LANKA ASHOK LEYLAND PLC

ANNUAL **REPORT**
2025/26

Driving Sustainable Growth

A Year of Strong Performance and Sustainable Progress

VISION

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

MISSION

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

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ABOUT THE COMPANY

Lanka Ashok Leyland PLC was incorporated in 1982 as a joint venture between Sri Lanka and India, with 41.77% of the Share Capital held by Lanka Leyland (Pvt) Limited, a fully owned Company of the Government of Sri Lanka and 27.85% of the Share Capital held by Ashok Leyland Limited - India. The Company was Listed on the Colombo Stock Exchange in 1983. The registered office and the main factory is located at Panagoda, Homagama: there are presently 13 sales outlets and 22 authorized service centers spread throughout the country.

MAIN BUSINESS ACTIVITIES

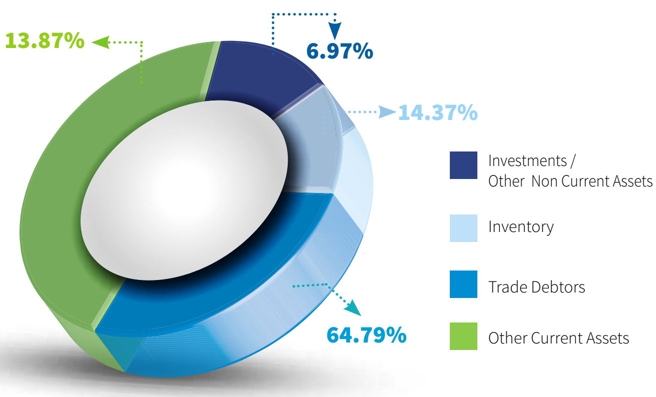
The main activities of Lanka Ashok Leyland PLC are:

- Import of Semi-Knocked-Down (SKD) Chassis and assembly of Ashok Leyland commercial vehicles, with technical assistance from Ashok Leyland Limited, India.
- Import and marketing of Commercial Vehicles, Spare Parts and Power Generators.
- Fabrication of steel and aluminum bodies for Trucks.
- Truck body fabrication for special requirements.
- Rehabilitation of old and accidental vehicles.
- Providing of day to day repairs and maintenance services, including provision of spare parts.
- Providing vehicles on hire.

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

FINANCIAL HIGHLIGHTS

TOTAL ASSETS
Rs.16,680.64Mn



INVESTMENTS / OTHER NON CURRENT ASSETS	VALUE (Rs.)
Fixed Assets	1,900,971,060
Right-of-use Assets	123,352,139
Intangible Assets	10,045,909
Financial Assets	187,897,898
Deferred Tax Asset	92,791,581
SUBTOTAL	**2,315,058,587**

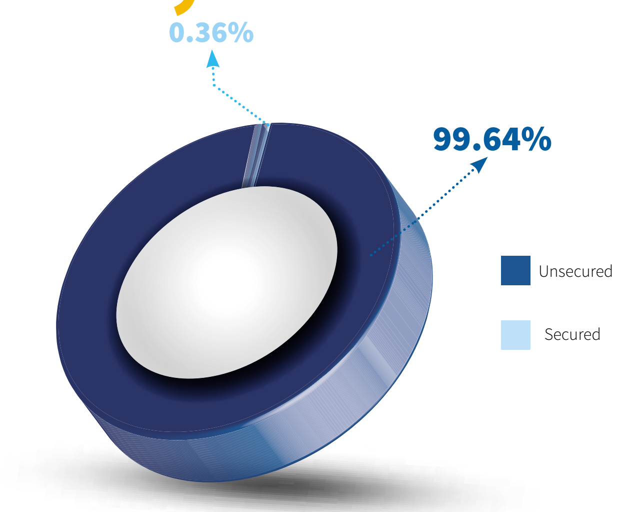
INVENTORY	VALUE (Rs.)
Vehicles	4,333,660,105
Generators	21,482,174
Spare Parts & Consumables	1,456,443,002
Cab/Bodies & Work in Progress	432,342,292
Goods in Transit	1,253,100,476
SUBTOTAL	**7,497,028,049**

TRADE DEBTORS	VALUE (Rs.)
Lease Customers	653,556,752
Other Customers	1,465,684,756
SUBTOTAL	**2,119,241,508**

OTHER CURRENT ASSETS	VALUE (Rs.)
Deposits and Prepayments	190,130,476
Other Receivables	375,925,689
Cash and Cash Equivalent	4,183,254,479
SUBTOTAL	**4,749,310,644**

NET WORTH
Rs.8,976.93Mn

TOTAL LIABILITIES
Rs.7,703.71Mn

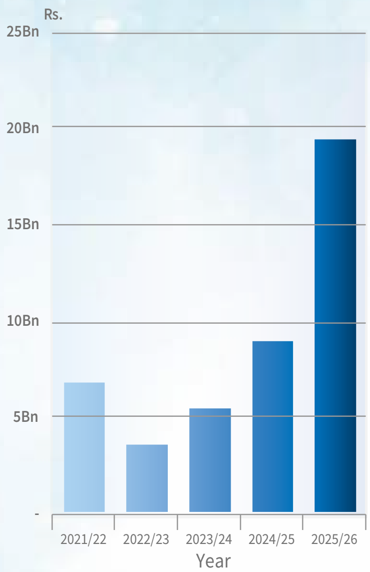


UNSECURED	VALUE (Rs.)
Defined Benefit Obligation (Net)	91,888,014
Lease Liability	73,820,125
Trade and Other Payables	3,869,762,091
Amount due to Related Party	2,606,524,202
Current Tax Liabilities	999,018,069
Provision for Warranty	14,393,089
SUBTOTAL	**7,655,405,590**

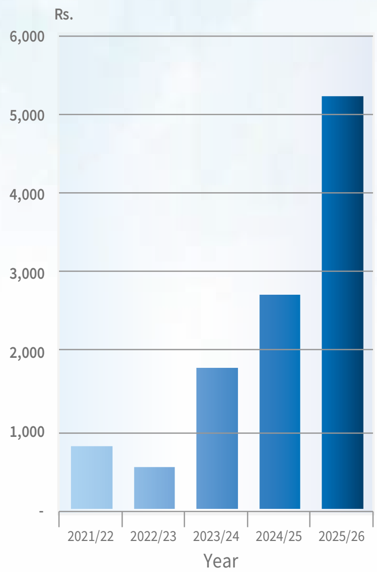
SECURED	VALUE (Rs.)
Bank Overdraft	48,306,854
SUBTOTAL	**48,306,854**

FINANCIAL HIGHLIGHTS (Contd.)

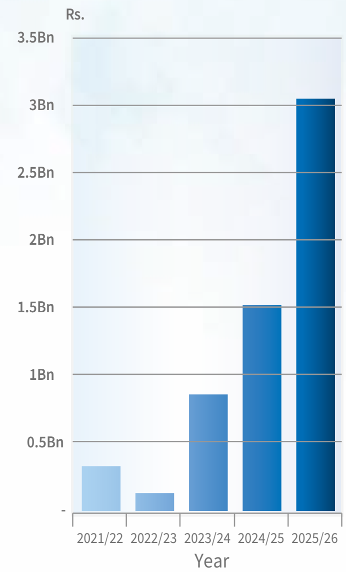
TURNOVER
Rs. 19,330,408,115



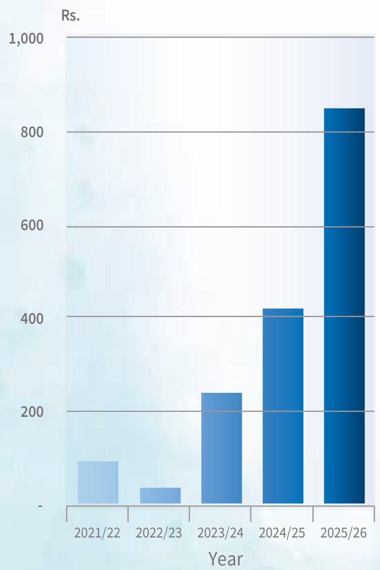
GROSS PROFIT
Rs. 5,223,815,620



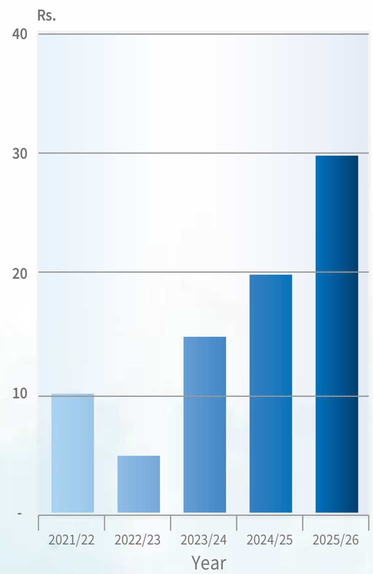
PROFIT AFTER TAX
Rs. 3,062,433,838



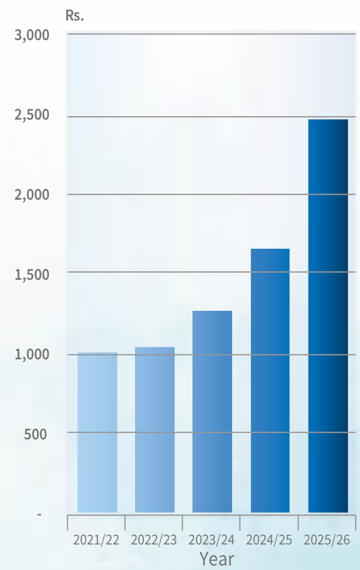
EARNING PER SHARE
Rs. 845.78



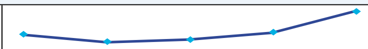
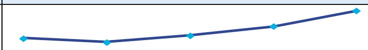
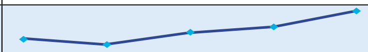
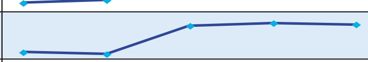
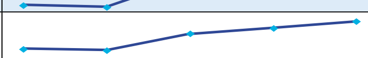
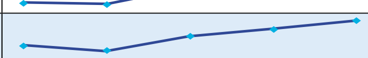
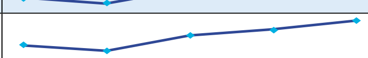
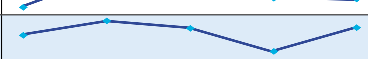
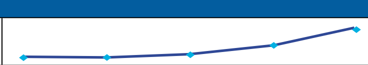
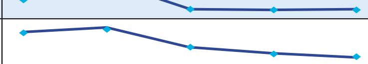
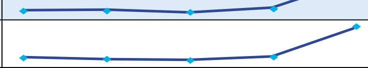
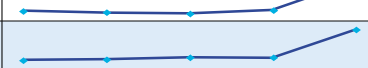
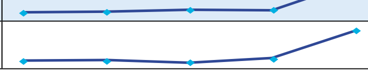
DIVIDEND PER SHARE
Rs. 30



NET ASSET PER SHARE
Rs. 2,479.24



FINANCIAL HIGHLIGHTS (Contd.)

KEY PERFORMANCE INDICATORS	THIS YEAR 2025/26	LAST YEAR 2024/25		% CHANGE	5 YEAR TREND
OPERATING RESULTS					
TURNOVER (Rs.)	**19,330,408,115**	9,003,641,728	↑	115%	
GROSS PROFIT (Rs.)	**5,223,815,620**	2,728,436,367	↑	91%	
OPERATING PROFIT (Rs.)	**4,196,713,497**	2,117,598,920	↑	98%	
PROFIT BEFORE TAX (Rs.)	**4,407,909,933**	2,216,604,543	↑	99%	
PROFIT AFTER TAX (Rs.)	**3,062,433,838**	1,531,027,028	↑	100%	
DIVIDEND PROPOSED / PAID (Rs.)	**108,625,290**	72,416,860	↑	50%	
CAPITAL STRUCTURE					
EQUITY (Rs.)	8,976,926,344	6,038,510,051	↑	48.7%	
PROFITABILITY INDICATOR RATIOS					
GROSS PROFIT MARGIN (%)	**27.0%**	30.3%	↓	-3.3%	
NET PROFIT MARGIN (%)	**15.8%**	17.0%	↓	-1.2%	
RETURN ON ASSETS (%)	**18.4%**	14.7%	↑	3.7%	
RETURN ON EQUITY (%)	**34.1%**	25.4%	↑	8.8%	
RETURN ON CAPITAL EMPLOYED (%)	**46.8%**	35.1%	↑	11.7%	
LIQUIDITY MEASUREMENT RATIOS					
CURRENT RATIO (NO OF TIMES)	**1.86**	2.07	↓	-10%	
QUICK RATIO (NO OF TIMES)	**0.87**	0.49	↑	76%	
DEBT RATIOS					
INTEREST COVER (NO OF TIMES)	**543.42**	249.78	↑	118%	
EQUITY RATIOS					
NET ASSET PER SHARE (Rs.)	**2,479.24**	1,667.71	↑	49%	
EARNINGS PER SHARE (Rs.)	**845.78**	422.84	↑	100%	
DIVIDEND PER SHARE (Rs.)	**30.00**	20.00	↑	50%	
PRICE EARNINGS RATIO	**3.14**	2.25	↑	40%	
DIVIDEND PAYOUT (%)	**4%**	5%	↓	-1%	
MARKET VALUE PER SHARE (Rs.)	**2,657.00**	950.00	↑	180%	
HIGHEST MARKET VALUE (Rs.)	**4,390.00**	1,199.00	↑	266%	
LOWEST MARKET VALUE (Rs.)	**2,400.00**	675.00	↑	256%	
MARKET CAPITALIZATION (Rs.)	**9,620,579,851**	3,439,800,850	↑	180%	


LANKA
ASHOK LEYLAND
BADA DOST

THE CHIEF EXECUTIVE OFFICER'S REVIEW

A Defining Year of Growth

It is with great pride and a strong sense of responsibility that I present Lanka Ashok Leyland PLC's performance for the year ended 31st March 2026. Against the backdrop of Sri Lanka's continued economic recovery and the reopening of the automotive market, the Company delivered the strongest financial performance in its history and reinforced its role as a strategic partner in national transportation and industrial development.

These results reflect not only pent-up demand, but also decisions taken over several years to preserve capability, maintain customer relationships, invest in inventory and operational readiness, and remain committed to local assembly. When conditions improved, we were prepared with the products, people, technical knowledge and financial strength required by our customers.

A Recovering Economy and a Renewed Automotive Market

Sri Lanka's economy expanded by 5.0% in 2025, its second consecutive year of growth. Progress under the IMF-supported programme continued during the financial year: the Fourth Review was completed in July 2025, releasing approximately USD 350 million; staff-level agreement on the Fifth Review followed in October; and, after Cyclone Ditwah, the IMF approved emergency financing in December while deferring the Fifth Review to allow the disaster's impact to be assessed. This continuity in reform, together with lower interest rates and stronger private-sector credit, supported confidence and activity.

Vehicle imports were reopened in phases. Regulations for commercial, goods-transport and personal vehicles were issued at the end of January 2025 and took effect on 1st February, with import volumes accelerating from April. The rupee moved from LKR 292.58 per US dollar at end-2024 to LKR 309.99 at end-2025—a 5.6% depreciation—and to approximately LKR 315.20 by end-March 2026. The resulting revival in vehicle availability supported fleet renewal, while taxation, exchange-rate movements and financing conditions continued to influence affordability and competition.

For 2026, the Central Bank expects growth to remain positive across industry, services and agriculture, with services continuing as the principal driver. The outlook is nevertheless subject to material downside risks. The conflict involving Iran, which intensified from late February 2026, has heightened volatility in oil and shipping markets. For an economy dependent on imported energy, a prolonged conflict could raise fuel, freight and insurance costs, add to inflation and exchange-rate pressure, and affect transport demand and operating costs.

Record Performance and Strategic Progress

Revenue more than doubled to Rs. 19.33 billion, led by a 135% increase in new-vehicle revenue to Rs. 16.89 billion. Spare-parts revenue rose 45% to Rs. 910.81 million and vehicle-hiring income increased 38% to Rs. 1.16 billion, while repair income remained broadly stable at Rs. 327.41 million. Gross profit increased 82% to Rs. 5.22 billion and profit after tax doubled to Rs. 3.06 billion. Although the gross margin moderated to 27.0% as the sales mix shifted towards new vehicles, administrative expenses increased by only 4%, reflecting sound cost discipline and operating leverage.

Our operating model extends across the commercial-vehicle lifecycle: vehicle sales, genuine spare parts, workshop services, vehicle hiring and customer support. This integrated proposition is built around durability, uptime and total cost of ownership. As Sri Lanka's only assembler of heavy commercial vehicles, we also continued to strengthen assembly, fabrication, body-building and local sourcing. Local value addition is now estimated at 35%–40%, supporting skilled employment and domestic suppliers, while Rs. 3.56 billion paid to Sri Lanka Customs in duties and taxes illustrates the scale of our wider economic contribution.

Our partnership with Ashok Leyland Limited provides access to a broad product and technology pipeline. We will strengthen the core diesel portfolio while progressing cleaner-emission and electric mobility in line with customer economics, infrastructure and after-sales readiness. The electric DOST, the planned SWITCH electric-bus range and the LUXRA luxury coach illustrate this market-led approach. Initial deliveries to the Maldives have also demonstrated the potential to use Sri Lanka's assembly and body-building capability to serve selected right-hand-drive export markets.

