
Lease Liability	28.2	23,523,537	30,355,200
Bank Overdrafts	24.2	51,039,458	52,972,448
Total Current Liabilities		2,926,723,596	1,166,893,445
Total Liabilities		2,995,559,746	1,307,232,790
Total Equity & Liabilities		7,584,956,625	5,121,568,057
Net Assets per Share		1,267.49	1,053.44

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.



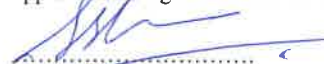
G R Jayalath
Assistant General Manager - Finance



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

Colombo, 09th May 2024



D A Abeyawardene
Director

LANKA ASHOK LEYLAND PLC
STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	General Reserves Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01st April 2022	49,375,150	887,347,500	2,759,922,036	3,696,644,686
Total Comprehensive Income				
Profit for the year	-	-	148,994,115	148,994,115
Other Comprehensive Income for the year	-	-	4,010,228	4,010,228
Total Comprehensive Income	-	-	153,004,343	153,004,343
Transactions with Owners of the Company				
Contribution / Distribution				
Unclaimed Dividend Reversed (Note 13.1)	-	-	894,668	894,668
Dividend (Note 13.2)	-	-	(36,208,430)	(36,208,430)
Total Transactions with Owners of the Company	-	-	(35,313,762)	(35,313,762)
Balance as at 31st March 2023	49,375,150	887,347,500	2,877,612,617	3,814,335,267
Balance as at 01st April 2023	49,375,150	887,347,500	2,877,612,617	3,814,335,267
Total Comprehensive Income				
Profit for the year	-	-	857,786,897	857,786,897
Other Comprehensive Income for the year	-	-	(65,681,981)	(65,681,981)
Total Comprehensive Income	-	-	792,104,916	792,104,916
Transactions with Owners of the Company				
Contribution / Distribution				
Unclaimed Dividend Reversed (Note 13.1)	-	-	1,060,911	1,060,911
Dividend (Note 13.2)	-	-	(18,104,215)	(18,104,215)
Total Transactions with Owners of the Company	-	-	(17,043,304)	(17,043,304)
Balance as at 31st March 2024	49,375,150	887,347,500	3,652,674,229	4,589,396,879

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

Figures in brackets indicate deductions.



LANKA ASHOK LEYLAND PLC
STATEMENT OF CASH FLOWS

For the Year Ended 31st March

	Note	2024 Rs.	2023 Rs.
Cash flows from Operating Activities			
Profit Before Tax		1,253,152,498	80,823,090
Adjustment For :			
Depreciation of Property, Plant and Equipment	10	141,871,045	108,722,068
Depreciation of Right of Use Assets	10	9,393,514	12,827,791
Amortization of Intangible Assets	10	276,031	3,238,100
Provision for Employee Benefits	27.4	26,251,758	21,286,093
Impairment Provision of Trade & Other Receivables	8	(28,073,853)	51,292,523
Reversal of Provision for Inventory	10	(127,013,905)	(10,186,564)
Finance Costs	9.2	10,365,364	25,226,657
Interest Income	9.1	(60,870,758)	(70,558,490)
Lease Interest Income	6	(144,590,886)	(249,312,231)
Gain on Sale of Property, Plant and Equipment	6	(4,638,736)	(5,217)
Charge / (Reversal) of Provision for Free Service	10	1,452,592	(3,017,682)
Charge / (Reversal) of Warranty Provision	10	9,178,575	(2,884,985)
Fair Value (Gain) / Loss on Equity Investments	9.2	(12,142)	5,654
		<u>(166,411,401)</u>	<u>(113,366,283)</u>
Operating Profit before Working Capital Changes		1,086,741,097	(32,543,193)
Working Capital Changes in			
Inventories		(1,421,875,000)	279,112,709
Trade and Other Receivables		(259,197,423)	73,640,457
Amount due from Related Party		618,439,973	168,813,149
Trade and Other Payables		257,925,482	(409,038,965)
Amounts due to Related Party		1,322,418,179	(1,812,710,053)
		<u>517,711,211</u>	<u>(1,700,182,703)</u>
Cash Generated from Operations		1,604,452,308	(1,732,725,896)
Interest Paid		(3,134,509)	(15,325,348)
Employee Benefits Paid	27.2	(18,183,715)	(2,575,413)
Investment in Plan Asset	27.3	(147,107,165)	-
Payments / Set off of Income Taxes	31	(106,612,878)	(54,264,785)
		<u>(275,038,267)</u>	<u>(72,165,546)</u>
Net Cash Generated from / (Used In) Operating Activities		1,329,414,041	(1,804,891,442)
Cash flows from Investing Activities			
Interest Received		198,471,759	319,872,562
Proceeds from Sale of Property, Plant and Equipment		10,125,000	6,000
Acquisition of Property, Plant and Equipment	15.5	(80,395,047)	(98,970,600)
Acquisition of Intangible Assets	17	-	(1,104,125)
Net Cash Flows Generated from Investing Activities		128,201,712	219,803,837
Cash Flows from Financing Activities			
Short Term Loans obtained during the year	33.1	-	222,848,000
Short Term Loans repaid during the year	33.1	-	(601,053,767)
Payment for Lease Liability		(23,514,550)	(23,052,196)
Dividend Paid	13.2	(18,104,215)	(36,208,430)
Net Cash Flows Used in Financing Activities		(41,618,765)	(437,466,393)
Net Increase / (Decrease) in Cash & Cash Equivalents		1,415,996,988	(2,022,553,998)
Net Cash & Cash Equivalents at the beginning of the year		(25,922,389)	1,996,631,609
Net Cash & Cash Equivalents at the end of the year	24	<u>1,390,074,599</u>	<u>(25,922,389)</u>
Analysis of Cash & Cash Equivalents at the end of the year			
Cash & Cash Equivalents	24.1	1,441,114,057	27,050,059
Bank Overdrafts	24.2	(51,039,458)	(52,972,448)
		<u>1,390,074,599</u>	<u>(25,922,389)</u>

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

Figures in brackets indicate deductions.



LANKA ASHOK LEYLAND PLC

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 222 (2023 – 230).

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 31st March.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (referred “SLFRS/LKAS”) as laid down by the Institute of Chartered Accountants of Sri Lanka (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.

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.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

- 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 31st March 2024 were approved and authorised for issue by the Board of Directors on 09th May 2024.

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.

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 2024 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).



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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.

2.8 Going Concern

The Directors have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future and do not foresee a need for liquidation or cessation of trading. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

3. MATERIAL ACCOUNTING POLICIES

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

3.1 Changes in Material Accounting Policies

The company adopted disclosure of accounting policies Amendments to LKAS 1 from 01st January 2023. Although the amendments did not result in any changes to the accounting policies themselves, the impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 03 Material accounting polices (2023: Significant accounting policies) in certain instances in line with the amendments.

3.2 Foreign Currency Transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated at the 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

3.3 Current Versus non-current Classification

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

An asset as current when it is:

- Expected to be realized or intended to sell or consume in normal operating cycle
- Held primarily for the purpose of trading



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

- 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 not payable within 12 months are classified as non-current liabilities.

3.4 Financial Instruments

3.4.1 Recognition and Initial Measurement

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

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

3.4.2 Classification and Subsequent Measurement

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

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

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

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

Financial asset measured at amortised cost comprises Trade and Other Receivables, Rental Receivable from Trade Debtors and Cash and Cash Equivalents including Investment in Treasury Bills, Repo Investments and Fixed Deposits.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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

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

FVTPL comprises investments in equity shares.

Financial Assets – Business Model Assessment

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

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

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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

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

Financial Assets – Subsequent Measurement and Gains and Losses

Financial Assets at FVTPL

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

Financial Assets at Amortised Cost

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

3.4.3. Reclassification

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

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

3.4.4 Derecognition

Financial Assets

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

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

Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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.

3.4.5 Offsetting

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

3.5 Impairment

3.5.1 Non-Derivative Financial Assets

Financial Instruments

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

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

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

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

Measurement of ECLs

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

Credit-Impaired Financial Assets

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

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

- significant financial difficulty of the debtor;
- 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.

3.5.2 Non-Financial Assets

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.6 Stated Capital

Ordinary Shares

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

3.7 Property, Plant & Equipment

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

a) Cost

All Property, Plant and Equipment are initially recorded at cost and stated at historical cost less depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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%
<i>Freehold land is not depreciated.</i>	

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.