People, Communities and Outlook

Our achievements were made possible by the commitment of our employees. The Company's vocational institute has produced 200 NVQ Level 4 skilled youths. During the year, we also established fully equipped medical and counselling centers at the factory, providing free services to employees and the surrounding community. Following Cyclone Ditwah, the Company donated seven specialised utility vehicles to Government recovery operations and deployed vehicles and personnel to distribute aid—putting our engineering capability directly at the service of the country.

THE CHIEF EXECUTIVE OFFICER'S REVIEW (Contd.)

We enter 2026/27 from a position of strength. Demand should be supported by fleet replacement, logistics, construction, agriculture, tourism, infrastructure and the modernisation of public transport, while the enlarged national vehicle base creates further opportunity in parts and service. We will nevertheless remain alert to oil prices, exchange rates, supply-chain disruption, taxation, regulation and new competition. Our priorities are disciplined growth, deeper local value addition, stronger lifecycle services, selective exports, investment in people and technology, and preservation of our financial resilience.

Appreciation

I extend my sincere gratitude to our Chairman and Board of Directors; our employees and management team; our customers, suppliers, dealers, financial institutions and service partners; the Government of Sri Lanka and public institutions; and Ashok Leyland Limited, India, for their guidance, confidence and continued support.

Umesh Gautam
Chief Executive Officer
25th May 2026

BOARD OF DIRECTORS

MR. A A M AMARASINGHE
Chairman

Mr. A. A. M. Amarasinghe was appointed to the Board of Lanka Ashok Leyland PLC as the Non-Independent, Non-Executive Chairman with effect from 17th February 2025. He also holds the position of Chairman at Lanka Leyland (Pvt) Limited.

Mr. Amarasinghe has had a distinguished career over five decades in both the public and private sector. He had been in the Sri Lanka Administrative Service (SLAS) and had served in several positions in District administration level, a secretary to the provincial Ministry of Education and Health, Director General of the Department of Sports Development and as an Advisor to the Ministry of Sports. His professional experience encompasses a broad range of senior managerial roles in public sector administration and private enterprises.

He holds a Master of Science degree in Rural and Regional Development Planning from the Asian Institute of Technology, Bangkok, Thailand, and a Bachelor of Arts (Honours) degree in Economics from the Vidyodaya University of Sri Lanka.

MR. GOPAL MAHADEVAN
Non-Executive Director

Mr. Gopal Mahadevan was appointed as a Non-Executive Director on the Board of Lanka Ashok Leyland PLC in September 2013.

Mr. Gopal Mahadevan is a Chartered Accountant and a qualified Company Secretary with over 35 years' experience in Finance across a spectrum of industries. He is a member of the Board of Ashok Leyland and is also in on the board of Directors of several subsidiaries of Ashok Leyland including Switch Mobility Automotive Ltd, Ohm Global Mobility Private Limited, Hinduja Leyland Finance Ltd, Hinduja Housing Finance Ltd, and Hinduja Technologies Ltd

Mr Gopal Mahadevan joined Ashok Leyland Ltd in 2013 and till FY 24 was the CFO of the Company. Aside of being the CFO he has handled diverse responsibilities at Ashok Leyland Ltd including Strategy, Digital & IT as well as the Customer Solutions Business.

Mr. Gopal has had experience in Manufacturing, Internet Services, Financial Services and Project Companies.

Prior to Ashok Leyland, Mr. Mahadevan had worked at Thermax Ltd., Amara Raja Batteries, Sify, Sanmar Group and TTK Pharma. Aside of Finance, Mr. Mahadevan has handled Corporate Planning & Strategy, IT, HR and Corporate Communications.

Mr. Mahadevan has been awarded Best CFO from several organizations including from ICAI, CNBC TV18, IMA and Business Today and Mr. Gopal represents various Industry Bodies including CII, FICCI, Assocham and Madras Chamber of Commerce.

MR. AMANDEEP SINGH ARORA
Non-Executive Director

Mr. Amandeep Singh Arora was appointed to the Board of Lanka Ashok Leyland PLC as a Non-Executive Director on 24th December 2021. He currently serves as the Head of International Operations at Ashok Leyland Limited, India, and is responsible for overseeing the company's global sales and distribution operations.

Mr. Arora began his career with Ashok Leyland in 1992 as a Management Trainee through campus placement and has since held various leadership roles across multiple functions and regions within India.

He holds a Master of Business Administration (MBA) from the Institute of Management Technology, Ghaziabad, and a master's degree in operations. He has also undergone executive education at the Indian Institute of Management (IIM) Ahmedabad and the Kellogg School of Management, Chicago.

BOARD OF DIRECTORS (Contd.)

MR. D S WEERAKKODY
Independent Director

Mr. Weerakkody was appointed as an Independent (Non-Executive) Director to the Board of Lanka Ashok Leyland PLC with effect from 01st February 2025.

Mr. Dinesh Weerakkody currently serves as the Chairman of the Employers' Federation of Ceylon and Union Bank of Colombo PLC. He is the Immediate Past Chairman of the International Chamber of Commerce Sri Lanka and the Chairman of the Sri Lanka Institute of Directors.

He is a Director of several leading companies and has held a number of prominent leadership roles in both the private and public sectors. He is the former Chairman of Hatton National Bank PLC and Commercial Bank of Ceylon PLC and has also served as Chairman of the National Human Resource Development Council of Sri Lanka and the International Chamber of Commerce Sri Lanka.

Mr. Weerakkody holds a Doctorate in Business Administration (D.BA, honoris causa), an MBA from the University of Leicester (UK), and an Advanced Diploma in Business Administration from ABE (UK) . He is a Fellow of the Chartered Institute of Management Accountants (UK) and the Institute of Certified Management Accountants of Sri Lanka, and a Professional Member of the Singapore Human Resource Institute.

MR. H M U K SAMARARATNE
Independent Director

Mr. H. M. Udeni K. Samarararatne was appointed to the Board of Lanka Ashok Leyland PLC as an Independent Non-Executive Director with effect from 01st February 2025.

He also serves as a Director of National Credit Guarantee Institute Ltd, Gadimah Consulting (Dubai), and Richard Pieris PLC. Formerly he held the position as a board director of Peoples Bank Sri Lanka and was a former board director of Peoples Leasing PLC.

Mr. Samarararatne is a highly experienced senior finance professional with a career spanning over 35 years. He has held senior financial leadership roles in several listed and multinational companies, including his tenure as Chief Financial Officer at Sri Lanka Telecom PLC. His professional experience also includes positions at Kelani Tyres PLC, ACME PLC, and global corporations such as Noritake (Japan), Ferrero (Luxembourg), and CEAT (India).

He is a qualified Accountant in the Association of Chartered Certified Accountants (ACCA – UK) and the Chartered Institute of Management Accountants (CIMA – UK). Mr. Samarararatne holds a Master of Business Administration (MBA) from the Swiss Business School, Zurich. He also holds a master's degree in financial economics and international Relations from the University of Colombo.

BOARD OF DIRECTORS (Contd.)

MR. M K L JAYAWARDENA
Non-Executive Director

Mr. Kithsiri Jayewardene was appointed to the Board of Lanka Ashok Leyland PLC as a Non-Independent, Non-Executive Director with effect from 17th February 2025. He also serves as a Director of Lanka Leyland (Pvt) Limited.

Mr. Jayewardene is a professional marketer and trainer specializing in enterprise development, project management, motivation, and performance enhancement. He currently serves as the Head of Sales and Marketing at IGC Company (Pvt) Ltd, where he is responsible for training, consultancy, channel development, and marketing research.

He holds a Master of Business Administration (MBA) in Marketing and a Bachelor of Science (BSc) in Business Administration, both from the University of Sri Jayewardenepura. He is also a Certified Business Edge Trainer of the International Finance Corporation (IFC – World Bank), a Certified ASAP Trainer under the Ministry of Education, and a Master Trainer in Sales and Marketing. In addition, he is a visiting lecturer at the University of Sri Jayewardenepura and other academic and professional institutions.

Mr. Jayewardene brings over 17 years of experience in the corporate sector, including senior managerial roles across various industries.

MR. RAJIVE SAHARIA
Independent Director

Mr. Rajive Saharia was appointed to the Board of Lanka Ashok Leyland PLC as an Independent Non-Executive Director with effect from 27th March 2025.

He is a seasoned business leader with over 40 years of experience in the automotive industry. Mr. Saharia previously held key leadership positions at Ashok Leyland Limited, India, including President – International Operations and Executive Director – Marketing. He also served as the Chairman of Gulf Ashley Motors Limited and Ashok Leyland UAE LLC, and as a Director of Ashley Commercial Vehicles Limited (ACCL).

His earlier career includes senior roles such as General Manager – Marketing at Honda Cars India Ltd, and Head of Sales and Marketing Operations for the Mahindra Light Commercial Vehicle (LCV) range.

Currently, Mr. Saharia serves as a Governing Council Member of the Indian Institute of Technology (IIT) Madras Centre of Excellence for Zero Emission Trucking.

He holds a Bachelor of Engineering in Mechanical Engineering (Honors) from Goa Engineering College, University of Mumbai, and is a registered Independent Director on the Ministry of Corporate Affairs (MCA) database in India.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

Lanka Ashok Leyland PLC (LAL) is one of Sri Lanka's leading commercial vehicle manufacturers and distributors, with a distinguished legacy spanning over four decades. Established in 1982 as a joint venture between Lanka Leyland (Pvt) Limited, a wholly owned entity of the Government of Sri Lanka, and Ashok Leyland Limited of India, the Company has grown into a trusted provider of reliable, cost-effective, and locally assembled transportation solutions.

The Company's core operations encompass the import and assembly of Semi-Knocked-Down (SKD) chassis, vehicle body fabrication, importation and distribution of Ashok Leyland commercial vehicles, genuine spare parts, and diesel generator sets. In addition, LAL offers a range of value-added services including commercial vehicle hiring, fleet maintenance, repair, and restoration services, serving a broad spectrum of customers across both public and private sectors.

Operating from its modern manufacturing and assembly facility in Panagoda Lanka Ashok Leyland PLC remains committed to delivering superior quality products and services while contributing to the nation's industrial and economic development. Supported by a strong balance sheet with a debt-free capital structure, extensive technical expertise, and a customer-centric approach, the Company continues to strengthen its position as a key contributor to Sri Lanka's transportation, logistics, and mobility sectors.

Lanka Ashok Leyland PLC is governed by a Board comprising seven Non-Executive Directors who bring a wealth of corporate expertise, industry knowledge, and diverse professional experience. The Board is supported by a competent senior management team and independent external specialists, enabling effective oversight and informed decision-making. The Company has established a robust governance framework that aligns with applicable laws, regulations, and best corporate governance practices. This framework incorporates Board Committees with clearly defined responsibilities, ensuring effective oversight, accountability, regulatory compliance, and strategic guidance in driving the Company's long-term growth and sustainability objectives.

Our mission is to cultivate a flexible, skilled, and productive workforce that is focused on understanding and fulfilling customer needs, while continuously adapting and innovating to deliver reliable transportation solutions. Through this commitment, we aspire to be the nation's most trusted partner in mobility solutions.

At Lanka Ashok Leyland PLC, strategic decision making is guided by the Company's core values, customer centric approach, and unwavering commitment to creating sustainable value for all stakeholders. In response to the evolving economic environment, industry dynamics, and policy landscape in Sri Lanka, the Company has aligned its strategic focus around the following key pillars to drive long-term growth, operational excellence, and sustainable success:

Value	Strategic Action
Enhancing Shareholder Confidence and Value	LAL remains firmly committed to delivering sustainable value to its shareholders through a strategy focused on operational excellence, customer satisfaction, and long-term growth. During the 2025/26 financial year, the Company capitalized on the gradual recovery of economic activity and improving market conditions to strengthen its position in the commercial vehicle industry. With the easing of market constraints, the Company continued to enhance its product offerings, expand customer engagement, and improve operational efficiencies across its value chain. Supported by strong local assembly capabilities, technical expertise, and an extensive service network, Lanka Ashok Leyland PLC continued to meet evolving customer needs while maintaining high standards of quality and reliability.
Fostering a Knowledge Sharing Culture	LAL continues to invest in customer education and knowledge sharing initiatives. The Company conducts structured training programmes comprising both theoretical and practical components, aimed at enhancing customers' understanding of vehicle operations, maintenance requirements, safety practices, and product features. These initiatives enable customers to optimize the value derived from their investment, improve operational efficiency, and reduce vehicle downtime. By fostering stronger customer engagement and supporting the effective use of its products, the Company strengthens long-term relationships with its customers while reinforcing trust in Leyland brand.
Driving Environmental Sustainability	As a responsible corporate citizen, Lanka Ashok Leyland PLC remains committed to minimizing its environmental impact and promoting sustainable business practices. In addition to offering vehicles compliant with BS IV emission standards, the Company has invested in a rooftop solar power project at its factory premises, reducing reliance on conventional energy sources and contributing to lower carbon emissions. These initiatives reflect the Company's commitment to environmental stewardship and a more sustainable future.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Overview

The financial year 2025/26 marked another important phase in Sri Lanka's economic recovery, characterised by improving macroeconomic stability, policy continuity, and the gradual restoration of business confidence. Following the easing of vehicle import restrictions and the continued implementation of economic reforms under the IMF programme, the operating environment became increasingly supportive for businesses across the automotive and transportation sectors.

For Lanka Ashok Leyland PLC, these developments created new opportunities for growth while also presenting challenges arising from exchange rate movements, evolving tax policies, financing conditions, and increasing competition. Against this backdrop, the Company continued to strengthen its market position by leveraging its extensive product portfolio, nationwide dealer network, and strong after-sales capabilities.

Global Economic Environment

The global economy continued to navigate a period of adjustment in 2025 as new policy measures, evolving trade dynamics, and geopolitical uncertainties reshaped the international economic landscape. Although some of the adverse effects of higher tariffs were moderated through subsequent policy agreements and trade resets, the overall environment remained volatile, with the temporary factors that supported growth during the first half of the year gradually fading.

According to the latest World Economic Outlook, global growth is projected to moderate from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026. Advanced economies are expected to expand at a modest pace of around 1.5%, while emerging markets and developing economies are projected to maintain stronger growth of just above 4%, continuing to underpin global economic activity. Inflationary pressures are expected to ease further worldwide, although the pace of moderation will vary across regions, with inflation remaining above target in certain major economies while staying relatively subdued elsewhere.

Despite the improving inflation outlook, downside risks continue to dominate. Persistent policy uncertainty, increasing protectionist measures, labour market disruptions, fiscal vulnerabilities, and the potential for financial market corrections could weigh on global growth and stability. In response, policymakers are encouraged to strengthen confidence through transparent and sustainable economic policies, rebuild fiscal buffers, preserve central bank independence, and accelerate structural reforms to enhance long-term resilience and productivity.

For Sri Lanka and the automotive industry, these global developments underscore the importance of maintaining operational flexibility, managing supply chain risks, and adapting to an increasingly dynamic international trading environment.

Sri Lankan Macroeconomic Environment

Sri Lanka's economy continued its strong recovery trajectory during 2025, demonstrating increased resilience despite heightened global uncertainties and domestic challenges. Supported by post-crisis macroeconomic stabilisation measures, ongoing structural reforms, and improved policy discipline, the economy recorded real GDP growth of 5%, marking the second consecutive year of expansion and reflecting renewed business confidence and economic activity.

The recovery was underpinned by improvements across the industrial, services, construction, and tourism sectors, while easing inflation and accommodative monetary policies stimulated private sector investment and consumer spending. Continued implementation of reforms under the IMF-supported programme, together with stronger fiscal discipline and enhanced external sector performance, further restored investor confidence and strengthened macroeconomic stability.

Fiscal performance improved through disciplined revenue-based consolidation and prudent expenditure management, resulting in another year of primary fiscal surplus. At the same time, the Government remained committed to supporting inclusive growth through continued investment in social welfare programmes and essential infrastructure development.

The gradual recovery in consumer sentiment and corporate investment, coupled with the reopening of vehicle imports after several years of restrictions, created a more favourable operating environment for the automotive industry. These developments stimulated demand for vehicles and financing while supporting broader economic activity, positioning the sector for sustained growth as the economy continues to normalise.

Inflation

Sri Lanka's inflation environment normalised during 2025 following an extended period of deflation, reflecting the economy's gradual transition towards sustainable growth. After eleven consecutive months of negative inflation, headline inflation returned to positive territory in August 2025 and increased gradually thereafter, supported by easing deflationary pressures in the energy and transport sectors, rising food prices, and the continued recovery in domestic demand.

By the end of 2025, headline inflation measured by the Colombo Consumer Price Index (CCPI) had increased to 2.1%, compared with negative 1.7% at the end of the previous year, before remaining within the low single-digit range during the first quarter of 2026. Core inflation also stayed relatively subdued, reflecting a gradual recovery in economic activity without significant overheating.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Interest Rate

Sri Lanka's interest rate environment remained supportive during 2025, underpinned by the Central Bank's accommodative monetary policy stance, subdued inflation, and improving macroeconomic conditions. In May 2025, the Overnight Policy Rate (OPR) was reduced by 25 basis points to 7.75%, contributing to lower market lending rates and stronger liquidity within the banking system. These favourable conditions accelerated private sector credit growth to 24.8%, driven in part by increased demand for vehicle financing following the removal of import restrictions.

The lower interest rate environment improved access to finance for businesses and consumers, stimulating investment and supporting the recovery of the automotive sector. For Lanka Ashok Leyland PLC, enhanced financing availability encouraged fleet expansion and vehicle purchases, creating a positive operating environment for commercial vehicle sales. Going forward, maintaining stable financing conditions will remain critical to sustaining economic growth and supporting continued demand within the transportation sector.