3.8 Intangible Assets

a) Cost

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

b) Subsequent Expenditure

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

c) Amortization

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

3.9 Capital Commitments

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

3.10 Inventories

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

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

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

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

The Cost of each category of inventory is determined on the following basis.

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

3.11 Goods-in-Transit

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



3.12 Employee Benefits

3.12.1 Short-term Employee Benefits

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

3.12.2 Defined Benefit Plan- Gratuity

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

To cover the Company employees' gratuity liability, maintains a gratuity cash accumulation policy with Life Insurance Corporation (Lanka) Limited. LIC (Lanka) is in charge of managing the defined benefit plan for Lanka Ashok Leyland staff members. LIC (Lanka) Ltd will give a gratuity to a departing employee on the day of the person's retirement or departure from the company. Gratuity of the employee is guaranteed for the past service of the employee subject to the available fund balance with them as contributed by the Company.

One of the salient features of the policy is that Employees are also covered by a life insurance facility. In the event of a death before retirement, the nominees are entitled to receive the full gratuity, considering the number of years until retirement.

The Defined Benefit Obligation recognized in the statement of financial position represents the present value of the Defined Benefit Obligation as reduced by the fair value of plan assets.

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

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

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

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

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

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

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



3.13 Provisions

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

3.14 Warranties

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

3.15 Contingent Liabilities

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

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

3.16 Leases

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.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

- fixed payments, including in-substance fixed payments.
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the Company's assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

The Company presents Right-of-use Assets in 'Right-of-use Asset' and Lease Liabilities in 'Lease Liability' in the Statement of Financial Position.

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.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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

3.17 Revenue

3.17.1 Revenue Streams

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

3.17.2 Disaggregation of Revenue from Contract with Customers

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

3.17.3 Performance Obligations and Revenue Recognition Policies

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

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

Type of Product / Service	Nature and Timing of Satisfaction of Performance Obligations, Including Significant Payment Terms	Revenue Recognition Policies
Sale of Vehicles with Free Services	The Company provides two free services within two months of the sale, for the vehicles sold and price of these free services is in-built in the selling price. The Company may recognize Revenue from free services when the service is rendered.	The Company allocates a portion of the consideration received to free services. This allocation is based on the relative stand-alone selling prices. The amount allocated to the free services is deferred and is recognized as revenue when the services are rendered.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

Spare Parts Sales	The Company sells spare parts through their stalls in several locations. The goods are realized when the goods are transported out, and the invoice is raised afterwards.	Revenue from spare parts sales are recognized at the dispatch point when the Company transfer the control of spare parts to the customer.
Body Parts Construction	The Company constructs some of the body parts in resalable nature, where it is less customized to the particular customer. The Company also constructs the body parts fully customized to the specifications provided by the customer. The Company has a guaranteed right to payment by the advance or the full payment charged from the customer.	The Company transfers the control of the goods over time. However, the time consumed for construction and sale of body part is insignificant. Therefore, the revenue is recognized at the point of transfer of body parts.
Local Agency Commission	The Company acts as an indent agent for Ashok Leyland – India. LAL receives a commission from its indent principal for arranging the transaction.	The Company act as an agent for Ashok Leyland – India. Therefore, the commission is recognized at the date of bill of lading except for any consideration received on behalf of the principal.
Diesel Generator Set Sales	The Company provides generator sets and installation services to the customers. The price for the installation service is in-built in the price of the generator set.	Revenue from sale of generators are recognized at the point of delivery. Revenue from installation service is also qualified for at a point in time revenue recognition, since there is no significant time gap for installation to be taken place.
Hiring income	Company provides vehicles on hire basis to government sectors	Revenue from hiring is recognized over time due to the fact that the entity identifies the receipts and simultaneous consumption of benefits from the services provided to the customer.

3.18 Sale of Goods under Finance Lease

In accordance with paragraph 73 of SLFRS 16 – “Leases”, the selling profit or loss is recognized in the period of sales in accordance with the policy followed for outright sales. When low rate of interest are quoted, selling profit is restricted to that which would apply if a market rate of interest were 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.

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

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



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

3.20 Other Income

All other income is recognized on an accrual basis.

3.21 Expenditure Recognition

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

All expenditure incurred in running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency is charged to profit or loss in arriving at the Profit / (Loss) for the year.

Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the business or for the purpose of increasing earning capacity of the business has been treated as capital expenditure.

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

3.21.1 Borrowing Costs

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

3.22 Finance Income and Finance Costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

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

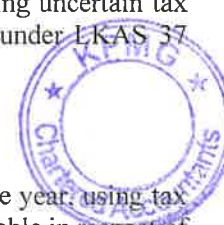
3.23 Income Tax Expense

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

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.

3.23.1 Current Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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.

3.23.2 Deferred Taxation

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized, based on the level of future taxable profit forecasts and tax planning strategies.

3.24 Fair Value Measurement

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

Number of Company’s accounting policies and disclosures require the determination of fair value, for both financial and 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.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

3.25 Events after the Reporting Period

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

3.26 Cash Flow Statement

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

3.27 Cash and Cash 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.

3.28 Earnings per Share

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

3.29 Dividends on Ordinary Shares

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

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning 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.

- Classification of Liabilities as Current or Non Current and Non current liabilities with Covenants (Amendments to LKAS 1) (The amendments apply to annual reporting periods beginning on or after 01st January 2024)
- Supplier Finance Arrangements (Amendment to LKAS 7 and SLFRS 7) (The amendments apply to annual reporting periods beginning on or after 01st January 2024)
- Other accounting Standards
 - The following new and amended accounting standards are not expected to have a significant impact on the company's financial statement.
 - Lease liabilities in a sale and leaseback (Amendment to SLFRS 16)
 - Lack of Exchangeability (Amendment to IAS 21)



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

<i>For the Year Ended 31st March</i>		2024	2023
		Rs.	Rs.
5	REVENUE		
5.1	Disaggregation of Revenue from Contract with Customers		
5.1.1	Major Products / Service Lines		
	New Vehicle Sales	4,229,076,849	2,698,724,989
	Diesel Generator Set Sales	44,486,891	66,122,086
	Repair Income	290,180,441	211,997,961
	Spare Parts Sales	373,592,210	232,949,366
	Vehicle Hiring Income	467,051,383	249,699,443
	Local Agency Commission	-	28,210,772
		<u>5,404,387,774</u>	<u>3,487,704,617</u>
5.1.2	Sales by Type of Counter-party		
	Government Entities	959,870,032	556,531,316
	Corporates and Institutions	3,059,312,029	1,892,622,241
	Individuals	1,385,205,713	1,038,551,060
		<u>5,404,387,774</u>	<u>3,487,704,617</u>
5.1.3	Timing of Revenue Recognition		
	Products & Services Transferred at a Point in Time	4,937,336,391	3,238,005,174
	Product & Services Transferred Over Time	467,051,383	249,699,443
		<u>5,404,387,774</u>	<u>3,487,704,617</u>
5.2	In respect of Commission, Management considers that the following factors indicate the Company acts as an agent;		
	- 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.		
<i>For the Year Ended 31st March</i>		2024	2023
		Rs.	Rs.
6	OTHER INCOME		
	Profit on Sale of Property, Plant and Equipment	4,638,736	5,217
	Lease Interest Income (Note 19.7)	144,590,886	249,312,231
	Sundry Income	45,322,232	33,349,928
		<u>194,551,854</u>	<u>282,667,376</u>
7	SELLING AND DISTRIBUTION EXPENSES		
	Distribution Expenses Comprise of the Followings;		
	Sales Promotions	2,227,330	1,559,168
	Discounts	3,184,491	1,587,769
	Advertising	-	31,200
	Other Selling Expenses	24,402,015	19,621,176
		<u>29,813,836</u>	<u>22,799,313</u>
8	IMPAIRMENT REVERSAL / (CHARGE) OF TRADE RECEIVABLES		
	Impairment Reversal of Rental Receivable from Trade Receivables (Note 19.3)	147,068,318	7,201,136
	Impairment Charge of Trade Receivables (Note 22.2)	(118,994,465)	(58,493,659)
		<u>28,073,853</u>	<u>(51,292,523)</u>
9	NET FINANCE INCOME		
9.1	Finance Income		
	Interest Income	53,883,168	70,558,490
	Return on Plan Assets	6,987,590	-
	Net Foreign Exchange Gain	8,379,153	1,809,410
	Financial Assets at FVTPL - Net Change in Fair Value Gain	12,142	-
		<u>69,262,053</u>	<u>72,367,900</u>
9.2	Finance Cost		
	Interest Expense on Short Term Borrowings	-	(3,806,829)
	Interest Expense on Bank Overdrafts	(729,059)	(10,250,715)
	Interest Cost on Lease Liability	(9,636,305)	(11,169,113)
		<u>(10,365,364)</u>	<u>(25,226,657)</u>
	Financial Assets at FVTPL - Net Change in Fair Value Loss	-	(5,654)
		<u>(10,365,364)</u>	<u>(25,232,311)</u>
	NET FINANCE INCOME	<u>58,896,689</u>	<u>47,135,589</u>



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

<i>For the Year Ended 31st March</i>	2024 Rs.	2023 Rs.
10 PROFIT BEFORE TAX		
Profit before tax is stated after charging all the expenses / (reversal) including followings:		
Directors' Emoluments	16,445,000	16,275,000
Auditors' Remuneration - Audit Services	2,725,000	2,300,000
- Audit Related Services	75,000	66,000
- Non Audit Services	460,000	400,000
Staff Cost (Note 10.1)	441,750,878	365,650,617
Depreciation of Property, Plant and Equipment (Note 15)	141,871,045	108,722,068
Depreciation of Right of Use Asset (Note 16)	9,393,514	12,827,791
Amortization of Intangible Assets (Note 17)	276,031	3,238,100
Reversal of Provision for Slow Moving and Obsolete Stocks (Note 21.2)	(127,013,905)	(10,186,564)
Charge / (Reversal) of Provision for Free Service (Note 29.1)	1,452,592	(3,017,682)
Charge / (Reversal) of Warranty Provision (Note 32)	9,178,575	(2,884,985)
10.1 Staff Cost		
Salaries, Wages and Other Benefits	385,614,699	316,477,256
Defined Contribution Plans - EPF	23,907,537	22,309,814
Defined Contribution Plans - ETF	5,976,884	5,577,454
Defined Benefit Plans (Note 27.3)	26,251,758	21,286,093
	<u>441,750,878</u>	<u>365,650,617</u>
11 TAX EXPENSE		
The Company is liable to taxation at the rate of 30% in accordance with the Inland Revenue Act. No. 24 of 2017 and subsequent amendments there to. The composition of income tax expense is as follows ;		
<i>For the Year Ended 31st March</i>	2024 Rs.	2023 Rs.
11.1 Tax (Reversal) / Expense		
Income Tax on Profits for the year (Note 11.2)	284,531,052	33,617,820
Over Provision of Current Tax in Respect of Previous years	-	126,000
Deferred Tax Expense / (Reversal) (Note 11.3)	110,834,549	(101,914,845)
	<u>395,365,601</u>	<u>(68,171,025)</u>
11.2 Reconciliation of the Accounting Profit and Taxable Profit		
Profit Before Tax	1,253,152,498	80,823,090
Income from Other Sources and Exempt Income	(58,790,647)	(70,967,614)
Aggregated Expenses Disallowed for Taxation	92,951,331	207,980,819
Aggregated Deductible Expenses for Taxation	(392,759,511)	(163,658,698)
Assessable Income from Business	894,553,671	54,177,597
Assessable Income from Investment	53,883,168	70,558,490
Taxable Income	<u>948,436,839</u>	<u>124,736,087</u>
Taxation		
Income Tax at 14%	-	85,292
Income Tax at 24%	-	14,822,115
Income Tax at 30%	284,531,052	18,710,413
Income Tax on Profits for the year	<u>284,531,052</u>	<u>33,617,820</u>
11.3 Deferred Tax Reversal / (Charge) Recognized in Comprehensive Income		
Statement of Profit or Loss (Note 20)	(110,834,549)	101,914,845
Other Comprehensive Income (Note 20)	28,149,421	(1,718,669)
	<u>(82,685,128)</u>	<u>100,196,176</u>



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

11 TAX EXPENSE (CONT.)

For the Year Ended 31st March

	2024 Rs.	2023 Rs.
11.4 Effective Tax Rate		
Effective Tax Rate Excluding Deferred Tax (Note 11.5)	22.71%	41.59%
Effective Tax Rate Including Deferred Tax (Note 11.5)	31.55%	-84.50%
Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years (Note 11.5)	31.55%	-84.35%

For the Year Ended 31st March

	2024		2023	
	Rate	Rs.	Rate	Rs.
11.5 Reconciliation of Effective Tax Rate				
Profit Before Tax		1,253,152,498		80,823,090
Income Tax Expense at the Average Statutory Income Tax Rate	30.00%	375,945,749	26.95%	21,782,759
Exempted Income	-0.12%	(1,472,244)	-0.14%	(110,264)
Disallowed Expenses	2.23%	27,885,400	69.35%	56,053,239
Deductible Expenses	-9.40%	(117,827,853)	-54.57%	(44,107,914)
Effective Tax Rate Excluding Deferred Tax	22.71%	284,531,052	41.59%	33,617,820
Temporary Differences	8.84%	110,834,549	-126.10%	(101,914,845)
Effective Tax Rate Including Deferred Tax	31.55%	395,365,601	-84.50%	(68,297,025)
Over Provision of Current Tax in Respect of Previous years	0.00%	-	0.16%	126,000
Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years	31.55%	395,365,601	-84.35%	(68,171,025)



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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.

<i>For the Year Ended 31st March</i>	2024	2023
Profit Attributable to Ordinary Shareholders (Rs.)	857,786,897	148,994,115
Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
Basic and Diluted Earnings per Share (Rs.)	<u>236.90</u>	<u>41.15</u>

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.

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".

<i>For the Year Ended 31st March</i>	2024	2023
Dividend for the Year (Rs.)	54,312,645	18,104,215
Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
Dividend per Share (Rs.)	<u>15.00</u>	<u>5.00</u>

13.1 During the year, an amount of Rs. 1,060,911/- (2022/23 - Rs. 894,668/-) reversed as unclaimed dividend.

13.2 2022/23 Company has declared a first and final Dividend amount of Rs. 18,104,215/- was paid during 2023/24 and dividend declared for 2021/22 year amounting to Rs. 36,208,430/- paid during 2022/23.

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;

<i>For the Year Ended 31st March</i>	Note	2024 Rs.	2023 Rs.
Profit from Continuing Operations		857,786,897	148,994,115
Tax Expense / (Reversal)	11.1	<u>395,365,601</u>	<u>(68,171,025)</u>
Profit before Tax		1,253,152,498	80,823,090
Adjustments for:			
- Net Finance (Income)	9	(58,896,689)	(47,135,589)
- Depreciation of Property, Plant & Equipment	10	141,871,045	108,722,068
- Depreciation of Right-of-use Asset	10	9,393,514	12,827,791
- Amortisation of Intangible Assets	10	276,031	3,238,100
Adjusted EBITDA		<u>1,345,796,399</u>	<u>158,475,460</u>



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT & EQUIPMENT

For the Year Ended 31st March 2024

	Cost			Accumulated Depreciation			Carrying Value	
	As at 01 st April 2023 Rs.	Additions Rs.	Disposals / Transfers Rs.	As at 31 st March 2024 Rs.	As at 01 st April 2023 Rs.	Charge for the year Rs.	On Disposal Rs.	As at 31 st March 2024 Rs.
Freehold Land	10,700,810	-	-	10,700,810	-	-	-	10,700,810
Freehold Factory & Building	438,955,986	-	-	438,955,986	71,316,291	10,973,900	-	356,665,795
Data Processing Equipment	50,331,508	15,289,290	(485,000)	65,135,798	38,772,470	4,447,331	(94,954)	22,010,951
Machinery & Equipment	57,173,860	-	-	57,173,860	16,979,741	2,565,338	-	19,545,079
Factory Equipment	42,071,640	-	-	42,071,640	16,237,138	2,006,796	-	18,243,934
Office Equipment	16,515,332	2,098,000	-	18,613,332	6,694,709	1,350,711	-	10,567,912
Furniture & Fittings	38,613,175	621,773	-	39,234,948	21,473,682	2,106,626	-	15,654,640
Motor Vehicles	1,005,817,764	420,140,952	(10,588,830)	1,415,369,886	832,445,828	105,484,996	(6,255,323)	483,694,385
Plant & Machinery and Equipment - Assy Line	54,328,976	23,846,893	-	78,175,869	17,205,953	11,752,156	-	49,217,760
Tools and Equipment - Factory	4,195,450	1,275,488	-	5,470,938	187,217	1,183,191	-	4,100,530
	1,718,704,501	463,272,396	(11,073,830)	2,170,903,067	1,021,313,029	141,871,045	(6,350,277)	1,014,069,270
Capital Work In Progress - Building	-	37,263,605	-	37,263,605	-	-	-	37,263,605
	1,718,704,501	500,536,001	(11,073,830)	2,208,166,672	1,021,313,029	141,871,045	(6,350,277)	1,051,332,875