Exchange Rate and External Sector

The Sri Lankan Rupee depreciated by 6.2% against the US Dollar by March 2026, reaching LKR 319.3120/USD as of 31st March 2026. The depreciation was primarily driven by increased merchandise imports, particularly following the full relaxation of vehicle import restrictions, which raised demand for foreign currency. Despite this, strong inflows from tourism, workers' remittances, exports, and financial account transactions supported liquidity in the foreign exchange market and enabled the Central Bank to strengthen official reserves through net foreign exchange purchases.

While moderate depreciation increased the cost of imported vehicles and components, the overall improvement in external sector stability and foreign exchange availability provided a more predictable operating environment for businesses.

Transportation and Commercial Vehicle Industry Outlook

The reopening of vehicle imports fundamentally transformed Sri Lanka's automotive landscape during 2025/26, marking the first full year of renewed market activity after an extended period of restrictions. Demand for commercial vehicles recovered significantly as businesses resumed capital expenditure and fleet replacement programmes to support expanding economic activity.

Growth in construction, logistics, manufacturing, agriculture, tourism, and infrastructure development has reinforced demand for trucks, buses, and light commercial vehicles. Increased investment in public transportation, urban mobility, and regional connectivity is also expected to support long-term sector expansion.

Furthermore, the Central Bank of Sri Lanka reduced the maximum Loan-to-Value (LTV) ratio for commercial vehicles to 60%, effective May 2026, thereby tightening credit conditions in the segment. This regulatory adjustment is expected to constrain vehicle affordability for a significant portion of customers reliant on financing, which may in turn moderate demand growth and influence purchasing patterns in the commercial vehicle market.

Outlook for Lanka Ashok Leyland PLC

As the automotive industry adapts to the post-import restriction environment, Lanka Ashok Leyland PLC is well-positioned to capitalize on emerging opportunities through its diversified business model, strong brand presence, and extensive distribution and service network. The Company remains committed to delivering a comprehensive range of transportation solutions through both imported and locally assembled vehicles, enabling it to respond effectively to evolving customer needs and market dynamics.

Our continued investment in local assembly operations, technical expertise, after-sales capabilities, and operational efficiency reinforces our commitment to supporting national industrial development while enhancing long-term competitiveness. Furthermore, the Company's focus on environmentally responsible transportation solutions, including BS IV-compliant vehicles and future-ready technologies, aligns with the growing demand for sustainable mobility solutions.

While external challenges such as global economic uncertainty, supply chain disruptions, exchange rate volatility, and regulatory changes may continue to influence the operating landscape, Lanka Ashok Leyland PLC remains resilient, supported by a strong financial position, healthy liquidity, disciplined cost management, and sound corporate governance practices.

Looking ahead, the Company will continue to focus on driving profitable growth, enhancing customer satisfaction, strengthening stakeholder relationships, and creating sustainable value for shareholders. With a clear strategic direction, an experienced management team, and a commitment to operational excellence, Lanka Ashok Leyland PLC is confident in its ability to capture future opportunities and reinforce its leadership position in Sri Lanka's commercial vehicle industry.

FINANCIAL REVIEW

The financial year 2025/26 was a landmark year for Lanka Ashok Leyland PLC, characterized by exceptional growth in revenue, profitability, and shareholder value. The Company successfully leveraged the improving economic environment, increasing market demand, and its strong operational capabilities to deliver outstanding financial results.

Revenue growth was driven by strong performance across all key business segments, including vehicle assembly, spare parts, power generators, and hiring services. Strategic inventory management, enhanced supply chain efficiencies, and a customer-centric approach enabled the Company to capitalize on emerging market opportunities and strengthen its competitive position.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

The significant increase in profitability reflects the Company's ability to achieve greater operational leverage through higher sales volumes, disciplined cost management, and improved resource utilization. These factors, together with effective working capital management and prudent financial stewardship, contributed to a substantial improvement in overall financial performance.

Lanka Ashok Leyland PLC continued to maintain a debt-free capital structure, underscoring the strength of its balance sheet and providing flexibility to pursue future growth opportunities. The strong earnings generated during the year further enhanced shareholder wealth through increased earnings per share and growth in net asset value.

The following analysis provides a comprehensive review of the Company's financial performance and position during the year under review, highlighting the key drivers of growth and value creation.

Revenue

Vehicle Sale
Rs. 16.89 Bn

Hiring Income
Rs. 1.16 Bn

Spare Part Sales
Rs. 910.81 Mn

Profitability

Gross Profit
Rs. 5.22 Bn

Operating Profit
Rs, 4.20 Bn

Profit Before Tax
Rs. 4.41 Bn

Value Creation

INVESTMENT CAPITAL SALES INTEREST YIELD DIVIDEND RETURN

ROA
18.36%

ROE
34.11%

ROCE
46.75%

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

FINANCIAL HIGHLIGHTS AT A GLANCE

The following table presents a summary of the key financial indicators of Lanka Ashok Leyland PLC for the financial years 2024/25 and 2025/26. The significant improvements across revenue, profitability, and operational efficiency reflect the Company's successful strategic focus on local assembly, cost optimization, and market expansion, despite a challenging macroeconomic environment. The marked growth in Gross Profit, EBITDA, and bottom-line profitability underscores the effectiveness of operational enhancements and the resilience of the business model.

	2024/25 Rs.	**2025/26 Rs.**	**Change**
Revenue	9,003,641,728	**19,330,408,115**	114.7%
Gross Profit	2,728,436,367	**5,223,815,620**	91.5%
EBITDA	2,328,890,259	**4,468,564,472**	91.9%
Net Finance Income	99,005,623	**211,196,436**	113.3%
Profit Before Tax	2,216,604,543	**4,407,909,933**	98.9%
Profit After Tax	1,531,027,028	**3,062,433,838**	100.0%

REVENUE

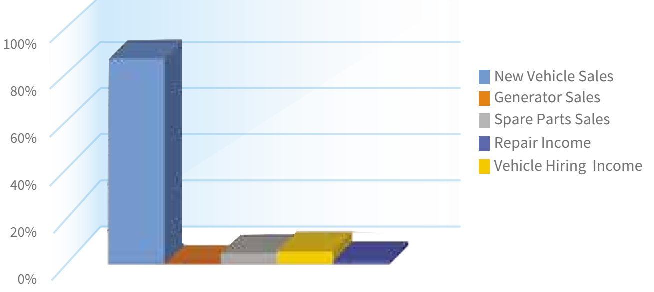
During the financial year 2025/26, Lanka Ashok Leyland PLC recorded an exceptional increase in revenue, reaching Rs. 19.33 Bn compared to Rs. 9.00 Bn in the previous year, representing a year-on-year growth of 114.7%. This outstanding performance reflects the Company's ability to capitalize on the recovery of the commercial vehicle market and growing customer demand across its key business segments.

The growth was predominantly driven by strong sales of new commercial vehicles, which contributed approximately 87.3% of total revenue during the year. The easing of economic constraints, improved market confidence, and the Company's ability to maintain product availability enabled a significant increase in vehicle sales volumes.

Revenue from vehicle hiring services also recorded notable growth, supported by higher fleet utilization and increased demand from both corporate and public sector customers. Meanwhile, spare parts sales continued to strengthen, reflecting the expansion of the Company's installed vehicle base and its focus on enhancing after market services. Repair and maintenance services remained a stable source of income, contributing to the overall resilience of the revenue portfolio.

The Company's diversified revenue streams, extensive distribution network, and customer-centric approach have strengthened its market position and enabled it to effectively capture emerging opportunities within the recovering economy. This strong revenue performance provides a solid foundation for sustained growth and long-term value creation.

REVENUE COMPOSITION FY 2025/26



Type of Product / Service	2025/26 Rs.
New Vehicle Sales	**16,885,410,741**
Vehicle Hiring Income	**1,158,109,635**
Spare Parts Sales	**910,811,654**
Repair Income	**327,408,288**
Diesel Generator Set Sales	**48,667,797**
Total	**19,330,408,115**

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

GROSS PROFIT AND GROSS PROFIT MARGIN

Lanka Ashok Leyland PLC delivered a strong gross profit performance during the financial year 2025/26, with gross profit increasing to Rs. 5.22 Bn from Rs. 2.73 Bn in the previous year, representing a year-on-year growth of 91.5%. This growth was primarily driven by the substantial increase in revenue, reflecting the Company's ability to capitalize on rising demand across its core business segments.

Despite facing external cost pressures arising from exchange rate fluctuations, higher import-related expenses, and changes in product mix, the Company maintained a healthy gross profit margin of 27.0% compared to 30.3% in the previous year. The marginal contraction in margin demonstrates the Company's resilience and effective cost management practices in navigating a challenging operating environment.

Operating Expenses and Operating Profit

In the financial year 2025/26, Lanka Ashok Leyland PLC effectively managed its costs while supporting the expansion of its business operations. Total Operating Expenses, including Selling and Distribution Expenses, Administrative Expenses, and Other Operating Expenses, amounted to Rs. 1,218.5 Mn, compared to Rs. 836.04 Mn in the previous year. This increase reflects the higher volumes, the expansion of assembly operations, and continued investments in customer support and organizational infrastructure.

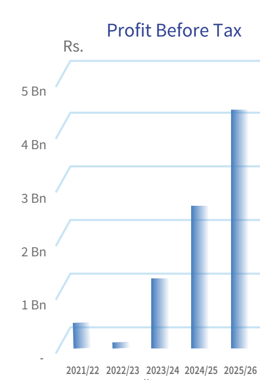
As a result, Profit from Operations increased significantly by 98% to Rs. 4.20 Bn in 2025/26, compared to Rs. 2.12 Bn in the previous financial year. Despite this substantial growth, the Operating Profit Margin marginally declined to 21.71% from 23.52% in 2024/25, primarily due to higher sales and distribution expenses incurred to support expanding business activities. Nevertheless, the strong growth in operating profit reflects the Company's ability to enhance operational efficiency, capitalize on increased market demand, and sustain profitability while pursuing business expansion.

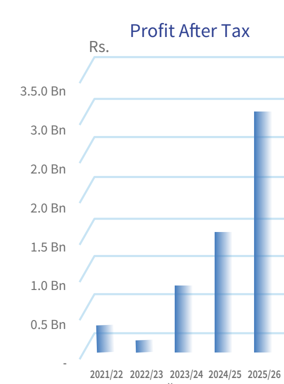
Profitability Overview (PBT and PAT)

Lanka Ashok Leyland PLC delivered a strong financial performance during the year under review, with Profit Before Tax (PBT) increasing by 98.9% to Rs. 4.41 Bn, compared to Rs. 2.22 Bn in the previous financial year. This substantial growth was primarily driven by strong revenue expansion, improved operational efficiency, and effective cost management across the Company's core business segments.

Following the provision for income taxes, Profit After Tax (PAT) reached Rs. 3.06 Bn, representing a year-on-year increase of 100.02% from Rs. 1.53 Bn recorded in 2024/25. The Company maintained a healthy net profit margin of 15.84%, reflecting its continued ability to translate revenue growth into sustainable earnings and long-term shareholder value.

Furthermore, the Company's debt-free capital structure continued to support profitability by eliminating interest-related financing costs and reducing financial risk. This strong financial position, coupled with disciplined operational execution, contributed significantly to the growth in net earnings and reinforced the Company's capacity to generate sustainable returns for its stakeholders.



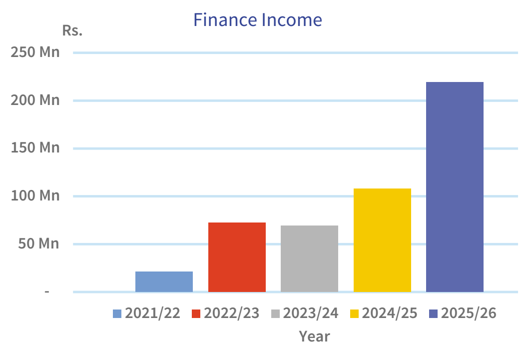


MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

FINANCE INCOME

During the financial year 2025/26, Lanka Ashok Leyland PLC reported Finance Income of Rs. 219.32 Mn, representing a significant increase from Rs. 107.92 Mn recorded in the previous year. This growth was primarily attributable to effective treasury management practices, including the strategic investment of surplus funds in interest bearing deposits and other low-risk financial instruments.

The Company's debt-free capital structure and strong cash position enabled it to maintain healthy liquidity levels throughout the year, while maximizing returns on excess funds. The increase in finance income further strengthened overall profitability and reflects the Company's disciplined approach to cash management and capital allocation.

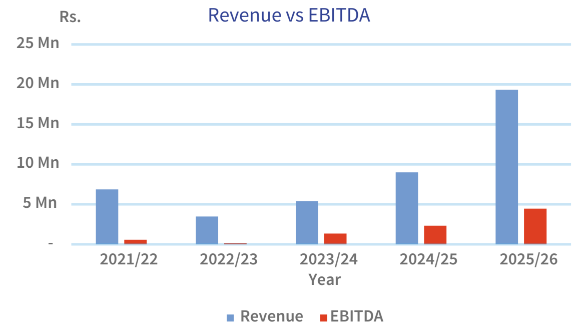


Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

Lanka Ashok Leyland PLC recorded a strong EBITDA of Rs. 4.47 Bn during the financial year 2025/26, compared to Rs. 2.33 Bn in the previous year, representing a significant growth of 91.9%.

This substantial increase was primarily driven by higher sales volumes, improved operating leverage, enhanced cost absorption, and the Company's ability to maintain healthy gross margins amidst a dynamic business environment. As a result, the EBITDA margin stood at 23.12%, reflecting the strength of the Company's core operating performance and its ability to generate sustainable earnings from its principal business activities before the impact of depreciation, amortization, finance income, finance costs, and taxation.

The strong EBITDA performance underscores the effectiveness of the Company's operational strategies, disciplined cost management, and continued focus on driving profitability while supporting long-term business growth.



Financial Position

Lanka Ashok Leyland PLC entered the financial year 2025/26 with a strong and resilient balance sheet and further enhanced its financial position during the year. The Company maintained a healthy liquidity profile while remaining entirely debt-free, reflecting its prudent financial management and conservative capital structure.

The growth in retained earnings, supported by strong profitability and disciplined asset management, contributed to a significant increase in shareholders' equity and net asset value per share. At the same time, strategic investments in inventory, fleet expansion, and working capital were undertaken to support growing business volumes and strengthen operational capabilities.

The Company's robust financial position provides flexibility to fund future growth initiatives through internally generated resources while maintaining financial stability. This strong foundation enhances resilience against external economic uncertainties and positions the Company to continue delivering sustainable long-term value to its shareholders and other stakeholders.

Leverage and Capital Structure

Lanka Ashok Leyland PLC continued to maintain a robust and resilient capital structure during the financial year 2025/26, operating without any interest-bearing debt. This reflects the Company's commitment to prudent financial management and a sustainable growth strategy driven by internally generated funds. As at 31st March 2026, the Company reported a healthy Equity Ratio of 54%, underscoring the strength of its balance sheet and its capacity to withstand external economic and market uncertainties.

The absence of financial leverage significantly reduces exposure to financing and refinancing risks while providing greater operational flexibility and financial stability. Supported by strong profitability and disciplined earnings retention, the Company's equity base increased substantially from Rs. 6.04 Bn in 2024/25 to Rs. 8.98 Bn in 2025/26.

This strong capital position enhances the Company's ability to pursue strategic growth opportunities, fund future investments through internal resources, and create sustainable long-term value for shareholders. It also reinforces the Company's financial resilience and its ability to maintain stability across varying economic conditions.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Leverage and Capital Structure (Contd.)

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

Total Assets as at 31st March 2026
Rs. 16,680.64 Mn

Funding Channels

Shareholder Fund
54%

Long Term Funding / Employee Benefits
1%

Short Term Funding / Creditors
45%

Efficiency and Return

Lanka Ashok Leyland PLC delivered strong returns across all key performance indicators during the financial year 2025/26, reflecting enhanced operational efficiency, effective capital allocation, and sustained profitability. The Company recorded a Return on Capital Employed (ROCE) of 46.75%, compared to 35.07% in the previous year, demonstrating its ability to generate higher earnings from the capital invested in the business.

Return on Equity (ROE) increased to 34.11%, supported by strong profit growth and the effective utilization of shareholders' funds. Meanwhile, Return on Assets (ROA) improved to 18.36%, highlighting the Company's success in maximizing returns from its asset base and enhancing overall operational productivity.

These improvements across key return metrics underscore the effectiveness of the Company's business strategy, disciplined financial management, and strong execution capabilities. The sustained growth in profitability and efficient utilization of capital resources continue to strengthen shareholder value and reinforce Lanka Ashok Leyland PLC's position as a leading performer within the commercial vehicle industry.

Working Capital / Liquidity

As at 31st March 2026, Lanka Ashok Leyland PLC reported current assets of Rs. 14.09 Bn, representing a substantial increase of 59% compared to Rs. 8.87 Bn recorded as at 31st March 2025. This growth was primarily driven by a strategic increase in inventory holdings, which rose to Rs. 7.50 Bn during the year. The higher inventory levels reflect management's proactive approach to supporting anticipated sales growth, ensuring product availability, and mitigating potential supply chain disruptions.