For the Year Ended 31st March 2023

	Cost			Accumulated Depreciation			Carrying Value	
	As at 01 st April 2022 Rs.	Additions Rs.	Disposals / Transfers Rs.	As at 31 st March 2023 Rs.	As at 01 st April 2022 Rs.	Charge for the year Rs.	On Disposal Rs.	As at 31 st March 2023 Rs.
Freehold Land	10,700,810	-	-	10,700,810	-	-	-	10,700,810
Freehold Factory & Building	360,820,756	78,135,230	-	438,955,986	61,605,915	9,710,376	-	367,639,695
Data Processing Equipment	46,783,752	3,617,756	(70,000)	50,331,508	33,394,324	5,448,146	(70,000)	11,559,038
Machinery & Equipment	56,886,860	287,000	-	57,173,860	14,412,868	2,566,873	-	40,194,119
Factory Equipment	37,330,840	4,740,800	-	42,071,640	14,267,019	1,970,119	-	25,834,502
Office Equipment	11,611,896	4,903,436	-	16,515,332	5,788,867	905,842	-	9,820,623
Furniture & Fittings	26,858,621	11,754,554	-	38,613,175	19,984,103	1,489,579	-	17,139,493
Motor Vehicles	946,316,896	59,500,868	-	1,005,817,764	756,241,138	76,204,690	-	173,371,936
Plant & Machinery and Equipment - Assy Line	47,788,198	6,540,778	-	54,328,976	6,966,727	10,239,226	-	37,123,023
Tools and Equipment - Factory	-	4,195,450	-	4,195,450	-	187,217	-	4,008,233
	1,545,098,629	173,675,872	(70,000)	1,718,704,501	912,660,961	108,722,068	(70,000)	697,391,472
Capital Work In Progress - Building	15,204,404	-	(15,204,404)	-	-	-	-	-
	1,560,303,033	173,675,872	(15,274,404)	1,718,704,501	912,660,961	108,722,068	(70,000)	697,391,472

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. 420,140,952/- (2022/23 - Rs. 59,500,868/-) worth of Motor Vehicles have been capitalized from Motor Vehicle Stock.

15.4 Property, Plant & Equipment included fully depreciated assets that are still in use having a gross amount of Rs. 793,584,928/- (2022/23 - Rs. 679,232,028/-)

15.5 During the financial year, the Company purchased Property, Plant and Equipment to the aggregate value of Rs. 80,395,047/- (2022/23 - Rs. 98,970,600/-) for cash.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT & EQUIPMENT (CONT.)

- 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 (2022/23 - Nil).
- 15.9 During the year 2023/24, the Company has started concrete laying in the parking shed of factory premises and total costs incurred up to 31st March 2024 is Rs. 37,263,605/- and recorded under Capital Work-in-progress.

16 RIGHT-OF-USE ASSETS

Carrying amounts of Right-of-use Assets.

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
<i>Cost</i>		
Balance at beginning of the year	96,101,206	90,147,130
Additions	-	15,829,294
Lease Modification	(9,855,853)	(9,875,218)
Balance at end of the year	<u>86,245,353</u>	<u>96,101,206</u>
<i>Accumulated Depreciation</i>		
Balance at beginning of the year	60,080,087	47,252,296
Charge for the year	9,393,514	12,827,791
Balance at end of the year	<u>69,473,601</u>	<u>60,080,087</u>
Carrying Value as at 31st March	<u><u>16,771,752</u></u>	<u><u>36,021,119</u></u>

17 INTANGIBLE ASSETS

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
<i>Cost</i>		
Balance at beginning of the year	28,817,321	27,713,196
Additions	-	1,104,125
Balance at end of the year	<u>28,817,321</u>	<u>28,817,321</u>
<i>Accumulated Amortization</i>		
Balance at beginning of the year	27,896,965	24,658,865
Charge for the year	276,031	3,238,100
Balance at end of the year	<u>28,172,996</u>	<u>27,896,965</u>
Carrying Value as at 31st March	<u><u>644,325</u></u>	<u><u>920,356</u></u>



- 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 31st March 2024 (2022/23 - Rs. 27,713,196).

LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

As At 31st March

	2024 Rs.	2023 Rs.
18 FINANCIAL INVESTMENTS		
Equity Securities - Fair Value Through Profit or Loss (Note 18.1)	131,904	119,762
Corporate Debt Securities - Amortised Cost (Note 18.2)	-	11,423,218
	<u>131,904</u>	<u>11,542,980</u>

As At 31st March

	2024		2023	
	Cost Rs.	Market Value Rs.	Cost Rs.	Market Value Rs.
18.1 Investment in Quoted Shares				
Diesel & Motor Engineering PLC (257 Ordinary Shares)	7,417	131,904	7,417	119,762
	<u>7,417</u>	<u>131,904</u>	<u>7,417</u>	<u>119,762</u>

As At 31st March

	2024		2023	
	Year of Maturity	Carrying Amount Rs.	Year of Maturity	Carrying Amount Rs.
18.2 Investment in Debentures				
Seylan Bank PLC (100,000 Debentures at Rate of Rs. 100/- each)		-	2024	11,423,218
		<u>-</u>		<u>11,423,218</u>

Corporate debt securities are classified at amortised cost. Debentures have an interest rate of 15% and will be matured on April 2024. Therefore this investment has been classified as short term investments under cash & cash Equivalents.

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 31st March

	2024 Rs.	2023 Rs.
Balance as at the beginning of the year	1,249,985,440	2,046,435,646
Granted during the year	130,014,750	16,890,000
Total Rental Receivable	1,380,000,190	2,063,325,646
Less : Payment received during the year	(828,699,936)	(813,340,206)
Total Rental Outstanding (Note 19.4)	551,300,254	1,249,985,440
Less : Deferred Interest Income	(32,108,546)	(160,780,880)
Unearned Rental Income	519,191,708	1,089,204,560
Less : Provision for Impairment Loss (Note 19.3)	(103,324,296)	(250,392,614)
Balance as at the end of the year	<u>415,867,412</u>	<u>838,811,946</u>
19.1 Receivable after one year		
Total Rental Receivable	44,541,879	335,331,341
Less : Deferred Interest Income	(2,746,188)	(20,698,045)
Unearned Rental Income	41,795,691	314,633,296
Less : Provision for Impairment Loss	-	-
Balance as at 31st March	<u>41,795,691</u>	<u>314,633,296</u>
19.2 Receivable within one year		
Total Rental Receivable	506,758,375	914,654,099
Less : Deferred Interest Income	(29,362,358)	(140,082,835)
Unearned Rental Income	477,396,017	774,571,264
Less : Provision for Impairment Loss	(103,324,296)	(250,392,614)
Balance as at 31st March	<u>374,071,721</u>	<u>524,178,650</u>
Total	<u>415,867,412</u>	<u>838,811,946</u>



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

19 RENTAL RECEIVABLE FROM TRADE DEBTORS (CONT.)

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;

<i>As at 31st March 2024</i>	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	249,981,930	410,684	250,392,614
Impairment Loss / (Reversal) recognized during the year	(148,465,284)	1,396,966	(147,068,318)
Balance at the end of the year	<u>101,516,646</u>	<u>1,807,650</u>	<u>103,324,296</u>
<i>As at 31st March 2023</i>	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
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	<u>249,981,930</u>	<u>410,684</u>	<u>250,392,614</u>

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

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
Sri Lanka Transport Board (Note 34.1)	431,722,572	1,221,469,406
Corporate and Other Institutions	105,581,552	20,544,650
Individuals	13,996,130	7,971,384
	<u>551,300,254</u>	<u>1,249,985,440</u>

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

	Less than 06 Months Rs.	06 - 12 Months Rs.	01 - 05 Years Rs.	Total Rs.
Rental Receivables from Trade Debtors As at 31 st March 2024	<u>318,712,241</u>	<u>55,359,480</u>	<u>41,795,691</u>	<u>415,867,412</u>
Rental Receivables from Trade Debtors As at 31 st March 2023	<u>234,333,816</u>	<u>289,844,834</u>	<u>314,633,296</u>	<u>838,811,946</u>