Trade and other receivables increased to Rs. 1.84 Bn, representing a growth of 47.93% over the previous year, in line with the expansion of business volumes and the extension of credit facilities to customers. In addition, rental receivables from trade debtors increased to Rs. 383.25 Mn, reflecting the Company's continued support for customers through deferred payment arrangements and leasing related facilities.

Cash and cash equivalents recorded a significant increase to Rs. 4.18 Bn from Rs. 617.3 Mn in the previous year. This improvement was primarily attributable to strong operating cash flows, enhanced collection efficiency, and disciplined working capital management. The strengthened cash position further reinforces the Company's liquidity profile and provides a solid foundation to support future business growth and investment opportunities.

On the liabilities side, total current liabilities increased to Rs. 7.58 Bn as at 31st March 2026, compared to Rs. 4.28 Bn recorded in the previous financial year. This increase was primarily driven by higher related party payables, which rose to Rs. 2.61 Bn, reflecting increased procurement activities undertaken to support the strategic build-up of inventory and growing business operations.

Trade and other payables also increased to Rs. 3.87 Bn from Rs. 3.25 Bn in the previous year, in line with the higher level of business transactions and operational activities during the year. The growth in current liabilities was largely aligned with the expansion of the Company's working capital requirements and was supported by the corresponding increase in current assets.

The Current Ratio as at 31st March 2026 stood at 1.86 times, compared to 2.07 times recorded in the previous financial year. The marginal decline was primarily attributable to the increase in current liabilities arising from higher procurement activities and working capital requirements associated with the expansion of business operations. Despite this reduction, the ratio remained at a healthy level, demonstrating the Company's strong ability to meet its short term obligations through its current asset base.

The Company continued to maintain a sound liquidity position, supported by strong cash balances, adequate working capital, and effective cash flow management practices. Management remains focused on optimizing working capital through the efficient management of inventory levels, receivables collections, and supplier payment cycles. These initiatives are aimed at ensuring sufficient liquidity to support ongoing operational requirements, future growth opportunities, and strategic business objectives while maintaining overall financial stability.

	31.03.2025 Rs.	**31.03.2026 Rs.**	Change %
Current Assets	8,865,966,015	**14,095,279,027**	59%
Current Liabilities	4,279,540,878	**7,575,392,105**	77%
Working Capital	4,586,425,137	**6,519,886,922**	42%

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Cash Flow Analysis

Lanka Ashok Leyland PLC delivered an exceptionally strong cash flow performance in FY 2025/26. The Company generated Rs. 3.48 Bn from operating activities, driven by robust profitability and effective working capital funding. The Company recorded a net increase in cash and cash equivalents of Rs. 3.53 Bn during FY 2025/26, compared to a net decrease of Rs. 788.46 Mn in the previous year. Investing activities remained disciplined while financing outflows were limited to dividends and lease repayments. Consequently, the Company's net cash position increased significantly to Rs. 4.13 Bn, strengthening liquidity and enhancing its capacity to support future growth initiatives, capital investments, and shareholder returns.

Operating Activities:

The Company generated a strong net cash inflow of Rs. 3.48 Bn from operating activities during the year ended 31st March 2026, compared to a net cash outflow of Rs. 539 Mn in the previous year. This significant improvement was primarily driven by the substantial growth in profitability, with profit before tax increasing to Rs. 4.41 Bn. Despite higher investments in inventory and trade receivables to support increased business volumes, the Company maintained healthy cash generation through efficient working capital management and enhanced operational performance. The strong operating cash flows demonstrate the Company's ability to convert earnings into cash and support its ongoing business activities without reliance on external financing.

Investing Activities:

Investing activities generated a net cash inflow of Rs. 150 Mn during the year, compared to an inflow of Rs. 25 Mn in the previous year. The positive cash flow was mainly attributable to interest income received and proceeds from the disposal of property, plant and equipment. These inflows more than offset capital expenditure incurred on property, plant and equipment, intangible assets, and investments in financial instruments. The Company's investment activities reflect a balanced approach towards maintaining operational assets while prudently managing surplus funds and optimizing returns on investments.

Financing Activities:

Net cash used in financing activities amounted to Rs. 101 Mn during the financial year, compared to Rs. 274 Mn in the previous year. The outflow primarily relates to dividend payments to shareholders and the settlement of lease liabilities. The relatively low financing cash outflow, coupled with the absence of significant borrowings, reflects the Company's strong internal cash generation capacity and sound financial position. The Company continued to meet its financing obligations while maintaining sufficient liquidity to support future growth and operational requirements.

Cash & Cash Equivalents:

The Company's cash and cash equivalents increased by more than sixfold during the year to Rs. 4.18 Bn, supported by strong cash flow generated from operating activities. This significant improvement in liquidity reflects the Company's enhanced earnings capacity and prudent cash management practices. As at 31st March 2026, cash and cash equivalents comprised Rs. 3.54 Bn in short-term investments and Rs. 598.57 Mn held with banks, partially offset by bank overdrafts of Rs. 48.31 Mn. The strengthened cash position provides the Company with greater financial flexibility to fund future growth initiatives, meet operational requirements, and capitalize on emerging business opportunities while maintaining a healthy liquidity buffer.

Value Created to Shareholders

Lanka Ashok Leyland PLC continued to create substantial value for its shareholders during the financial year 2025/26 through strong profitability, disciplined capital management, and a consistent commitment to shareholder returns. The Company's Earnings Per Share (EPS) doubled to Rs. 845.78, reflecting the significant growth in earnings and its ability to translate operational performance into enhanced shareholder value.

Net Asset Value per Share increased to Rs. 2,479.24 from Rs. 1,667.71 in the previous year, supported by strong profit retention and continued strengthening of the Company's equity base. In line with its shareholder-centric approach, the Board of Directors declared a dividend of Rs. 30.00 per share, representing a 50% increase over the Rs. 20.00 per share distributed in the previous year. This resulted in a dividend payout ratio of 3.5%, while retaining a substantial portion of earnings to support future growth and investment opportunities.

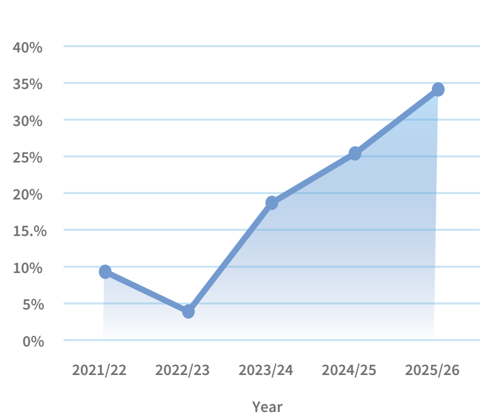
The Company’s strong financial performance strengthened balance sheet, and prudent allocation of capital have contributed to enhancing long-term shareholder wealth and reinforcing investor confidence. These achievements position Lanka Ashok Leyland PLC as a resilient and rewarding investment, well-equipped to deliver sustainable value creation in the years ahead.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

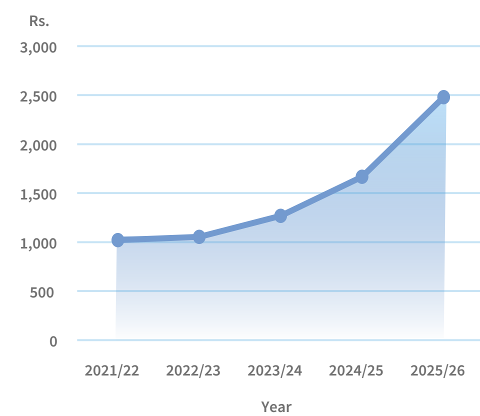
Value Created to Shareholders (Contd.)

	2024/25	2025/26	Change
Net Asset Per Share (Rs.)	1,667.74	**2479.24**	49%
Earnings Per Share (Rs.)	422.84	**845.78**	100%
Return on Equity	25.4%	**34.1%**	8.7%
Dividend per Share (Rs.)	20	**30**	50%
Share Price as at Year End (Rs.)	950	**2,657**	180%

Return on Equity



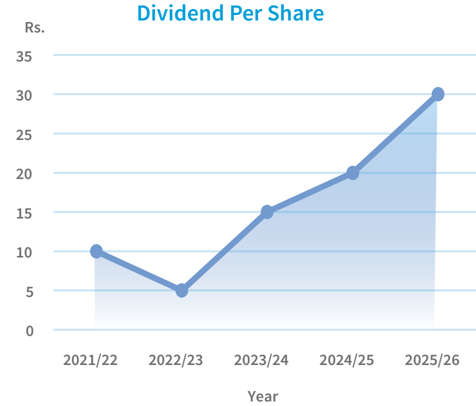
Net Asset per Share



Value Created To Share Holders

Earnings Per Share

Dividend Per Share



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

SUSTAINABILITY AND RESPONSIBLE BUSINESS PRACTICES

Lanka Ashok Leyland PLC remains steadfast in its commitment to sustainable value creation, aligning operational excellence with responsible Environmental, Social, and Governance (ESG) practices. Our initiatives, including promoting BS (IV) compliant vehicles, supporting local industry development, and enhancing stakeholder engagement, reflect our holistic approach to sustainability.

STAKEHOLDER ENGAGEMENT AND RELATIONSHIPS

The success of Lanka Ashok Leyland PLC is built on strong, transparent, and enduring relationships with a diverse group of stakeholders. The Company recognizes that its ability to create sustainable value is directly linked to meaningful engagement with those who are impacted by, and who influence, our operations.

Throughout the year under review, Lanka Ashok Leyland maintained active dialogue with key stakeholders, including customers, employees, suppliers, regulatory bodies, shareholders, and the communities in which we operate. Open communication, responsiveness to stakeholder needs, and delivering on our commitments have remained central to our business approach.

We believe that effective, transparent, and continuous stakeholder engagement enhances trust, ensures alignment with expectations, and supports sustainable business growth. Throughout the year, the Company maintained open communication channels and implemented initiatives to strengthen these relationships.

- We enhanced customer engagement through product training, after-sales support, and technical advisory services, ensuring customers derive maximum value from our vehicles and equipment.
- We invested in employee development and maintained a safe, inclusive work environment, recognizing that our people are the foundation of operational excellence.
- We collaborated closely with suppliers and service partners to ensure reliable, high-quality assembly and product delivery despite supply chain disruptions.
- We actively engaged with regulators and government bodies, ensuring compliance and supporting national policies that encourage local industry development.
- We prioritized transparent communication with shareholders, keeping them informed of the Company's performance, strategic direction, and value creation efforts.
- Our community-focused initiatives reinforced our role as a responsible corporate citizen committed to contributing to Sri Lanka's economic and social progress.

The Company remains committed to maintaining strong stakeholder relationships, ensuring alignment of our operations with stakeholder expectations, and working collaboratively to support national development objectives and sustainable economic progress.

KEY CHALLENGES AND OPPORTUNITIES

Risks and challenges are inherent in the business of running an organization, regardless of their origin be it environmental issues, social dissatisfaction, political instability, or natural disasters. These risks can be costly, lead to negative publicity, disrupt operations, and result in unforeseen expenditures. Reputational damage, in particular, can far exceed the immediate financial impacts.

While we actively seek to reduce and manage these risks, we view challenges not as deterrents, but as opportunities to drive business improvement and performance. These opportunities have propelled us towards enhanced growth, ensuring compliance with regulatory benchmarks, and empowering our stakeholders, while staying focused on our long-term goals.

Lanka Ashok Leyland PLC continues to navigate a rapidly evolving business landscape, shaped by both persistent challenges and emerging opportunities. While supply chain disruptions, currency fluctuations, and rising input costs remain significant concerns, the recent lifting of import restrictions on vehicles by the Government in December 2024 marks a crucial turning point for the industry. This relaxation of import bans is expected to gradually stabilize product availability, enhance market competitiveness, and revive demand across commercial vehicle segments.

Simultaneously, the Company is well-positioned to capitalize on opportunities arising from the government's focus on encouraging domestic assembly and value addition. Lanka Ashok Leyland's established local assembly operations, combined with its expertise in producing eco-friendly, BS (IV) compliant vehicles, place the Company in a strong position to drive growth from both imported and locally assembled vehicles. Additionally, the expanding demand from infrastructure projects, logistics, and passenger transport services offers further avenues for growth.

By adapting our operational strategy to the changing market conditions, the Company aims to sustain profitability while reinforcing its leadership in Sri Lanka's commercial vehicle sector.

MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Risk Considerations in Business Performance

The performance of Lanka Ashok Leyland PLC in 2025/26 reflects not only operational excellence but also disciplined management of the risks inherent in an evolving business environment. Economic volatility, regulatory developments, and supply chain challenges were key factors influencing the Company's operations throughout the year.

In response, the Company adopted proactive measures to mitigate these risks, such as strengthening local assembly capabilities, optimizing financial resources, and enhancing operational resilience. These steps have helped position the Company to navigate uncertainties effectively while ensuring continued growth.
A comprehensive assessment of the principal risks and corresponding mitigation strategies is provided in the dedicated "Management of Risk" section of this Annual Report.

Looking Forward

Looking ahead, Lanka Ashok Leyland PLC remains committed to capitalizing on these favorable developments through a dual strategy of strengthening domestic assembly operations and responsibly leveraging renewed import opportunities.

Our investments in SKD assembly lines, infrastructure, and technical capabilities have enhanced our readiness to meet the anticipated surge in market demand, while simultaneously supporting national objectives of industrial growth and job creation.

Although global and domestic uncertainties such as supply chain disruptions, inflationary pressures, and currency fluctuations may persist, the Company's resilient financial position, robust governance, and operational excellence provide a strong foundation for sustainable performance. We will continue to focus on cost optimization, product innovation, and customer service excellence to maintain our leadership in Sri Lanka's commercial vehicle industry.

At the core of our forward-looking strategy is a commitment to stakeholder value creation. We will continue to nurture trusted relationships with our customers, suppliers, employees, and the communities we serve. Our proactive approach, underpinned by agility and resilience, ensures that Lanka Ashok Leyland is well-positioned to navigate uncertainties, seize emerging opportunities, and contribute positively to Sri Lanka's economic resurgence.

Overall Conclusion

The 2025/26 financial year was a period of significant progress for Lanka Ashok Leyland PLC, characterized by strong revenue growth, record profitability, and enhanced operational efficiency. The Company's ability to adapt to a dynamic economic environment, coupled with its proactive response to industry challenges, has further solidified its leadership position in Sri Lanka's commercial vehicle sector.

Despite ongoing macroeconomic uncertainties, the Company remains financially resilient, with a solid capital structure, healthy liquidity, and a proven track record of operational excellence. Our unwavering commitment to stakeholder value creation, sustainability, and innovation positions Lanka Ashok Leyland to continue delivering growth, contributing to Sri Lanka's economic progress, and confidently navigating future challenges.

With a clear strategic direction, a strong financial foundation, and the unwavering support of its employees, customers, suppliers, shareholders, and business partners, the Company is confident in its ability to achieve sustainable growth and create lasting value for all stakeholders.

CREATING SUSTAINABLE VALUE

Financial Capital

Overview

Financial Capital represents the funds available to Lanka Ashok Leyland PLC to support its operations, invest in strategic growth opportunities, and create long-term value for shareholders. The Company's disciplined financial management, strong liquidity position, prudent capital allocation, and effective treasury management provide a solid foundation for sustainable business growth.

Our objective is to maintain a strong financial position while generating consistent returns, supporting operational excellence, and preserving the financial flexibility required to respond to changing market conditions.

Finance Capital at a Glance

	2025/26
Revenue	Rs. 19.33 Bn
Gross Profit	Rs. 5.22 Bn
Profit After Tax	Rs. 3.06 Bn
Total Assets	Rs. 16.68 Bn
Total Equity	Rs. 8.98 Bn
Cash & Cash Equivalents	Rs. 3.53 Bn
Return on Equity	34.1%
Earnings per Share	Rs. 845.78
Net Asset Value per Share	Rs. 2,479.24

Further details on the Company's finance performance can be found in the dedicated "Management Discussion and Analysis" within this Annual Report.

Strong Financial Performance

The Company delivered another year of strong financial performance, supported by increased commercial vehicle sales, improved operational efficiencies, and disciplined cost management. Healthy profitability strengthened shareholders' equity and enhanced our capacity to invest in future growth initiatives.

Our diversified revenue streams from vehicle sales, spare parts, repairs, vehicle hiring, and power generator sales continue to provide resilience and support sustainable value creation.

Capital Management

Lanka Ashok Leyland PLC adopts a disciplined approach to capital management, balancing profitability, liquidity, and investment requirements while safeguarding shareholder value.

Management continuously evaluates capital allocation decisions to ensure financial resources are deployed efficiently in support of strategic priorities, operational improvements, and long-term business sustainability.

Liquidity and Treasury Management

Maintaining adequate liquidity remains a key financial priority. The Company actively manages cash flows, working capital, and banking relationships to ensure sufficient funding for day-to-day operations while preserving the flexibility to pursue future investment opportunities.

Our treasury management practices focus on optimising cash resources, prudent investment of surplus funds, and effective management of financial risks.

Working Capital Management

Effective working capital management supports operational stability and financial resilience.

Continuous monitoring of inventories, trade receivables, and supplier obligations enables the Company to optimise cash conversion, improve operating efficiency, and maintain healthy liquidity levels while supporting business growth.

Financial Risk Management

The Company maintains a prudent approach to managing financial risks, including liquidity, credit, market, and foreign exchange risks. Strong internal controls, regular financial monitoring, and established risk management practices support informed decision making and strengthen financial resilience under changing economic conditions.