19.6 Remaining Contractual Maturity Analysis of Rental Receivable from Trade Debtors

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
Within 1 Year	541,273,917	914,654,099
1 - 2 Years	10,026,337	334,669,004
2 - 3 Years	-	662,337
Gross Rental Receivable from Trade Debtors	<u>551,300,254</u>	<u>1,249,985,440</u>
Less: Deferred Interest Income	<u>(32,108,546)</u>	<u>(160,780,880)</u>
	<u>519,191,708</u>	<u>1,089,204,560</u>
Less: Provision for Impairment Loss	<u>(103,324,296)</u>	<u>(250,392,614)</u>
Net Rental Receivable from Trade Debtors	<u>415,867,412</u>	<u>838,811,946</u>



19.7 Amounts Recognised in Profit or Loss

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

Selling Profit	27,387,891	131,909
Lease Interest Income (Note 06)	144,590,886	249,312,231
	<u>171,978,777</u>	<u>249,444,140</u>

LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

20 DEFERRED TAX ASSETS

As At 31st March

	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year			313,755,104	213,558,928
Recognised in Profit or Loss (Note 20.2)			(110,834,549)	101,914,845
Recognised in Other Comprehensive Income (Note 20.2)			28,149,421	(1,718,669)
Balance at the end of the Year			231,069,976	313,755,104

20.1 Deferred Tax Assets and Liabilities are attributable to the following:

As At 31st March

	Assets		Liabilities		Net Asset / (Liability)	
	2024	2023	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Property, Plant and Equipment			(90,431,031)	(72,623,035)	(90,431,031)	(72,623,035)
Employee Benefits	17,317,059	32,975,657	-	-	17,317,059	32,975,657
Provision for Inventory	204,812,083	242,916,256	-	-	204,812,083	242,916,256
Provision for Trade Debtors	91,080,610	103,059,863	-	-	91,080,610	103,059,863
Others	8,291,255	7,426,363	-	-	8,291,255	7,426,363
Net Deferred Tax Asset / (Liability)	321,501,007	386,378,139	(90,431,031)	(72,623,035)	231,069,976	313,755,104

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.

20.2 Movement in Recognized Deferred Tax Assets and Liabilities

	Balance as at 01 st April 2023		Recognised in Profit or Loss		Recognised in OCI		Balance as at 31 st March 2024	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Property, Plant and Equipment	(72,623,035)	(17,807,996)	(43,808,019)	-	-	-	(90,431,031)	
Employee Benefits	32,975,657	(43,808,019)	(38,104,173)	-	-	-	17,317,059	
Provision for Inventory	242,916,256	(11,979,253)	864,892	-	-	-	204,812,083	
Provision for Trade Debtors	103,059,863	864,892	(110,834,549)	-	-	-	91,080,610	
Others	7,426,363	(110,834,549)	-	-	-	-	8,291,255	
Net Deferred Tax Asset / (Liability)	313,755,104	(110,834,549)	28,149,421	(1,718,669)	-	-	231,069,976	

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



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
21 INVENTORIES		
Fully Built Vehicle Stock	1,525,822,614	2,338,678,852
Semi-Knock-Down (SKD) Vehicle Stock	230,152,570	-
Generators	29,200,159	36,764,924
Cabins / Bodies & Work In Progress	369,965,145	303,567,296
Spare Parts & Consumables	954,412,478	718,007,030
	<u>3,109,552,966</u>	<u>3,397,018,102</u>
Goods In Transit (Note 21.1)	1,325,896,089	36,696,905
	<u>4,435,449,055</u>	<u>3,433,715,007</u>
Provision for Slow Moving & Obsolete Stocks (Note 21.2)	(682,706,950)	(809,720,855)
	<u>3,752,742,105</u>	<u>2,623,994,152</u>

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

21.2 Provision for Slow Moving & Obsolete Stocks

Balance at the beginning of the year	809,720,855	819,907,419
(Reversal) / Charge for the year	(127,013,905)	(10,186,564)
Balance at the end of the year	<u>682,706,950</u>	<u>809,720,855</u>

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.

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
22 TRADE AND OTHER RECEIVABLES		
Trade Receivables	269,711,951	37,751,446
Receivables from Related Parties (Note 22.1)	517,563,564	474,929,037
Less: Provision for Impairment Loss (Note 22.2)	(200,277,706)	(93,140,233)
	<u>586,997,809</u>	<u>419,540,250</u>
Advances to Staff	352,000	-
VAT Receivable	31,798,199	40,227,912
Other Receivables	209,214	71,137
	<u>619,357,222</u>	<u>459,839,299</u>
22.1 Receivables from Related Parties		
Sri Lanka Transport Board (Note 34.1)	219,195,968	71,843,620
Ashok Leyland Limited - India (Note 34.1)	212,257,006	313,098,297
Other Government Related Entities (Note 34.1)	78,110,590	85,987,120
Bank of Ceylon (Note 34.1)	8,000,000	4,000,000
	<u>517,563,564</u>	<u>474,929,037</u>

22.2 Movement of Impairment Loss

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

<i>As at 31st March 2024</i>	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	40,864,094	52,276,139	93,140,233
Impairment Loss recognized during the year	116,559,354	2,435,111	118,994,465
Amounts Write Offs	-	(11,856,992)	(11,856,992)
Balance at the end of the year	<u>157,423,448</u>	<u>42,854,258</u>	<u>200,277,706</u>

As at 31st March 2023

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



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 44.

LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

<i>As At 31st March</i>		2024 Rs.	2023 Rs.
23	DEPOSITS AND PREPAYMENTS		
	Deposits and Advances	34,778,113	98,245,937
	Prepayments	21,146,884	13,995,633
		<u>55,924,997</u>	<u>112,241,570</u>
24	CASH & CASH EQUIVALENTS		
24.1	Favorable Balances		
	Short Term Investments (Note 24.3)	1,355,114,264	2,300,000
	Cash in Hand	1,433,965	1,754,254
	Cash at Banks	84,565,828	22,995,805
		<u>1,441,114,057</u>	<u>27,050,059</u>
24.2	Unfavorable Balances		
	Bank Overdrafts	(51,039,458)	(52,972,448)
		<u>(51,039,458)</u>	<u>(52,972,448)</u>
	Cash & Cash Equivalents for the purpose of Cash Flow Statement	<u>1,390,074,599</u>	<u>(25,922,389)</u>
24.3	Short Term Investments		
	Investment in Fixed Deposits	2,300,000	2,300,000
	Investments in Treasury Bills	1,220,588,797	-
	Investment in Repo	120,800,000	-
	Investment in Debentures	11,425,467	-
		<u>1,355,114,264</u>	<u>2,300,000</u>

24.4 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 + I	50,000,000	Inventory
Bank of Ceylon	AWPLR	1,900,000	Fixed Deposit

24.5 Unutilized bank overdraft facilities as at 31st March 2024 amounted to Rs. 151.9 Mn (2022/23 - Rs. 151.9 Mn).

<i>As At 31st March</i>		2024 Rs.	2023 Rs.
25	STATED CAPITAL		
	Ordinary Shares	36,208,430	36,208,430
	Share Premium	13,166,720	13,166,720
	Stated Capital	<u>49,375,150</u>	<u>49,375,150</u>



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.

LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

<i>As At 31st March</i>		2024	2023
		Rs.	Rs.
26	GENERAL RESERVE		
	General Reserve	887,347,500	887,347,500
		<u>887,347,500</u>	<u>887,347,500</u>

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

27 **DEFINED BENEFIT OBLIGATION (NET)**

<i>As At 31st March</i>		2024	2023
		Rs.	Rs.
27.1	Net Defined Benefit Obligation		
	Present Value of Defined Benefit Obligation at the end of the year (Note 27.2)	209,088,686	109,918,855
	Fair Value of Plan Asset at the end of the year (Note 27.3)	(151,365,141)	-
	Amount Recognised in Statement of Financial Position	<u>57,723,545</u>	<u>109,918,855</u>

27.2 **Net Defined Benefit Obligation**

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:

<i>As At 31st March</i>		2024	2023
		Rs.	Rs.
	Balance at the beginning of the year	109,918,855	96,937,072
	Expenses recognised in Profit or Loss (Note 27.4)	26,251,758	21,286,093
	Expenses recognised in Other Comprehensive Income (Note 27.5)	91,101,788	(5,728,897)
	Payments during the year	(18,183,715)	(2,575,413)
	Balance at the end of the year	<u>209,088,686</u>	<u>109,918,855</u>

27.3 **Reconciliation of Fair Value of Plan Asset**

	Balance at the beginning of the year	-	-
	Contribution by Employer	147,107,165	-
	Return on Plan Asset	6,987,590	-
	Actuarial Gains / (Loss) on Plan Asset	(2,729,614)	-
	Benefit Paid by the Plan	-	-
	Balance at the end of the year	<u>151,365,141</u>	<u>-</u>

27.3.1 **Plan Asset**

Plan Asset comprise the following,

	Government Treasury Bonds	100,000,000	-
	Corporate Debt Securities	47,107,165	-
	Accrued Interest	4,257,976	-
		<u>151,365,141</u>	<u>-</u>



The Employee Benefit Liability for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Limited, on 31st March 2024.

Retirement Benefit Obligation of the Company is funded externally through an employees group gratuity plan at Life Insurance Corporation (Lanka) Limited.

Mr. Umesh Gautam, Chief Executive Officer of Lanka Ashok Leyland PLC is an Independent Director of Life Insurance Corporation (Lanka) Limited.

LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

27 DEFINED BENEFIT OBLIGATION (NET) (CONT.)

<i>For the Year Ended 31st March</i>		2024	2023
		Rs.	Rs.
27.4 Expenses Recognised in Profit or Loss			
Current Service Cost		5,367,176	5,776,161
Interest Cost		20,884,582	15,509,932
Expense Recognised in Profit or Loss		<u>26,251,758</u>	<u>21,286,093</u>
Expected Return on Plan Asset		(6,987,590)	-
Net Expense Recognised in Profit or Loss		<u>19,264,168</u>	<u>21,286,093</u>
27.5 Expenses Recognised in Other Comprehensive Income			
Actuarial Gains / (Loss) on Defined Benefit Obligation		91,101,788	(5,728,897)
Actuarial Gains / (Loss) on Plan Asset		2,729,614	-
		<u>93,831,402</u>	<u>(5,728,897)</u>

27.6 Actuarial Assumptions

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

<i>As At 31st March</i>	2024	2023
Discount Rate	12.00%	19.00%
Expected Annual Average Salary Increment	15.00%	14.00%
Staff Turnover Factor	4.0%	0.8%
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 12% p.a. (2022/23 - 19% p.a.) has been used to discount future liabilities. All assumptions are reviewed at each reporting date.

27.7 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.

<i>As At / For the Year Ended 31st March</i>	2024		2023	
	PVODBO Rs.	Benefit / (Expense) Rs.	PVODBO Rs.	Benefit / (Expense) Rs.
1% Increase in Discount Rate	195,331,490	13,757,196	105,107,961	4,810,894
1% Decrease in Discount Rate	224,892,684	(15,803,998)	115,267,874	(5,349,019)
1% Increase in Salary Increment Rate	224,630,723	(15,542,037)	115,723,059	(5,804,204)
1% Decrease in Salary Increment Rate	195,275,416	13,813,270	104,628,259	5,290,596

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.

27.8 Maturity Profile of the Defined Benefit Obligation

<i>As At 31st March</i>	2024	2023
	Rs.	Rs.
Expected Future Working Life		
Within the Next Twelve Months	43,469,932	44,375,225
Between One to Five Years	52,666,197	17,570,330
Between Five to Ten Years	61,150,230	32,653,634
More than Ten Years	51,802,327	15,319,666
	<u>209,088,686</u>	<u>109,918,855</u>
<i>Weighted Average duration of Defined Benefit Obligation</i>	<u>7.8 Years</u>	<u>5.4 Years</u>

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.

LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

28 LEASE LIABILITY

The Company's Leasing Activities

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

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
Balance as at 01 st April	60,775,690	67,972,501
Additions	-	15,829,294
Lease Modification (Note 28.1)	(9,855,853)	(9,875,218)
Interest Expense Recognised in Profit or Loss	9,636,305	11,169,113
Payment for Lease Liability	(25,920,000)	(24,320,000)
Balance as at 31 st March	<u>34,636,142</u>	<u>60,775,690</u>

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.

28.2 Lease Liabilities included in the Statement of Financial Position

Non-current	11,112,605	30,420,490
Current	23,523,537	30,355,200
	<u>34,636,142</u>	<u>60,775,690</u>

28.3 Amounts recognised in Profit or Loss

<i>For the Year Ended 31st March</i>	2024 Rs.	2023 Rs.
Interest on Lease Liabilities	9,636,305	11,169,113
Recognised in Finance Cost	<u>9,636,305</u>	<u>11,169,113</u>
Expenses Relating to Short-term and low-value Assets	20,113,866	35,850,000
Depreciation - Right-of-use Assets	9,393,514	12,827,791
Recognised in Administrative Expenses	<u>29,507,380</u>	<u>48,677,791</u>
Total Amount recognised in Profit or Loss	<u>39,143,685</u>	<u>59,846,904</u>

28.4 Amounts Recognised in Statement of Cash Flows

Payment for Lease Liabilities	<u>25,920,000</u>	<u>24,320,000</u>
-------------------------------	-------------------	-------------------

28.5 Maturity Analysis – Contractual Undiscounted Cash Fows

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

	2023/24 Rs.	2022/23 Rs.
Less than one year	28,032,000	30,355,200
One to five years	13,600,000	46,510,720
Total Undiscounted Lease Liabilities	<u>41,632,000</u>	<u>76,865,920</u>



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
29 TRADE AND OTHER PAYABLES		
Trade Payables	536,114,362	528,961,833
Accruals	106,105,672	47,509,173
Import Duties and Related Other Payable	149,708,547	24,360,451
Refundable Deposits	158,551,316	103,398,258
Unclaimed Dividend	1,729,068	2,744,602
Deferred Income (Note 29.1)	3,625,512	2,172,920
Unclaimed Wages	70,333	159,662
SSCL Payable	11,261,577	3,101,105
Other Liabilities	22,574,268	18,252,775
	<u>989,740,655</u>	<u>730,660,779</u>

29.1 Movement of Deferred Income

Balance at the beginning of the year	2,172,920	5,190,602
Charge / (Reversal) for the year	1,452,592	(3,017,682)
Balance at the end of the year	<u>3,625,512</u>	<u>2,172,920</u>

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

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
30 AMOUNTS DUE TO RELATED PARTY		
Payable to Ashok Leyland Limited - India (Note 34.1)	1,655,721,179	333,303,000
	<u>1,655,721,179</u>	<u>333,303,000</u>
31 CURRENT TAX LIABILITIES		
Balance at the beginning of the year	19,007,471	39,528,436
Income Tax Liability for the year (Note 11.2)	284,531,052	33,617,820
Over Under Provision of Current Tax in Respect of Previous years	-	126,000
Tax Paid during the year	(103,864,138)	(54,057,487)
WHT Recoverable	(2,748,740)	(207,298)
Balance at the end of the year	<u>196,925,645</u>	<u>19,007,471</u>
32 PROVISION FOR WARRANTY		
Balance at the beginning of the year	594,547	3,479,532
Provision / (Reversal) for the year	9,178,575	(2,884,985)
Balance at the end of the year	<u>9,773,122</u>	<u>594,547</u>

Provision for warranties relates mainly to vehicles sold during the last six months of 2023 and 2024. 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.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

33 SHORT TERM BORROWINGS

33.1 Movement of Short Term Borrowings

For the Year Ended 31st March 2024

Lender	Purpose	Rate of Interest %	As at 01 st April 2023 Rs.	Obtained During the Year Rs.	Repayments During the Year Rs.	As at 31 st March 2024 Rs.
Seylan Bank PLC	Import/ Financing	AWPLR	-	-	-	-
			-	-	-	-

For the Year Ended 31st March 2023

Lender	Purpose	Rate of Interest %	As at 01 st April 2022 Rs.	Obtained During the Year Rs.	Repayments During the Year Rs.	As at 31 st March 2023 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)	-