Looking Ahead

Lanka Ashok Leyland PLC will continue to maintain a disciplined approach to financial management while supporting strategic investments that drive sustainable growth. We remain focused on strengthening profitability, enhancing cash generation, optimising working capital, and maintaining a resilient capital structure.

Through prudent financial stewardship and responsible capital allocation, the Company is well positioned to create long-term value for shareholders and all other stakeholders while supporting its vision of sustainable growth.

CREATING SUSTAINABLE VALUE(Contd.)

Natural Capital

Our Commitment

At Lanka Ashok Leyland PLC (LAL), we recognise that every vehicle we assemble and every service we provide has an impact on the environment. As Sri Lanka's pioneering commercial vehicle assembler, we are committed to advancing sustainable mobility through responsible manufacturing, cleaner technologies, and the efficient use of natural resources.

Natural Capital represents the environmental resources that sustain our business, including energy, water, land, and ecosystems. We recognise our responsibility to safeguard these resources and continuously improve our environmental performance by reducing emissions, conserving energy and water, and embracing environmentally responsible practices. Our commitment to environmental stewardship supports our purpose of delivering sustainable mobility solutions that contribute to the nation's long-term economic and environmental well-being.

Key Environmental Initiatives

Energy & Climate Action

Lanka Ashok Leyland PLC successfully commissioned a 400 kW rooftop solar photovoltaic system at its Panagoda factory. The system is expected to generate approximately 55,000 kWh of renewable electricity per month, with surplus electricity supplied to the national grid. This investment represents a significant milestone in the Company's transition towards cleaner energy while reducing dependence on conventional power sources.

The factory premises have been designed to optimise natural light, significantly reducing energy consumption during daytime operations. This initiative supports energy conservation and helps lower the Company's overall carbon footprint.

Water Stewardship

Responsible water management remains a key environmental priority. The Company operates a dedicated wastewater treatment plant that treats wastewater generated by vehicle repair and service operations before discharge, ensuring compliance with applicable environmental regulations and standards.

Water requirements at the Panagoda facility are primarily met through an on-site well, which serves as the main source of water for operational activities. During FY 2025/26, more than 90% of the facility's total water demand was fulfilled through this sustainable source, reducing reliance on external water supplies while supporting efficient resource management.

Eco-friendly Products & Innovation

Lanka Ashok Leyland's commitment to environmental responsibility is further demonstrated through the use of Bharat Stage 4 (BS4) engines, aligned with Euro 4 emission standards. The Company's planned transition to BS6 engines equivalent to Euro 6 standards reflects a proactive approach to further reducing vehicle emissions and enhancing overall environmental performance.

Another significant milestone is the importation of electric trucks, marking a pioneering step in introducing electric commercial vehicles to Sri Lanka and reinforcing the Company's dedication to sustainable transportation solutions. Our strategic vision focuses on integrating innovative and eco-friendly technologies into our product portfolio. The newly introduced electric trucks—each capable of covering 120–160 km on a single charge address the rising demand for sustainable logistics while positioning Lanka Ashok Leyland as a leader in green transportation within the region.

Looking Ahead

Lanka Ashok Leyland PLC remains committed to strengthening its environmental stewardship by continuously improving resource efficiency, reducing emissions, and integrating sustainable practices across its operations. The Company will continue to explore opportunities to increase the use of renewable energy, optimise water and waste management, and introduce cleaner, more energy efficient vehicle technologies that support Sri Lanka's transition towards sustainable mobility.

As environmental expectations continue to evolve, we remain focused on embedding sustainability into our business strategy, ensuring that responsible environmental management contributes to long-term value creation for our stakeholders while safeguarding natural resources for future generations.

CREATING SUSTAINABLE VALUE (Contd.)

Human Capital

Empowering People. Driving Performance. Shaping the Future.

At the heart of our success lies our people the engineers, technicians, designers, operators, and professionals who drive innovation, quality, and operational excellence across every stage of our value chain. In an evolving mobility landscape, we recognize that sustainable growth begins with a strong, motivated, and future-ready workforce. Our Human Capital strategy is built on the principles of engagement, inclusivity, continuous learning, and well-being, ensuring our people are empowered to deliver value for all stakeholders while advancing our sustainability commitments.

Our Team

Our team is the driving force behind the Company's success, combining expertise, innovation, and dedication across every function. From engineers designing advanced mobility solutions to technicians ensuring product quality, and from customer service professionals to corporate staff supporting operations, every member plays a vital role in delivering excellence.

We take pride in fostering a collaborative and inclusive culture, where employees are empowered to contribute ideas, take ownership, and grow professionally. Regular engagement initiatives, recognition programs, and leadership development opportunities ensure that our people remain motivated, aligned with our vision, and equipped to meet the evolving demands of the automobile industry.

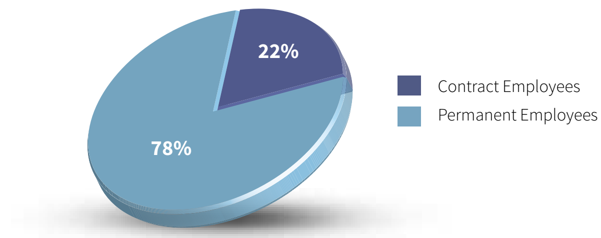
The Company embraces diversity and inclusion across its workforce and remains committed to enhancing gender representation at all levels of the organisation. We continue to foster an equitable workplace by providing equal opportunities for recruitment, development, and career progression, while strengthening initiatives that support diversity and inclusion.

Together, our team embodies the Company's commitment to quality, sustainability, and customer satisfaction, forming the backbone of our continued growth and innovation.

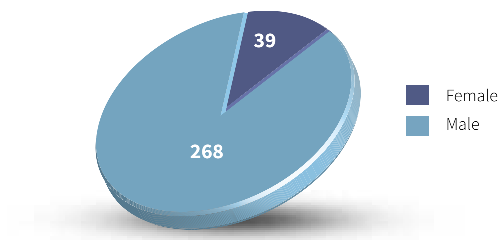
Workforce Overview

Workforce by Grade	As at 31st March 2025	**As at 31st March 2026**
Executive Staff	85	**109**
Non Executive Staff	189	**198**

Workforce by Employment Type



Workforce by Gender



Talent Attraction and Retention

The Company places strong emphasis on retaining skilled and high performing employees who are vital to sustaining operational excellence and customer satisfaction. Our retention strategy focuses on competitive remuneration, continuous learning opportunities, transparent career progression, and recognition of performance.

Regular employee engagement initiatives, open communication, and a supportive work environment contribute to high retention levels across all functions. The Company also promotes internal mobility, enabling employees to grow within the organization while aligning their aspirations with business needs.

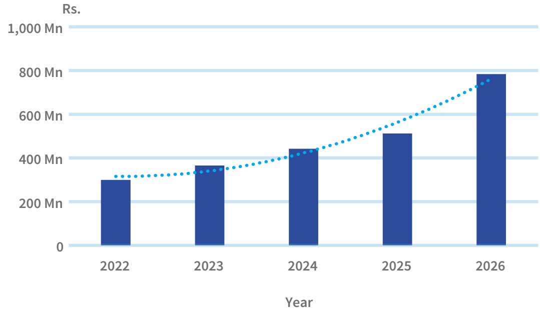
These initiatives have helped maintain a stable and committed workforce, ensuring continuity, knowledge retention, and sustained organizational growth.

Employee Benefits and Welfare

The Company is committed to enhancing the well-being and financial security of its employees through a comprehensive benefits and welfare program. We provide competitive salaries, performance linked incentives, and a defined benefit plan funded through investments with the Lanka Insurance Corporation Ltd. In addition, employees are covered under a medical insurance scheme with life insurance coverage offered through Fairfirst Insurance. These initiatives are designed to attract, motivate, and retain top talent while ensuring long-term employee welfare.

CREATING SUSTAINABLE VALUE (Contd.)

Total Staff Cost



In addition to financial benefits, the Company provides initiatives that promote physical, mental, and social well-being, including staff get-together, Annual trip, wellness programs, and employee assistance services. Recognizing the hardships faced by employees during the recent floods, Lanka Ashok Leyland offered financial aid to support their recovery and welfare.

As part of its commitment to employee well-being and engagement, Lanka Ashok Leyland PLC encourages participation in sports and recreational activities. The Company proudly fields a football team that competes of Mercantile sector, providing employees with opportunities to foster teamwork, camaraderie, and a healthy work-life balance while promoting physical fitness and employee morale.

Lanka Ashok Leyland PLC maintains a temple within its factory premises and conducts regular religious observances, including worship ceremonies prior to significant events and during the handing over of vehicles. The Company also organizes spiritual programs on Poya days. These practices underscore our commitment to nurturing the well-being of both employees and customers, while strengthening our workplace culture.

We believe that these programs reflect the Company's commitment to creating a supportive and inclusive workplace, fostering employee satisfaction, engagement, and long-term loyalty.

Training & Development

The Company invests in continuous learning to ensure employees remain skilled, adaptable, and future-ready. Training programs are tailored to employee grades and functional roles, covering technical skills, leadership development, safety, quality standards, customer service, and sustainability awareness.

Lanka Ashok Leyland PLC is committed to fostering technical skill development through its fully equipped in-house training center, which offers NVQ Level 04–accredited certification programs free of charge. At present, more than 200 students are benefiting from this initiative, reflecting our continued dedication to empowering youth and strengthening the nation's skilled workforce.

By fostering a culture of continuous learning and professional growth, the Company enhances employee engagement, operational efficiency, and innovation, supporting both individual development and organizational objectives.

Employee Health and Safety

At Lanka Ashok Leyland PLC, the health, safety, and well-being of our employees are fundamental to our operational excellence and long-term sustainability. We are committed to providing a safe, healthy, and supportive working environment for all our employees.

CREATING SUSTAINABLE VALUE (Contd.)

To ensure timely access to healthcare services, the Company maintains a dedicated medical centre within the factory premises, staffed by a qualified in-house nurse who provides immediate medical attention, first-response support, and basic healthcare assistance to employees when required.

In addition, a qualified medical practitioner visits the premises regularly to conduct consultations, offer medical advice, and support preventive healthcare initiatives. Further strengthening our employee well-being framework.

Our Occupational Health and Safety framework is guided by comprehensive policies and procedures that ensure compliance with applicable regulatory requirements and industry best practices. Regular risk assessments, safety inspections, and workplace audits are conducted across all operational locations to identify and mitigate potential hazards.

Employees receive continuous training on workplace safety, emergency preparedness, equipment handling, and ergonomic practices, fostering a strong culture of safety awareness and accountability throughout the organization. Safety awareness programmes and ongoing engagement initiatives further reinforce safe working behaviors and encourage active employee participation in maintaining a secure workplace.

Through proactive health and safety management, Lanka Ashok Leyland PLC remains committed to protecting its workforce while creating a workplace culture that promotes engagement, well-being, and sustainable performance.

Looking Ahead

Lanka Ashok Leyland PLC recognises that its people are the foundation of its long-term success and competitive advantage. As the automotive industry continues to evolve, the Company remains committed to developing a highly skilled, engaged, and future-ready workforce through continuous learning, leadership development, employee well-being, and an inclusive workplace culture.

Looking ahead, we will continue to invest in digital capabilities, technical competencies, succession planning, and health and safety initiatives while strengthening employee engagement and diversity across the organisation. By empowering our people and fostering a culture of innovation, collaboration, and continuous improvement, we aim to create sustainable value for our stakeholders and support the Company's long-term growth ambitions.

CREATING SUSTAINABLE VALUE (Contd.)

Intellectual Capital

Overview

Intellectual Capital represents the collective knowledge, systems, processes, and relationships that differentiate Lanka Ashok Leyland PLC in Sri Lanka's automobile industry. It encompasses our brand reputation, technical expertise, digital platforms, and our partnership with Ashok Leyland India all of which strengthen our competitive advantage and drive long-term value creation.

Through continuous learning, innovation, and process improvement, we convert our intellectual assets into enhanced operational efficiency, superior product performance, and customer satisfaction.

Brand and Reputation

For over four decades, the "Lanka Ashok Leyland" name has been synonymous with reliability, durability, and trust in Sri Lanka's commercial vehicle market. Our strong brand equity is built on consistent product quality, responsive aftersales service, and deep customer relationships. The brand's association with Ashok Leyland India, one of the leading global manufacturers of commercial vehicles, further reinforces customer confidence and market leadership.

We continue to invest in brand visibility through marketing campaigns, dealer engagement programs, and digital media outreach, ensuring our reputation remains aligned with quality, innovation, and service excellence.

Product and Engineering Capability

Lanka Ashok Leyland offers a comprehensive portfolio of passenger buses, commercial vehicles, power generators, trailers, fabricated vehicle bodies, genuine spare parts, repair and maintenance services, and vehicle hiring solutions.

Supported by engineering expertise and technical collaboration with Ashok Leyland India, the Company continuously enhances its products and services to meet the evolving needs of customers across multiple industries.

Quality Management and Certifications

Quality is embedded throughout our operations. Lanka Ashok Leyland PLC maintains an ISO 9001:2015 certified Quality Management System covering the marketing, assembly, body building, and repair of commercial vehicles. Standardised quality processes, technical expertise, and continuous monitoring enable the Company to maintain high standards of operational excellence and customer satisfaction.

Awards and Recognition

Lanka Ashok Leyland PLC is pleased to highlight the recognition achieved during the year, reflecting its continued commitment to excellence and high-quality service delivery. These achievements underscore the Company's dedication to maintaining strong performance standards and delivering value to its customers and stakeholders.

The Company's strong commitment to the highest standards of compliance and transparency has been recognized through the TAGS Awards presented by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). We are honored to have been awarded the Bronze Award in the Automobile Sector, a recognition of our diligent adherence to regulatory standards. Lanka Ashok Leyland PLC won awards for eight consecutive years for its Annual Report in the "Automobile Category".

These recognitions serve as motivation for the Company to continue pursuing excellence across all areas of its operations. Lanka Ashok Leyland PLC remains committed to maintaining the highest standards of quality, compliance, and ethical conduct while delivering sustainable value to its stakeholders.

Looking Ahead

Lanka Ashok Leyland PLC will continue to strengthen its intellectual capital by investing in innovation, digital technologies, engineering excellence, and continuous process improvement. Through our strategic partnership with Ashok Leyland India, we will continue to introduce advanced vehicle technologies, enhance operational capabilities, and expand sustainable mobility solutions.

By fostering a culture of innovation, knowledge sharing, and quality, we aim to maintain our competitive advantage while creating sustainable value for our customers, shareholders, employees, and other stakeholders.

CREATING SUSTAINABLE VALUE (Contd.)

Manufactured Capital

Overview

Manufactured Capital represents the tangible and physical resources that enable Lanka Ashok Leyland PLC to design, assemble, and deliver high quality commercial vehicles and aftersales services across Sri Lanka. Our investment in state-of-the-art facilities, modern assembly lines, and advanced technology ensures the efficient conversion of raw materials into durable and reliable products that drive the nation's transportation and logistics sectors.

Manufacturing Infrastructure

Lanka Ashok Leyland's state-of-the-art assembly plant in Panagoda serves as the backbone of our operations. Equipped with modern assembly facilities, quality testing units, paint booths, and pre delivery inspection lines, the plant is designed to ensure consistency, efficiency, and safety throughout the production process.

Continuous improvements in plant layout and process flow have enhanced our productivity and enabled the company to respond swiftly to changing market demand and regulatory standards.

Product Quality and Reliability

Quality is embedded into every stage of our production process. The Company adheres to stringent quality control procedures in alignment with Ashok Leyland's global standards, ensuring that every vehicle meets the highest safety, performance, and emission benchmarks. Our products are tailored to suit Sri Lankan road conditions and customer expectations, combining robustness, fuel efficiency, and long service life. Regular audits, preventive maintenance programs, and supplier quality evaluations help maintain consistency in our output and minimize downtime.

Through ongoing collaboration with our parent company and suppliers, we integrate advanced engineering practices and quality improvement programs to continuously raise the bar in vehicle reliability.

Capacity Utilization and Operational Efficiency

During the year under review, we continued to strengthen our production capabilities through planned maintenance, process enhancements, and workforce training. Despite challenges in the macroeconomic environment, our operational teams ensured optimal utilization of available capacity through prudent production planning and cost management.

Energy efficiency initiatives and machinery upgrades were introduced to reduce energy consumption and improve overall equipment effectiveness (OEE). These improvements have contributed to reduced operational costs and a lower carbon footprint, aligning with our sustainability commitments.

Dealer Network and Distribution Infrastructure

Our extensive island-wide dealer and service network remains a key component of our Manufactured Capital. With over authorized dealers and service centers strategically located across the country, we ensure timely delivery of vehicles, spare parts, and aftersales support to customers in all regions. We continue to invest in upgrading dealer workshops and expanding our distribution reach to ensure the best customer experience, reinforcing our position as a trusted commercial vehicle brand in Sri Lanka.

We continue to enhance dealer facilities, standardize service quality, and strengthen logistics partnerships to ensure seamless delivery and aftersales support nationwide.

Maintenance, Innovation, and Sustainability

Recognizing the importance of sustainable manufacturing, Lanka Ashok Leyland integrates environmental management practices into its operations. Efforts are underway to minimize waste, manage emissions, and adopt eco-friendly technologies.

Looking Ahead

Lanka Ashok Leyland PLC will continue to invest in modern manufacturing technologies, infrastructure enhancement, and operational excellence to support future growth. Our focus remains on improving production efficiency, strengthening our service network, optimising asset utilisation, and adopting sustainable manufacturing practices.