33.2 Assets Pledged

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



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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	2024 Rs.	2023 Rs.
a) Transactions with Lanka Leyland (Pvt) Limited					
Lanka Leyland Limited Holds 41.77% of the Share Capital of the Company.	Mr. Leshan de Silva	Chairman of Lanka Leyland (Pvt) Limited			
	Mr. R D Balasubramaniam (Appointed w.e.f 11 th August 2023)	Director of Lanka Leyland (Pvt) Limited	Dividend Payment to Lanka Leyland Limited	7,562,500	15,125,000
b) Transactions and Outstanding Balance with Ashok Leyland - India - Recurring Transactions - Trading Nature					
Ashok Leyland Limited - India Holds 27.85 % of share capital of the Company by virtue of the joint venture agreement with Lanka Leyland Limited	Mr. Gopal Mahadevan	Whole time Director and Chief Financial Officer of Ashok Leyland Limited - India	Payable to Ashok Leyland India Opening Balance as at 01 st April (Including Import Bills Payable on GIT)	333,303,000	2,146,013,053
	Mr. Amandeep Singh Arora	Head of International Operations of Ashok Leyland Limited - India	Purchase of Semi-Knock-Down (SKD) Chassis kits and Motor Vehicle	2,776,543,757	1,406,880,209
			Purchase of Spare Parts / Power Generators	543,177,209	150,623,735
			Usage Charges for ERP System	5,070,312	3,814,166
			Set-off against Receivable Balance	(5,297,872)	(3,090,517)
			Settlement of Purchases	(1,997,075,227)	(3,370,937,646)
			Closing Balance as at 31 st March (Including Import Bills Payable on GIT)	1,655,721,179	333,303,000
			Receivable from Ashok Leyland India Opening Balance as at 01 st April	313,098,297	24,550,467
			Local agency commission (LAC) on Direct Supply of Vehicles Payment Received	4,439,008	291,638,347
				(99,982,427)	-
			Set-off against Payable Balance	(5,297,872)	(3,090,517)
			Closing Balance as at 31 st March	212,257,006	313,098,297
			Dividend Payment to Ashok Leyland Limited - India	5,041,660	10,083,320
				3,334,271,946	1,863,039,777
				95.60%	27.15%



Aggregate Value of Related Party Transactions During the Year

Aggregate Value of Related Party Transactions as a % of Net Revenue

LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

34 RELATED PARTY DISCLOSURE (CONT.)

34.1 Related Party Transactions (Cont.)

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

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

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

Name of Related Party	Nature of Transaction	Description	2024 Rs.	2023 Rs.
i) <i>Non-Recurring Transaction - Trading Nature</i> Sri Lanka Transport Board	Supply of Vehicles on Finance Lease Terms	Balance as at 01 st April	1,221,469,406	2,009,366,240
		Payment Received during the year	(789,746,834)	(787,896,834)
		Balance Receivable as at 31 st March	431,722,572	1,221,469,406
Total Future Rentals Receivable as at 31 March			431,722,572	1,221,469,406
ii) <i>Recurring Transaction - Trading Nature</i> Sri Lanka Transport Board	Sale of Vehicles / Spare Parts and Repair / Hiring services provided under Payment on Delivery Term	Balance as at 01 st April	71,843,620	21,069,023
		Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year	334,749,106	81,253,401
		Hiring and Other Services Rendered during the year	568,804,200	224,644,743
		Payment Received during the year	(756,200,958)	(255,123,547)
		Balance Receivable as at 31 st March	219,195,968	71,843,620
Aggregate Value of Related Party Transactions during the Year			903,553,306	305,898,144
Aggregate Value of Related Party Transactions as a % of Net Revenue			25.91%	4.46%

- Sri Lanka Transport Board

- Sri Lanka Transport Board



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

34 RELATED PARTY DISCLOSURE (CONT.)

34.1 Related Party Transactions (Cont.)

Name of Related Party	Nature of Transaction	Description	2024 Rs.	2023 Rs.
Other Government Related Entities	Sale of Vehicles / Spare Parts and Repair services provided under Payment on Delivery Term	Balance as at 0 ¹ st April Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year Payment Received Balance Receivable as at 31 st March	85,987,120 271,772,318 (279,648,848) 78,110,590	42,395,143 282,118,480 (238,526,503) 85,987,120
Bank of Ceylon	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 0 ¹ st April Finance Provided during the year	4,000,000 239,730,000	16,020,000 116,923,000
		Payment Received for the Sale of Vehicles Balance Receivable as at 31 st March	(235,730,000) 8,000,000	(128,943,000) 4,000,000
Peoples Leasing & Finance PLC	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 0 ¹ st April Finance Provided during the year Other Services rendered Payment Received for the Sale of Vehicles Balance Receivable as at 31 st March	- 69,250,000 (69,250,000) - -	- 12,100,000 2,563,902 (14,663,902) -
<i>Aggregate Value of Related Party Transactions During the Year</i>				
		- Bank of Ceylon - People's Leasing & Finance PLC	239,730,000 69,250,000	116,923,000 12,100,000
<i>Aggregate Value of Related Party Transactions as a % of Net Revenue</i>				
		- Bank of Ceylon - People's Leasing & Finance PLC	6.87% 1.99%	1.70% 0.18%
Other Government Financial Institutions	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 0 ¹ st April Finance Provided during the year Payment Received for the Sale of Vehicles Balance Receivable as at 31 st March	- 7,700,000 (7,700,000) -	- 3,700,000 (3,700,000) -
Total Receivable from Government Financial Institutions				
			8,000,000	4,000,000
Total Related Party Receivable as at 31st March				
			305,306,558	161,830,740



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

34 RELATED PARTY DISCLOSURE (CONT.)

34.1 Related Party Transactions (Cont.)

	Dividend Payment to Sri Lanka Transport Board	Payment during the year	
Sri Lanka Transport Board		156,250	312,500
Customs of Sri Lanka	Import Duty and Taxes	21,920,000	3,720,000
	Taxes and Duty Charge for the Year	505,547,560	178,070,492
	Payment Made	(409,630,760)	(159,870,492)
	Balance Payable as at 31 st March	117,836,800	21,920,000
		505,547,560	178,070,492
		14.50%	2.60%
<i>Aggregate Value of Related Party Transactions During the Year - Custom of Sri Lanka</i>			
<i>Aggregate Value of Related Party Transactions as a % of Net Revenue - Custom of Sri Lanka</i>			
Other Government Institutions	Statutory, Utility and Other Payments made to Government Institutions	(13,896,674)	(6,158,954)
	Taxes, Other Statutory Expenses and Utility Expenses	680,719,591	193,145,352
	Payment Made	(370,005,888)	(200,883,072)
	Balance Payable as at 31 st March	296,817,029	(13,896,674)

d) Movement for Impairment Provision Recognized on Related Parties

For the Year Ended 31st March 2024

	Balance as at 01 st April 2023	Impairment Charge	Balance as at 31 st March 2024
	Rs.	Rs.	Rs.
Sri Lanka Transport Board	272,919,014	(28,200,689)	244,718,325
Other Government Related Entities - Trade Receivables	37,001,294	(21,699,378)	15,301,916
	309,920,308	(49,900,067)	260,020,241

For the Year Ended 31st March 2023

	Balance as at 01 st April 2022	Impairment Charge / (Reversal)	Balance as at 31 st March 2023
	Rs.	Rs.	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

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.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

34 RELATED PARTY DISCLOSURE (CONT.)

As At 31st March

	2024 Rs.	2023 Rs.
34.1 Related Party Transactions (Cont.)		
<i>e) Open Advances - by Government of Sri Lanka and its related entities</i>		
Sri Lanka Transport Board	16,998,943	54,127
Other Government related entities	9,514,293	8,606,967
	<u>26,513,236</u>	<u>8,661,094</u>
<i>f) Open Advances - with Government of Sri Lanka and its related entities</i>		
Ceylon Electricity Board	637,500	637,500
Ceylon Shipping Corporation Limited	-	41,200,282
	<u>637,500</u>	<u>41,837,782</u>

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 9.14 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 9.14 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 9.14 of the listing requirements, other than individual transaction disclosed in the note 34.1 to the Financial Statements.



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

34 RELATED PARTY DISCLOSURE (CONT.)

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. 35,872,703/- (2022/23 - Rs. 33,264,216/-).

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

<i>For the Year Ended 31st March</i>	2024	2023
	Rs.	Rs.
Key Management Personnel Payments		
a. Short Term Employee Benefits	34,344,848	31,881,825
b. Post-Employment Benefits	1,527,855	1,382,391
c. Termination Benefits	-	-
d. Share-Based Payments	-	-
	<u>35,872,703</u>	<u>33,264,216</u>

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

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

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

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

34.7 Loans to Directors

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

34.8 Terms and Conditions of the Transactions with KMPs

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

35 CAPITAL COMMITMENTS

There were no material capital expenditure approved by the Board of Directors as at 31st March 2024 other than following;

The Company has entered into construction and asset procurement contracts with unrelated parties, amounting to Rest. 66,532,952, for concrete laying in the parking shed of factory premises and assets procurement for Body Building Operation. As at 31st March 2024, Rest. 20,752,182 of such contract commitments had not yet been incurred, the parking shed area is still under construction and referred assets are yet to be received from the supplier.