By continuously enhancing our physical infrastructure and operational capabilities, we are well positioned to meet evolving customer expectations, support business expansion, and create long-term value for our stakeholders.

CREATING SUSTAINABLE VALUE (Contd.)

Social and Relationship Capital

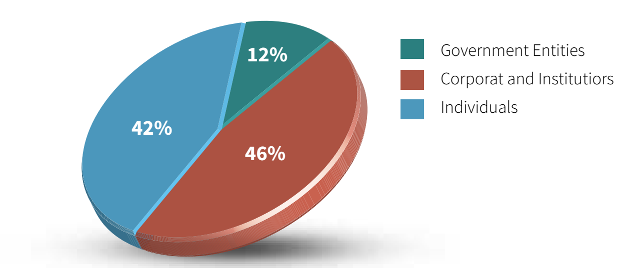
Overview

Social and Relationship Capital represents the trust, goodwill, and partnerships Lanka Ashok Leyland PLC has built over the years with its stakeholders including customers, employees, dealers, suppliers, regulators, and the broader community. Our success as Sri Lanka's leading commercial vehicle assembler is deeply rooted in these relationships, which strengthen our brand, enhance our reputation, and enable us to create sustainable value across society. We are committed to operating as responsible corporate citizens, fostering inclusive growth, maintaining ethical business practices, and contributing to the socio-economic development of the nation.

Our customers

Lanka Ashok Leyland PLC serves a broad and diverse customer base across Sri Lanka and selected export markets. Our customers include government institutions, public transport services, logistics and construction companies, fleet operators, small and medium enterprises (SMEs), and individual vehicle owners engaged in goods and passenger transportation.

Sales by Type of Counter-Party



We cater to a wide spectrum of transportation needs through our range of buses, trucks, and specialized vehicles, engineered for performance, reliability, and cost efficiency under local and regional operating conditions. Public transport authorities rely on our buses for commuter mobility, while logistics and construction sectors depend on our durable trucks for heavy-duty operations.

Beyond the domestic market, Lanka Ashok Leyland also exports vehicles and spare parts to regional markets, strengthening the Company's brand presence and contributing to national export earnings. Supported by our strong dealer network, customer engagement programs, and aftersales service excellence, we continue to foster long-term partnerships and sustain high levels of customer loyalty across all markets.

Lanka Ashok Leyland PLC offers comprehensive customer training programs, with a focus on institutions such as the Sri Lanka Transport Board (SLTB), the Navy, and the Air Force, ensuring optimal product use and enhancing technical proficiency.

Dealer Relationships

Our customers and dealers are at the core of our relationship capital. Through our extensive network of authorized dealers and service centers across Sri Lanka, we ensure accessibility, reliability, and consistent service excellence. Dealer training programs, quality audits, and reward schemes enhance our partnership model and align dealer operations with our brand promise.

Lanka Ashok Leyland PLC currently maintains a strong network dealers strategically located across the country, ensuring enhanced accessibility and reliable after-sales service for customers nationwide. Our focus on continuous improvement and customer care has strengthened brand loyalty and reinforced Lanka Ashok Leyland's reputation as a trusted business partner.

Supplier Relations

Strong supplier relationships are fundamental to our operational success.

We maintain long-term partnerships with Ashok Leyland India and a network of trusted local suppliers based on mutual respect, transparency, quality, and ethical business practices.

Supplier selection and performance are guided by quality, reliability, sustainability, and compliance, ensuring a resilient and responsible supply chain.

Government and Regulatory Relationships

As a leading commercial vehicle assembler, Lanka Ashok Leyland PLC maintains constructive relationships with government institutions, regulators, and industry bodies. We work closely with relevant authorities to ensure compliance with applicable legislation while supporting national transport, infrastructure, and economic development initiatives.

Corporate Social Responsibility (CSR) Initiatives

As a responsible corporate entity, we are committed to uplifting the communities in which we operate. Our CSR initiatives align with national development priorities and focus on education, environment, road safety, and community well-being. Our CSR programs are designed not only to deliver immediate benefits but also to create long-term positive social impact

Donation to Disaster Management Center

Lanka Ashok Leyland PLC made a significant contribution to the national Rebuilding Sri Lanka initiative, supporting emergency relief and long-term recovery efforts following the devastating impact of Cyclone Dhitwa.

CREATING SUSTAINABLE VALUE (Contd.)

Social and Relationship Capital (Contd.)

Demonstrating its commitment to national resilience and community well-being, the Company donated seven (07) essential utility vehicles to support relief, recovery, and rehabilitation activities across the country. The vehicles were carefully selected in consultation with the relevant authorities to meet critical operational requirements, enhancing the capacity of emergency response teams to deliver essential services and assistance to affected communities.

This contribution reflects Lanka Ashok Leyland PLC's enduring commitment to corporate citizenship and its dedication to supporting Sri Lanka during times of national need. By leveraging its expertise and resources, the Company continues to play a meaningful role in strengthening disaster response capabilities and contributing to the country's sustainable recovery.

Supporting Hope and Healing at Apeksha Hospital – Maharagama

Lanka Ashok Leyland PLC continued its commitment to community well-being by supporting Apeksha Hospital, Maharagama, through several healthcare assistance initiatives. The Company contributed towards enhancing patient care and improving hospital facilities, reaffirming its dedication to strengthening healthcare access and supporting Sri Lanka's public healthcare system.

As part of these initiatives, the Company repaired, refurbished, and repainted hospital equipment, restoring it to a safe and fully functional condition. Upon completion of the refurbishment process, the equipment was formally handed back to the hospital for continued use, enabling the hospital to maximize the utilization of its existing resources.

By extending the useful life of valuable equipment and reducing replacement costs, this initiative supported the efficient delivery of healthcare services while demonstrating Lanka Ashok Leyland PLC's commitment to creating sustainable value for the communities it serves.

Ethical Business Conduct

Lanka Ashok Leyland PLC upholds a strong ethical culture built on honesty, integrity, and respect for all stakeholders. Employees are guided by our Code of Ethics and regular awareness programs that reinforce responsible conduct and accountability. Ethical compliance is supported by a robust whistleblowing mechanism that encourages transparent reporting of concerns. During the year, no incidents of corruption or violations of the Code of Conduct were reported.

Compliance

Lanka Ashok Leyland PLC remains firmly committed to operating as a fully law-abiding corporate entity, placing the highest priority on regulatory and legal compliance. Across all operational activities and business units, we follow established procedures to identify and comply with all applicable legal requirements. We continuously monitor updates to relevant regulatory frameworks and conduct regular awareness programs to ensure employees are well-informed and aligned with compliance obligations throughout the organization.

Looking Ahead

Lanka Ashok Leyland PLC will continue to strengthen relationships with customers, employees, dealers, suppliers, regulators, and communities through collaboration, transparency, and responsible business practices.

By expanding stakeholder engagement, supporting community development, strengthening supply chain resilience, and maintaining the highest standards of ethics and governance, we aim to create sustainable social and economic value while reinforcing our position as a trusted corporate citizen.

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

The Board of Directors is pleased to present the **Forty-Third (43rd)** Annual Report of Lanka Ashok Leyland PLC, together with the Audited Financial Statements and the Independent Auditor's Report for the financial year ended 31st March 2026.

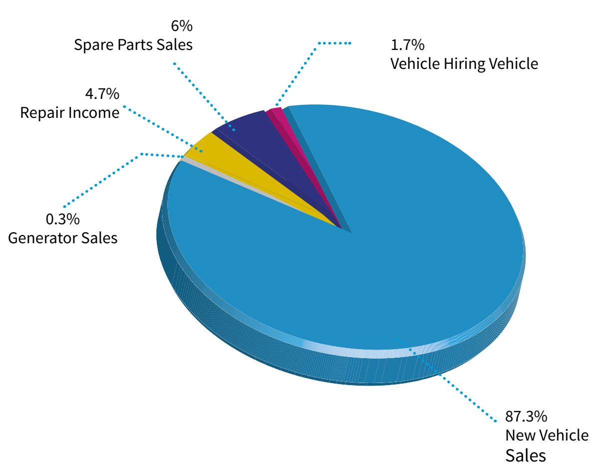
This Annual Report has been prepared in compliance with all applicable statutory and regulatory requirements, including the provisions of the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange (CSE), and is aligned with established corporate governance principles and best practices.

Disclosures required under the Companies Act and the CSE Listing Rules are set out in the Corporate Governance Report on pages 41 to 55 of this Annual Report.

PRINCIPAL ACTIVITIES AND STATE OF AFFAIRS OF THE COMPANY

The Company's principal business activities remained centered around the importation and assembly of Semi-Knocked-Down (SKD) chassis, fabrication of vehicle bodies, and the marketing and distribution of the Ashok Leyland range of commercial vehicles and power generators. In addition, the Company continued to provide comprehensive after-sales services including repairs, maintenance, supply of spare parts, and the provision of vehicles on hire. Restoration services for commercial vehicles also formed a part of the operational portfolio.

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



During the year under review, there were no material changes in the nature of these principal activities. The Company maintained its strategic focus on core operational areas, and no developments occurred that significantly altered the overall direction or structure of the business.

VISION, MISSION AND VALUE STATEMENT

The Company's Vision and Mission statements, as presented on page 1, serve as the foundation for its strategic direction and operational priorities. All business activities are aligned with these guiding principles, ensuring that employees at all levels are inspired and directed by a shared sense of purpose and core values.

Lanka Ashok Leyland PLC remains steadfast in upholding the highest standards of ethics, integrity, and accountability in all its dealings, fostering a culture of transparency and responsible corporate citizenship.

REVIEW OF PERFORMANCE AND FUTURE DEVELOPMENTS

A comprehensive review of the Company's operational and financial performance for the year ended 31st March 2026, along with insights into future prospects, strategic goals, and key initiatives, is provided in the Chief Executive Officer's Review and the Management Discussion and Analysis section of this Annual Report. These sections outline the strategic direction and plans in place to sustain growth and enhance stakeholder value in the coming years.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors bears the responsibility for ensuring that the Financial Statements of the Company are prepared and presented in accordance with applicable accounting standards and regulatory requirements, providing a true and fair view of the financial position and performance of the Company.

The formal Statement of Directors' Responsibility for Financial Reporting is provided on page 68 of this Annual Report and forms an integral part of the Annual Report of the Board of Directors.

REGULATORY DISCLOSURES

This Annual Report has been prepared in compliance with all applicable disclosure requirements under the Sri Lanka Accounting Standards (SLFRSs/LKASs), the Companies Act, No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange. It ensures that all material information relevant to shareholders and stakeholders is presented transparently, accurately, and in a timely manner in accordance with established financial reporting and corporate governance practices.

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

FINANCIAL STATEMENTS

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

The Statements of Profit or Loss and Other Comprehensive Income, Financial Position, Cash Flows, Accounting Policies, and Notes to the Financial Statements are presented on pages 73 to 123.

The Financial Statements for the year ended 31st March 2026 have been duly signed on behalf of the Board by the Chairman, a Director, the Chief Executive Officer, and the Manager – Finance, as shown on page 74.

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The statutory audit of the Financial Statements for the year ended 31st March 2026 was conducted by M/s KPMG. The Independent Auditor's Report issued by them is presented on pages 56 to 57 of this Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The preparation of the Financial Statements has been carried out in a manner consistent with the previous financial year. The significant accounting policies adopted in the preparation and presentation of these Financial Statements are detailed on pages 70 to 72 of this Annual Report.

PROFIT AND APPROPRIATIONS

	2025/26 Rs.	**2024/25 Rs.**
Profit		
Profit after taxation	**3,062,433,838**	1,531,027,028
Other Comprehensive Income	**(51,924,759)**	(28,680,624)
Total Comprehensive Income for the year	**3,010,509,079**	1,502,346,404
Profit brought forward from previous year	**5,101,787,401**	3,652,674,229
Profit available for appropriation	**8,112,296,491**	5,155,020,633
Appropriations		
Unclaimed Dividend Reversed	**324,074**	1,079,413
Dividend Paid for previous year	**(72,416,860)**	(54,312,645)
Un-appropriated profit carried forward	**8,040,203,694**	5,101,787,401

DIVIDENDS

The Board of Directors has recommended the payment of a first and final dividend of Rs. 30 per share (300%) for the financial year ended 31st March 2026, based on the paid-up value of shares. This compares with a dividend of Rs. 20.00 per share (200%) declared for the previous financial year 2024/25.

The Directors confirm that the Company satisfies the solvency test requirement in terms of Section 56 of the Companies Act, No. 07 of 2007, in relation to the proposed first and final dividend. Solvency certificates have been duly obtained from the Auditors to support the declaration of the said dividend.

PUBLIC HOLDING AND THE MARKET VALUE OF SHARES

The last recorded transaction of the Company's shares on the Colombo Stock Exchange prior to the close of trading on 31st March 2026 was at Rs. 2,657.00 per share, compared to Rs. 950.00 per share on 31st March 2025.

As at 31st March 2026, a total of 1,100,011 ordinary shares were held by the public (unchanged from 31st March 2025), representing 30.38% of the Company's issued Share Capital.

RATIOS AND MARKET PRICE INFORMATION

Key ratios pertaining to equity and debt, along with market price information of the Company's shares, are disclosed on pages 7 and pages 127 to 128 of this Annual Report.

STATED CAPITAL AND RESERVES

The Stated Capital of the Company as at 31st March 2026 was Rs. 49,375,150, unchanged from 31st March 2025. Details relating to Stated Capital and Reserves are provided in Notes 25 and 26 to the Financial Statements.

There were no changes to the Stated Capital during the year. Movements in the Reserves are presented in the Statement of Changes in Equity included within the Financial Statements.

SHARE INFORMATION

Information relating to distribution of shareholdings, market value, public shareholding and top twenty shareholders are available on page 125 to 126.

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

As at 31st March 2026, the net book value of the Company's Property, Plant & Equipment, Right-of-Use Asset, and Intangible Assets amounted to Rs. 2,034.37 Mn.

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

A detailed analysis of these assets is presented in Notes 15, 16, and 17 to the Financial Statements.

MARKET VALUES OF THE PROPERTIES

The freehold land and buildings of the Company were revalued by independent, professionally qualified valuers. The most recent revaluation was carried out in 2025, and the revalued amounts are disclosed under Note 15.1 to the Financial Statements on page 96.

CAPITAL EXPENDITURE

The total Capital Expenditure incurred on the acquisition of Fixed Assets and Intangible Assets during the year is given in Notes 15 and 17 to the Financial Statements.

BOARD OF DIRECTORS

The Board of Directors consisted of 7 members during the year. The names of the Directors who held office during the financial year are given below. The profiles of directors appear on pages 11 to 13 and their memberships on the Board committees of the Company are given in page 42 of this annual report.

- Mr. A A M Amarasinghe - Chairman (Non-Executive)
- Mr. Gopal Mahadevan - Director (Non-Executive)
- Mr. Amandeep Singh Arora - Director (Non-Executive)
- Mr. D S Weerakkody - Independent Director (Non-Executive)
- Mr. H M U K Samararatne - Independent Director (Non-Executive)
- Mr. M K L Jayawardena - Director (Non-Executive)
- Mr. Rajive Saharia - Independent Director (Non-Executive)

NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS DURING THE YEAR

There were no new appointments made to the Board, and no resignations from the Board during the financial year ended 31st March 2026.

RE-ELECTION OF DIRECTORS

In terms of Article 84 of the Articles of Association of the Company, Mr. A A M Amarasinghe retires by rotation and, being eligible, offers himself for re-election.

The agenda for the Annual General Meeting includes an ordinary resolution to re-elect Mr. A. A. M. Amarasinghe, who is over the age of 70 years, as a Director. In accordance with Section 211 of the Companies Act, No. 07 of 2007, it is proposed that the age limit stipulated in Section 210 shall not apply to Mr. A. A. M. Amarasinghe and that he be re-elected as a Director of the Company.

DIRECTORS' INDEPENDENCE

The Board conducted its annual assessment of the independence of Directors in accordance with the Listing Rules of the Colombo Stock Exchange. Based on this evaluation, Mr. D. S. Weerakkody, Mr. H. M. U. K. Samararatne, and Mr. Rajive Saharia were confirmed as Independent Directors.

Each of the Independent Directors has complied with the criteria for independence set out in the Listing Rules and has submitted a duly signed declaration confirming the same.

Details of the Directors, considered non-independent, are disclosed on page 44 of this Annual Report.

DIRECTORS' MEETINGS

The Directors' meetings comprise Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination and Governance Committee meetings and Related Party Transactions Review Committee meetings. Details of the number of Board and other Committee meetings held during the year and the attendance of Directors at these meetings are given on pages 42 to 47 of the Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHARE HOLDING

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

INTEREST REGISTER

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

PARTICULARS OF DIRECTORS INTERESTS IN CONTRACTS

The particulars of Directors interests in contracts and other related party transactions are given in Note 33 to the Financial Statements. The Directors have no other direct or indirect interest in contract/s or a proposed contracts with the Company other than those disclosed under Related Party Transactions.

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

DIRECTORS' REMUNERATION AND FEES

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

RELATED PARTY TRANSACTIONS

Related Party Transactions of the Company are reviewed by the Related Party Transactions Review Committee in accordance with the Listing Rules of the Colombo Stock Exchange. The Company has complied with all applicable requirements relating to such transactions.