36 CONTINGENT LIABILITIES

There were no material Contingent Liabilities, which require adjustments to or disclosures in the Financial Statements as at 31st March 2024.

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.



LANKA ASHOK LEYLAND PLC
NOTES TO 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. 15/- per share (150%) amounting to Rs. 54,312,645/- for the year ended 31st March 2024 (2022/23- Rs. 5/- per share (50%) amounting to Rs. 18,104,215/-), which will be declared at the Annual General Meeting to be held on 24th September 2024.

In accordance with Sri Lanka Accounting Standard 10 (LKAS 10) "Events after the reporting period" this proposed first and final dividend has not been recognized as a liability as at 31st March 2024. 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 31st March

	2024	2023
Executives	81	71
Non Executives	141	159
	<u>222</u>	<u>230</u>



LANKA ASHOK LEYLAND PLC
NOTES TO THE FINANCIAL STATEMENTS

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 31st March 2024

	Carrying Amount				Fair Value			Fair Value		
	Fair Value		Financial Assets		Total	Level 1	Level 2	Level 3	Total	
	FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	at Amortised Cost						Other Financial Liabilities
Hedging Instruments	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Financial Assets Measured at Fair Value										
Investment in Equity Securities	-	131,904	-	-	131,904	131,904	-	-	131,904	
Financial Assets not Measured at Fair Value										
Rental Receivable from Trade Debtors	-	-	-	415,867,412	-	-	-	-	415,867,412	
Trade Receivable	-	-	-	586,997,809	-	-	-	-	586,997,809	
Cash & Cash Equivalents	-	-	-	1,441,114,057	-	-	-	-	1,441,114,057	
Financial Liabilities Not Measured at Fair Value										
Trade Payable	-	-	-	-	536,114,362	-	-	-	536,114,362	
Amounts due to Related Parties	-	-	-	-	1,655,721,179	-	-	-	1,655,721,179	
Lease Liabilities	-	-	-	-	34,636,142	-	-	-	34,636,142	
Bank Overdrafts	-	-	-	-	51,039,458	-	-	-	51,039,458	
	-	-	-	-	2,277,511,141	-	-	-	2,277,511,141	

As at 31st March 2023

	Carrying Amount				Fair Value			Fair Value		
	Fair Value		Financial Assets		Total	Level 1	Level 2	Level 3	Total	
	FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	at Amortised Cost						Other Financial Liabilities
Hedging Instruments	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Financial Assets measured at Fair Value										
Investment in Equity Securities	-	119,762	-	-	119,762	119,762	-	-	119,762	
Financial Assets not measured at Fair Value										
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	
Financial Liabilities not measured at Fair Value										
Trade Payable	-	-	-	-	1,296,825,473	-	-	-	1,296,825,473	
Amounts due to Related Parties	-	-	-	-	528,961,833	-	-	-	528,961,833	
Lease Liabilities	-	-	-	-	333,303,000	-	-	-	333,303,000	
Bank Overdrafts	-	-	-	-	60,775,690	-	-	-	60,775,690	
Transfer between levels	-	-	-	-	52,972,448	-	-	-	52,972,448	
	-	-	-	-	976,012,971	-	-	-	976,012,971	

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



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;

<i>As At 31st March</i>	2024 Rs.	2023 Rs.
Trade Receivables	586,997,809	419,540,250
Other Receivables	35,339,327	98,317,074
Rental Receivable from Trade Debtors	415,867,412	838,811,946
Cash at Banks and Short Term Investments in Banks	1,439,680,092	25,295,805
Total	2,477,884,640	1,381,965,075

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 2023/24, approximately 6.1% (2022/23 : 2.2%) 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 31st March was as follows;

<i>As at 31st March 2024</i>	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)	596,172,102	144,131,340	13,702,234	7,337,399	25,932,440	787,275,515
Impairment	(42,037,886)	(122,070,432)	(5,293,041)	(5,153,269)	(25,723,078)	(200,277,706)
Trade Receivables (Net)	554,134,216	22,060,908	8,409,193	2,184,130	209,362	586,997,809

<i>As at 31st March 2023</i>	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)	412,551,405	27,895,174	29,233,847	6,288,263	36,711,794	512,680,483
Impairment	(25,301,255)	(15,633,523)	(11,915,685)	(4,160,320)	(36,129,450)	(93,140,233)
Trade Receivables (Net)	387,250,150	12,261,651	17,318,162	2,127,943	582,344	419,540,250

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;

<i>As at 31st March</i>	Carrying Amount	
	2024 Rs.	2023 Rs.
Government Entities	132,531,112	84,346,822
Corporates and Other Institutions	442,608,335	330,465,748
End-user Customers	11,858,362	4,727,680
	586,997,809	419,540,250



43 FINANCIAL RISK MANAGEMENT (Contd.)

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

<i>As at 31st March 2024</i>	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance as at 01 st April 2023	290,846,024	52,686,823	343,532,847
Provision Charge / (Reversal) for the year	(31,905,930)	3,832,077	(28,073,853)
Write-off during the year	-	(11,856,992)	(11,856,992)
Balance as at 31 st March 2024	<u>258,940,094</u>	<u>44,661,908</u>	<u>303,602,002</u>

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

Cash at Banks

The Company held cash at banks of Rs. 1.44 Bn. as at 31st March 2024 (2022/23: Rs. 25.29 Mn.), which represents its maximum credit exposure on these assets.

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

<i>As at 31st March</i>	Bank	Credit Rate	Cash at Bank	
			2024 Rs.	2023 Rs.
	Bank of Ceylon	CC (lka)	2,300,000	2,300,000
	Cargills Bank	A (lka)	261,006,883	2,766,297
	Commercial Bank of Ceylon PLC	A (lka)	1,138,963,940	19,458,081
	Indian Bank	BB+	476,122	477,000
	People's Bank	A (lka)	688,247	-
	Sampath Bank	A (lka)	24,780,961	226,761
	Seylan Bank PLC	A- (lka)	11,450,467	25,000
	State Bank of India	BBB -	13,473	42,667
			<u>1,439,680,093</u>	<u>25,295,806</u>



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.

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

<i>As at 31st March 2024</i>	Carrying Amount Rs.	Total Rs.	Contractual Cash Flows		
			0 - 30 Days Rs.	31 - 90 Days Rs.	More than 90 Days Rs.
Trade Payables	536,114,362	536,114,362	78,753,475	457,360,887	-
Amounts due to Related Party	1,655,721,179	1,655,721,179	255,597,189	674,171,556	725,952,434
Lease Liability	34,636,142	41,632,000	1,200,000	24,432,000	16,000,000
Bank Overdrafts	51,039,458	51,039,458	51,039,458	-	-
Total	<u>2,277,511,141</u>	<u>2,284,506,999</u>	<u>386,590,122</u>	<u>1,155,964,443</u>	<u>741,952,434</u>

<i>As at 31st March 2023</i>	Carrying Amount Rs.	Total Rs.	Contractual Cash Flows		
			0 - 30 Days Rs.	31 - 90 Days Rs.	More than 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	48,910,720
Bank Overdrafts	52,972,448	52,972,448	52,972,448	-	-
Total	<u>976,012,971</u>	<u>992,103,201</u>	<u>437,883,231</u>	<u>505,309,250</u>	<u>48,910,720</u>

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.

43 FINANCIAL RISK MANAGEMENT (Contd.)

Foreign Currency Risk

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

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

As At 31 st March	2024		2023			
	LKR	Exchange Rate	US \$	LKR	Exchange Rate	US \$
Payable to Ashok Leyland Limited - India	1,655,721,179	305.33	5,422,727	333,303,000	336.01	991,944
	<u>1,655,721,179</u>		<u>5,422,727</u>	<u>333,303,000</u>		<u>991,944</u>

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.

	Profit before Tax	
	Strengthening	Weakening
<u>2023-24</u> LKR (5% movement)	82,786,059	(82,786,059)
<u>2022-23</u> LKR (5% movement)	16,665,150	(1,665,150)

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.

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.

Capital Management

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

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

As at 31 st March	2024 Rs.	2023 Rs.
Interest Bearing Borrowings	51,039,458	52,972,448
Total Equity	4,589,396,879	3,814,335,267
Equity and Debts	4,640,436,337	3,867,307,715
Gearing Ratio	1%	1%