During the year under review, there were no non-recurrent Related Party Transactions that exceeded, in value, the lower of 10% of shareholders' equity or 5% of total assets. However, there were instances where the aggregate value of recurrent Related Party Transactions exceeded 10% of the Company's gross revenue. Accordingly, transactions classified as Related Party Transactions under Sri Lanka Accounting Standard LKAS 24 are disclosed in Note 33 on pages 112 to 117 of the Financial Statements.

BOARD COMMITTEES

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

- **AUDIT COMMITTEE**

  Mr. D S Weerakkody - Chairman
  Mr. H M U K Samararatne
  Mr. A A M Amarasinghe
  Mr. Gopal Mahadevan
  Mr. Rajive Saharia

- **REMUNERATION COMMITTEE**

Mr. H M U K Samararatne	- Chairman
Mr. M K L Jayawardena	
Mr. Rajive Saharia	
Mr. D S Weerakkody	(Resigned from the committee w.e.f 13th February 2026)
Mr. Amandeep Singh Arora	(Resigned from the committee w.e.f 13th February 2026)

- **NOMINATION AND GOVERNANCE COMMITTEE**

Mr. D S Weerakkody	- Chairman
Mr. H M U K Samararatne	- Former Chairman (Resigned from the committee w.e.f 13th February 2026)
Mr. Rajive Saharia	
Mr. Gopal Mahadevan	(Appointed to the committee w.e.f 13th February 2026)
Mr. Amandeep Singh Arora	(Resigned from the committee w.e.f 13th February 2026)
Mr. M K L Jayawardena	(Resigned from the committee w.e.f 13th February 2026)

- **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

  Mr. H M U K Samararatne - Chairman
  Mr. Gopal Mahadevan
  Mr. D S Weerakkody
  Mr. A A M Amarasinghe
  Mr. Rajive Saharia

RISK MANAGEMENT

The Board has implemented a comprehensive risk management and internal control framework to safeguard the interests of the Company and its stakeholders. A detailed overview of the Company's risk exposure, mitigation strategies, and risk governance practices is presented in the Risk Management Report on pages 64 to 67 of this Annual Report.

STATUTORY PAYMENTS

To the best of their knowledge, the Directors confirm that all statutory payments due to the Government, regulatory authorities, and in relation to employees have been duly settled up to date.

DONATIONS

During the year under review, the Company donated seven motor vehicles valued at Rs. 77.3 Mn to the Government's Disaster Management Center initiative in support of relief, recovery, and rehabilitation activities following the recent Cyclone disaster. This contribution reflects the Company's commitment towards supporting national recovery efforts and assisting affected communities during times of need.

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

DECLARATION

The Directors declare that ;

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

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

- **Equitable Treatment**
  The Company has taken all reasonable measures to ensure that all shareholders are treated equitably.

- **Going Concern**
  In preparing the Financial Statements for the year ended 31st March 2026, the Board evaluated the Company's ability to continue as a going concern. This assessment considered expected revenue streams, cost management strategies, profitability, ability to defer non-essential capital expenditure, debt repayment schedules, liquidity reserves, access to funding facilities, and continuity of operations.

  After careful evaluation, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and have adopted the going concern basis in preparing the Financial Statements.

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

- **Effectiveness of Internal Controls**
  The Board has reviewed the Company's internal control framework including financial, operational, and compliance controls, as well as risk management practices and has obtained reasonable assurance regarding their adequacy and effectiveness.

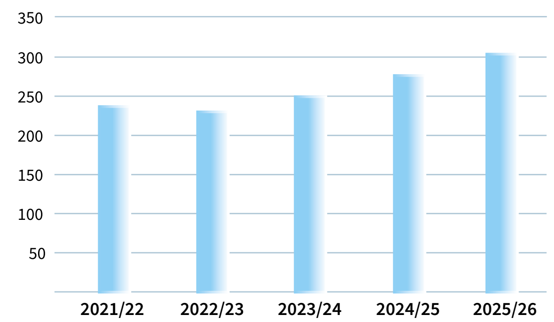
- **Corporate governance**
  The Board of Directors is committed to upholding strong corporate governance practices in accordance with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

  A detailed report on the Company's governance practices is provided on pages 41 to 55 of this Annual Report.

EMPLOYMENT AND INDUSTRIAL RELATIONS

The Company continues to invest in human resource development and effective HR practices to ensure achieving corporate goals. The number of permanent employees as of 31st March 2026 was 307 (31st March 2025 - 274).

No. of Employees



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

ENVIRONMENTAL PROTECTION

The Company remains committed to environmental sustainability and has made every effort to comply with applicable environmental laws and regulations. It has not engaged in any activity deemed harmful or hazardous to the environment and has proactively implemented measures to prevent pollution and minimize environmental impact arising from its operations.

CONTINGENT LIABILITIES AND OUTSTANDING LITIGATION

Details of contingent liabilities, litigation, and claims are disclosed in Notes 36 and 37 to the Financial Statements. These matters are not expected to have any material adverse impact on the financial performance or future operations of the Company.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that would require adjustments to, or additional disclosures in, the Financial Statements, other than those disclosed in Note 38.

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

INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

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

A sum of Rs. 2,998,000/- (2024/25 - Rs. 2,725,000/-) in addition to reimbursement of out of pocket expenses amounting to Rs. 360,562/- (2024/25 - Rs. 327,317) was payable at the year-end as audit fees for the year under review. In addition, they were paid Rs. 125,000/- (2024/25 - Rs. 205,000/-) and Rs. 550,000/- (2024/25 - Rs. 500,000/-) by the Company for audit related work and non-audit related work respectively.

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

In accordance with the Companies Act, No. 07 of 2007, a resolution related to the appointment of external auditors and to determine their remuneration is being proposed at the forthcoming Annual General Meeting to be held on 14th August 2026.

ANNUAL GENERAL MEETING

The Forty-third Annual General Meeting will be held on 14th August 2026. The Notice of Annual General Meeting is given on page 132 of this Annual Report.

ACKNOWLEDGMENT

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

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

By order of the Board

A A M Amarasinghe
Chairman

D S Weerakkody
Director

D A Abeyawardene Associates
Secretary

Colombo
25th May 2026

CORPORATE GOVERNANCE

Lanka Ashok Leyland PLC is firmly committed to upholding the highest standards of corporate governance. This statement outlines the principles and practices adhered to by the Company, ensuring transparency, accountability, and ethical conduct in all its operations.

The Company has diligently implemented the corporate governance principles as outlined in the Corporate Governance Best Practice Guidelines issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC). Furthermore, Lanka Ashok Leyland PLC complies with the provisions of the Listing Rules (Sections 7.6 and 9) established by the Colombo Stock Exchange (CSE).

In this regard, the Board of Directors, along with senior management, has taken all necessary steps to align the Company's governance framework with international best practices, ensuring that the interests of stakeholders are consistently protected and promoted.

BOARD OF DIRECTORS

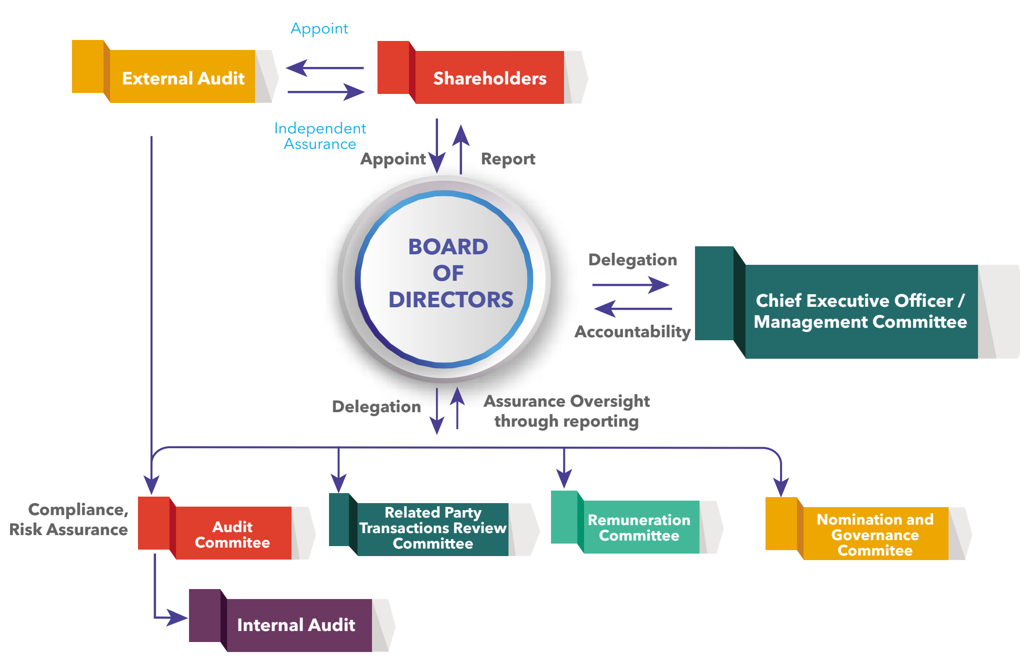
The Board of Directors of Lanka Ashok Leyland PLC holds collective responsibility for the long-term success and sustainability of the Company. Its role is primarily threefold: to provide leadership and strategic direction, to oversee management, ensuring the highest ethical and legal standards, and to guarantee that the Company presents its stakeholders with a balanced and understandable assessment of its current position and future prospects.

The Board has delegated certain operational responsibilities to the Chief Executive Officer and the senior management team. However, key decisions remain under the Board's purview, including the approval of the annual strategy, financial statements, annual budgets, acquisitions, and dividends. Additionally, the Board is entrusted with the oversight of the Company's risk management framework.

On a broader scale, the Board has delegated some of its responsibilities to its Committees. The composition, activities, and key outcomes of these Committees are outlined in their respective reports on Pages xx to xx. The Board regularly reviews updates presented by the Chairman of each Committee during its meetings.

The Board is currently composed of seven Directors, including the Chairman. All members are Non-Executive Directors, with three serving as Independent Directors. The composition of the Board and a brief profile of each Director, highlighting their areas of expertise, are detailed on Pages 11 to 13.

CORPORATE GOVERNANCE FRAMEWORK

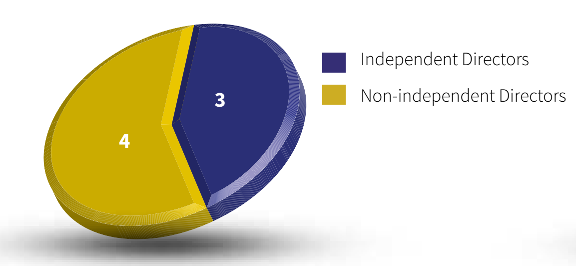


CORPORATE GOVERNANCE (Contd.)

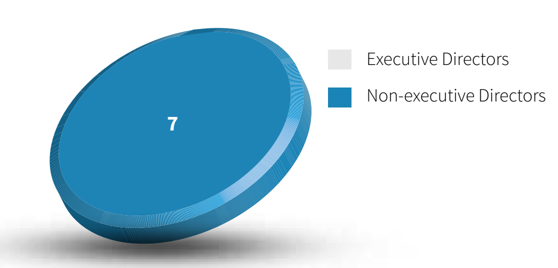
The current members of the Board and their memberships on the Board Committees of the Company are as follows;

Name of the Director	Category				Board Committees as Chairman or Member			
	Executive	Non - Executive	Independent	Non - Independent	Audit Committee	Remuneration Committee	Nomination and Governance Committee	Related- Party Transactions Review Committee
Mr. A A M Amarasinghe **(Chairman)**	-	✓	-	✓	Member	-	-	Member
Mr. Gopal Mahadevan	-	✓	-	✓	Member	-	Member	Member
Mr. Amandeep Singh Arora	-	✓	-	✓	-	-	-	-
Mr. D S Weerakkody	-	✓	✓	-	**Chairman**	-	**Chairman**	Member
Mr. H M U K Samararatne	-	✓	✓	-	Member	**Chairman**	-	**Chairman**
Mr. M K L Jayawardena	-	✓	-	✓	-	Member	-	-
Mr. Rajive Saharia	-	✓	✓	-	Member	Member	Member	Member

Independent / Non-independent Directorships



Executive / Non-executive Directorships



Number of Board meetings held during the year and the attendance of Directors.

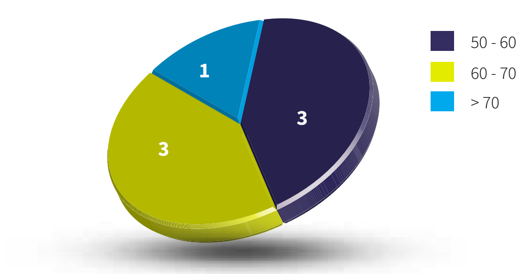
Name of the Director	Board Meetings	
	No. held	No. attended
Mr. A A M Amarasinghe - Chairman	4	4
Mr. Gopal Mahadevan	4	4
Mr. Amandeep Singh Arora	4	4
Mr. D S Weerakkody	4	4
Mr. H M U K Samararatne	4	4
Mr. M K L Jayawardena	4	4
Mr. Rajive Saharia	4	2

CORPORATE GOVERNANCE (Contd.)

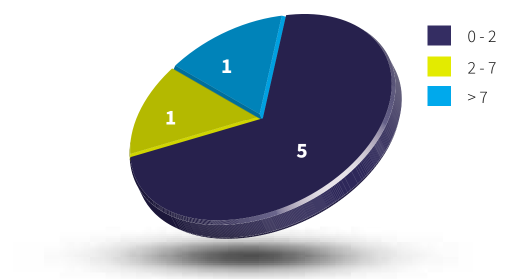
NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS

During the year, there were no changes to the composition of the Board.

Directors' Age Diversity



Directorship Tenure Diversity



DIRECTORS' INDEPENDENCE REVIEW

The Board carried out its annual evaluation of the independence of Directors and accordingly Mr. D S Weerakkody, Mr. H M U K Samararatne and Mr. Rajive Saharia were confirmed to be independent as per the provisions of the Listing Rules of the Colombo Stock Exchange. Each of the Independent Directors complied with the independence requirements under the Rules and has submitted signed declarations in this regard.

The independence of all its Non-Executive Directors was reviewed on the basis of criteria summarised as follows. The Non-Executive Independent Directors did not have a conflict of interest, as per the criteria for independence outlined below.

Criteria for Defining Independence	Status of Conformity of Independent Directors
Shareholding carrying not less than 10% of voting rights	None of the Directors held shares of the Company.
Director of another company	None of the Independent Directors is a Director of another related party company.
Income/non-cash benefit equivalent to 20% of the Director's annual income excluding income/non-cash benefits received which are applicable on a uniform basis to all non-executive Directors on the Board	Independent Director income/cash benefits are less than 20% of an individual Director's annual income.
Employment at Company and/or material business relationship with Company, currently or in the three years immediately preceding appointment as a Director	None of the Independent Directors are employed or have been employed with or have had any material business relationship with LAL.
Close family member is a Director, Chief Executive Officer (CEO) or a Key Management Personnel	No family member of the Independent Director is a Director or CEO or a Key Management Personnel of a related party company.
Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	None of the Independent Directors served on the Board continuously for a period exceeding nine years from the date of the first appointment
Is employed, is a Director, has a material business relationship and/or significant shareholding in other companies. Entails other companies that have significant shareholding in LAL and/or LAL has a business connection with	None of the Independent Directors are employed, are Directors, or have a material business relationship or a significant shareholding of another related party company as defined.

CORPORATE GOVERNANCE (Contd.)

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

Name	Reason for Non-Independence
Mr. A A M Amarasinghe	Chairman of Lanka Leyland (Pvt) Limited, which holds 41.77% of the total share capital of Lanka Ashok Leyland PLC.
Mr. Gopal Mahadevan	Director of Ashok Leyland Limited, India which holds 27.85% of the total share capital of the Company and is also the main supplier to Lanka Ashok Leyland PLC.
Mr. Amandeep Singh Arora	Head of International Operations of Ashok Leyland Limited, India which holds 27.85% of the total share capital of the Company and is also the main supplier to Lanka Ashok Leyland PLC.
Mr. M K L Jayawardena	Director of Lanka Leyland (Pvt) Limited, which holds 41.77% of the total share capital of Lanka Ashok Leyland PLC.

FIT AND PROPER ASSESSMENT OF DIRECTORS

Lanka Ashok Leyland PLC is committed to ensuring that all Directors meet the required standards of fitness and propriety at all times. In accordance with the criteria outlined under Section 9.7.3 of the CSE Listing Rules on Corporate Governance, the Company has implemented a rigorous process to assess the suitability of its Directors.

The fit and proper assessment was conducted thoroughly during the year, ensuring compliance with these governance requirements and reaffirming the Company's commitment to maintaining a high standard of leadership and integrity.

COMMUNICATION WITH SHAREHOLDERS

Lanka Ashok Leyland PLC ensures consistent and trasparent communication with its shareholders through various channels. These include the Annual Report, interim financial statements, Annual General Meetings (AGMs), Extraordinary General Meetings (EGMs), announcements to the Colombo Stock Exchange (CSE), and updates on the corporate website.

Additionally, shareholders are encouraged to provide feedback via the investor feedback form included in the Annual Report. The Company also maintains regular communication through the Company Secretaries, ensuring that shareholder queries and concerns are promptly addressed.

Way of Communication	Frequency
Annual Reports and AGMs	Annually
Extraordinary General Meetings	As required
Interim Financial Statements	Quarterly
Announcements to CSE	As required
Media Center section in the Corporate website	Continuous

Release of Information to the Public and CSE

The Board of Directors, in conjunction with the Audit Committee, where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting a true and fair view, and balanced assessment of results in the quarterly and annual financial statements. Accordingly, the Company has reported a true and fair view of its financial position and performance for the year ended 31st March 2026 and also at the end of each quarter of the financial year 2025/26.

All other material and price sensitive information about the Company is promptly communicated to the CSE and such information is also released to employees, the press and shareholders. Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or Management of the Company. Such questions, requests and comments should be addressed to the Company Secretary.

The Company focuses on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Company ensures that information is communicated accurately and in a manner that will avoid the creation or continuation of a false market.

Annual General Meeting

Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the Company. Annual Reports are made available to shareholders in electronic form. Shareholders may at any time elect to receive an Annual Report from LAL in printed form, which is provided free of charge.

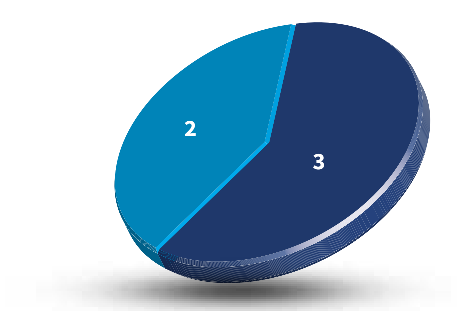
CORPORATE GOVERNANCE (Contd.)

The Company constructively makes use of the AGM towards enhancing relationships with the shareholders and towards this end the following procedures are followed:

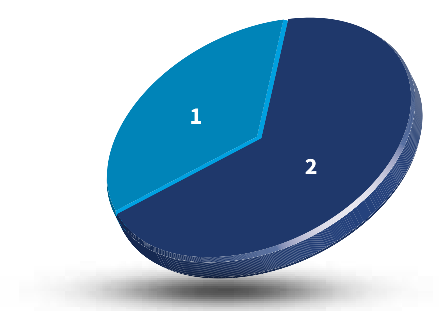
- Notice of the AGM and related documents are made available to the shareholders along with the Annual Report within the specified time.
- Summary of procedures governing voting at the AGM are clearly communicated.
- The Board ensures that the external auditors are present at the AGM.
- Directors and CEO are made available to answer queries.
- Separate resolutions are proposed for each item that is required to be voted on.
- Proxy votes, those for, against, and withheld (abstained) are counted.

BOARD SUB-COMMITTEES

Audit Committee

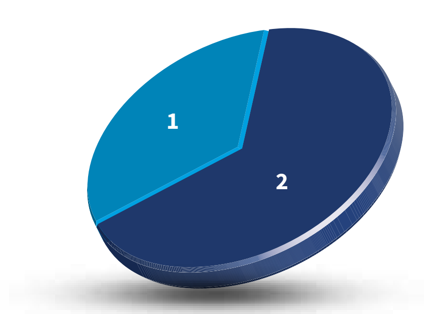


Nomination and Governance Committee

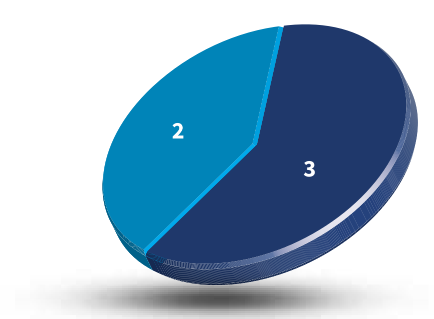


Composition of the Board sub-committees

Remuneration Committee



Related Party Transactions Review Committee



Independent Directors   Non-independent Directors

CORPORATE GOVERNANCE (Contd.)

AUDIT COMMITTEE

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

The Chairman, Mr. D. S. Weerakkody, holds a Doctorate in Business Administration (Honorary) from the United States and is a Fellow of both the Chartered Institute of Management Accountants (UK) and the Institute of Certified Management Accountants of Sri Lanka. The other members of the Audit Committee have a blend of experience in business management, accounting, and auditing and risk management. The Board is of the view that the members of the Audit Committee have the necessary and relevant accounting and related financial management expertise and also adequate experience to discharge the Committee's functions.

A separate report by the Chairman of the Audit Committee is given on Pages 56 and 57 of the Annual Report.

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

Name of the Director	Audit Committee Meetings	
	No. held	No. attended
Mr. D S Weerakkody (Charirman)	4	4
Mr. Gopal Mahadevan	4	4
Mr. H M U K Samararatne	4	4
Mr. A A M Amarasinghe	4	4
Mr. Rajive Saharia	4	2

REMUNERATION COMMITTEE

The Remuneration Committee of Lanka Ashok Leyland PLC is composed of three Non-Executive Directors, two of whom are Independent Directors.

The primary responsibility of the Remuneration Committee is to develop policies regarding executive remuneration, ensuring that the procedures for performance evaluation are formal and transparent. The Committee also determines the remuneration packages of Key Management Personnel, aligning them with the Company's objectives and performance standards.

Payments made to Directors and Key Management Personnel are disclosed in Note 33.5 of the Financial Statements.

A detailed report from the Chairman of the Remuneration Committee is presented on Page 58 of the Annual Report.

The table below outlines the composition of the Committee and the attendance of its members at the meetings held during the year.

Name of the Director	Remuneration Committee Meetings	
	No. held	No. attended
Mr. H M U K Samararatne (Chairman)	1	1
Mr. M K L Jayawardena	1	1
Mr. Rajive Saharia	1	-
Mr. Amandeep Singh Arora (Resigned from the committee w.e.f 13th February 2026)	-	-
Mr. D S Weerakkody (Resigned from the committee w.e.f 13th February 2026)	-	-

NOMINATION AND GOVERNANCE COMMITTEE

The Nomination and Governance Committee of Lanka Ashok Leyland PLC consists of three Non-Executive Directors, two of whom are Independent Directors.

The primary responsibility of the Nomination and Governance Committee is to review the structure and composition of the Board of Directors, making recommendations for new Board appointments in accordance with the Articles of Association of the Company. The Committee ensures that the Board possesses the appropriate mix of expertise, knowledge, and skills to effectively fulfill its strategic responsibilities. In doing so, the Committee regularly assesses the Board's composition, ensuring that the combined experience and competencies align with the strategic needs and challenges facing the Company.

A detailed report by the Chairman of the Nomination and Governance Committee is available on Pages 59 to 60 of the Annual Report.

CORPORATE GOVERNANCE (Contd.)

The table below outlines the composition of the Committee and the attendance of its members at the meetings held during the year.

Name of the Director	Nomination and Governance Committee Meetings	
	No. held	No. attended
Mr. D S Weerakkody - Chairman (Appointed to the committee w.e.f 13th February 2026)	1	1
Mr. H M U K Samararatne - Former Chairman (Resigned from the committee w.e.f 13th February 2026)	-	-
Mr. Gopal Mahadevan (Appointed to the committee w.e.f 13th February 2026)	1	1
Mr. Rajive Saharia	1	-
Mr. M K L Jayawardena (Resigned from the committee w.e.f 13th February 2026)	-	-
Mr. Amandeep Singh Arora (Resigned from the committee w.e.f 13th February 2026)	-	-

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

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

A separate report by the Chairman of the Related Party Transactions Review Committee is given on Page 61 to 62 of the Annual Report.

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

Name of the Director	Related Party Transactions Review Committee Meetings	
	No. held	No. attended
Mr. H M U K Samararatne (Chairman)	4	4
Mr. Gopal Mahadevan	4	4
Mr. A A M Amarasinghe	4	4
Mr. D S Weerakkody	4	4
Mr. Rajive Saharia	4	2

INTERNAL AUDIT

The Internal Audit function provides independent, risk-based oversight to the Audit Committee on the Company's processes and controls. M/s. Ernst & Young Consulting Services (Pvt) Limited, Chartered Accountants, have been appointed as the internal auditors to assess and monitor the adequacy of both financial and operational controls, as well as to identify areas for improvement.

The internal auditors present their findings to the Management, and the corresponding responses and actions are documented. These highlights are subsequently presented to the Audit Committee for further review. Based on the Committee's guidance, actions are determined, and regular follow-ups are conducted to ensure the timely closure and resolution of identified issues.

EXTERNAL AUDIT

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

DISCLOSURES

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

CORPORATE GOVERNANCE (Contd.)

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

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

Rule No.	Disclosure Requirement	Reference to the Annual Report
Section 168 (1) a	Changes during the accounting period in the nature of the business of the Company.	35/77
Section 168 (1) b	Financial Statements for the accounting period completed and signed in accordance with section 151.	73-123
Section 168 (1) c	Auditor's report on the Financial Statements	70-72
Section 168 (1) d	Change in accounting policies made during the accounting period.	36
Section 168 (1) e	Particulars of entries in the interests register made during the accounting period.	37
Section 168 (1) f	Remuneration and other benefits of directors during the accounting period	92
Section 168 (1) g	Amount of donations made by the Company during the accounting period.	38
Section 168 (1) h	Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period.	37
Section 168 (1) i	Amounts payable by the Company to the auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that firm.	40
Section 168 (1) j	Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company.	40
Section 168 (1) k	Sign the Annual Report on behalf of the Board by two Directors of the Company and the Secretary of the Company.	40

CORPORATE GOVERNANCE (Contd.)

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

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

Rule No.	Disclosure Requirement	Reference to the Annual Report
Rule 7.6 (i)	Names of persons who during the financial year were Directors of the Entity.	37
Rule 7.6 (ii)	Principal activities of the Entity during the year and any changes therein.	35/77
Rule 7.6 (iii)	The names and the number of shares held by the 20 largest holders of shares and the percentage of such shares held.	125
Rule 7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	126
Rule 7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Entity at the beginning and end of financial year.	37
Rule 7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	64-67
Rule 7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	39
Rule 7.6 (viii)	Extent, locations, valuations of land and buildings and investment properties.	96
Rule 7.6 (ix)	Number of shares presenting the Entity's stated capital.	106
Rule 7.6 (x)	Distribution schedule of the number of holders in each class of security, and the percentage of their holding as per given categories	125
Rule 7.6 (xi)	Ratios and market price information	7/127-128
Rule 7.6 (xii)	Significant changes in the Entity's fixed assets and the market value of land if differs substantially from the book value.	96-99
Rule 7.6 (xiii)	Funds, (if any) raised either through a public issue, rights issue and private placement	Not Applicable
Rule 7.6 (xiv)	Employee share option/purchase schemes	Not Applicable
Rule 7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules	49-55
Rule 7.6 (xvi)	Details of Related party transactions as per the specified criteria.	112-117

DISCLOSURE REQUIREMENTS UNDER SECTION 9 OF THE LISTING RULES OF COLOMBO STOCK EXCHANGE (CSE) ON CORPORATE GOVERNANCE

Statement of Compliance under Section 9 of the Revised Listing Rules of the CSE on Corporate Governance.

Rule No.	Applicable Requirement	Details	Compliance Status
9.1 Corporate Governance Rules			
9.1.3	A statement confirming compliance with Corporate Governance Rules	The Company is in compliance with the Corporate Governance Rules and has stated so within the Report with any deviations explained where applicable.	Complied
9.2 Policies			
9.2.1 / 9.2.3	Listed Company shall establish and maintain the policies in section 9.2.1 and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Company on its website	All required policies mandated under Listing Rule 9.2.1 have been duly disclosed and are available on the Company's official website for public reference.	Complied
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	Not Applicable	Not Applicable

CORPORATE GOVERNANCE (Contd.)

Rule No.	Applicable Requirement	Details	Compliance Status
9.3 Board Committees			
9.3.1 a/b/c/d	Minimum required Board Committees	The required Committees are maintained and are functioning effectively.	Complied
9.3.2	Compliance with the composition, responsibilities and disclosures required in respect of the Board Committees	The Company is in compliance with the requirements in respect of the Board Committees.	Complied
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees	Board Committees have separate Chairman. Refer Page 42 to the Annual Report.	Complied
9.4 Meeting Procedures and the Conduct of all General Meetings with Shareholders			
9.4.1 a/b/c/d	Records of all resolution being considered at any General Meeting shall be maintained	The Company maintains all records and information regarding resolutions considered at General Meetings.	Complied
9.4.2 a/b/c/d	Communication and relations with shareholders and investors	Refer Communication with Shareholders section in this report.	Complied
9.5 Policy on Matters Relating to the Board of Directors			
9.5.1	Listed Company shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall include the matters listed under this Rule	The Company has established and maintained a policy on matters relating to the Board of Directors, which is published on the corporate website.	Complied
9.5.2	Disclosures in the Annual Report	Disclosures are made with regards to the availability of policy on governing matters relating to Board of Directors.	Complied
9.6 Chairperson and CEO			
9.6.1	The Chairperson of every Listed Company shall be a Non- Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual, unless otherwise a Senior Independent Director is appointed by such Entity	The Chairman of the Company is Non- Executive Director. The Company has separate individuals as Chairman and as CEO	Complied
9.6.2	Where the Chairperson of a Listed Company is an Executive Director and/or the positions of the Chairperson and CEO are held by the same individual, such Entity shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an Immediate Market Announcement if such date of appointment and/or combination of the said roles falls subsequent to the implementation of these Rules	Not Applicable	Not Applicable
9.6.3	Appointment of Senior Independent Director	Not applicable since there is no Senior Independent Director	Not Applicable
9.6.4	Rationale for appointing Senior Independent Director	Not Applicable	Not Applicable

CORPORATE GOVERNANCE (Contd.)

Rule No.	Applicable Requirement	Details	Compliance Status
9.7 Fitness of Directors and CEO			
9.7.1 – 9.7.4	Requirement to meet the fit and proper criteria stipulated by the CSE and related disclosures	Directors are required to provide general disclosures and declarations on fitness and propriety annually and are required to report any material changes to the information provided therein, including any changes to their professional responsibilities and business associations, to the Board. Accordingly, all the directors and CEO have disclosed their fitness and propriety as stipulated by CSE. The Nominations and Governance Committee reviews and makes recommendation to the Board on the fitness and propriety of Directors.	Complied
9.7.5	Disclosures in the Annual Report	Refer Fit and Proper Assessment of Directors section in this report	Complied
9.8 Board Composition			
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board currently consists of seven directors including the Chairman.	Complied
9.8.2	At least two or one third of the Directors, whichever is higher, should be Independent Directors.	Three out of Seven Non-Executive Directors are independent throughout the year and also as at 31st March 2026.	Complied
9.8.3	Requirements for meeting the criteria to be an Independent Director.	Refer Directors Independent Review section in this report	Complied
9.8.5 a/b/c	The Board shall annually determine the independence or otherwise of IDs and name the Directors who are determined to be 'independent'	All independent Directors have submitted declarations as to their independence, and a determination of their independence is evaluated.	Complied
9.9 Alternate Directors			
9.9 (a) – (e)	Appointment of Alternate Directors to be in accordance with the Rules and such requirements to be incorporated into the Articles of Association	No Alternate Directors appointed during the year 2025/26.	Not Applicable
9.10 - Disclosures relating to Directors			
9.10.1	Policy on the maximum number of directorships	The Company has established and maintained a policy on matters relating to the Board of Directors, which is published on the corporate website.	Complied
9.10.2 / 9.10.3	Market announcement upon the appointment of a new director and any changes to the Board composition	The Company has submitted the brief resume of newly appointed director to Colombo Stock Exchange.	Complied
9.10.4	Details in relation to the Board members	Board of Directors' resume is given in Pages 11 to 13 of this Annual Report.	Complied

CORPORATE GOVERNANCE (Contd.)

Rule No.	Applicable Requirement	Details	Compliance Status
9.11 – Nomination and Governance Committee			
9.11.1	A listed company shall have a Nomination and Governance Committee.	The Company has a Nomination and Governance Committee. Refer Pages 59 to 60 to the Annual Report.	Complied
9.11.2	Listed Company shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee	Refer Nomination and Governance Committee Report of this Annual Report	Complied
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Refer Nomination and Governance Committee Report of this Annual Report	Complied
9.11.4(1)	Shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity and not comprise of Executive Directors of the Listed Entity.	The Nomination and Governance Committee comprised of five (3) Non-Executive Directors out of which three (2) are Independent.	Complied
9.11.4(2) / (3)	An Independent Director shall be appointed as the Chairperson of the Nomination and Governance Committee by the Board of Directors. The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Company	An Independent Director has always been as the Chairmen of the Nomination and Governance Committee. Refer Nomination and Governance Committee Report of this Annual Report	Complied
9.11.5	The functions of the Nominations and Governance Committee	Refer Nomination and Governance Committee Report of this Annual Report	Complied
9.11.6	Disclosures in the Annual Report	Refer Nomination and Governance Committee Report of this Annual Report	Complied
9.12 Remuneration Committee			
9.12.2	A listed company shall have a Remuneration Committee.	The Company has a Remuneration Committee. Refer Page 58 to the Annual Report.	Complied
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors and individual Directors.	Refer Remuneration Committee Report of this Annual Report	Complied
9.12.4	Remuneration for Non-Executive Directors shall be based on a policy of non-discriminatory pay practices to ensure the independence	Refer Remuneration Committee Report of this Annual Report	Complied
9.12.5	The Remuneration Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Refer Remuneration Committee Report of this Annual Report	Complied

CORPORATE GOVERNANCE (Contd.)

Rule No.	Applicable Requirement	Details	Compliance Status
9.12.6(1)	Shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity and not comprise of Executive Directors of the Listed Entity.	The Remuneration Committee comprised of five (3) Non-Executive Directors out of which three (2) are Independent.	Complied
9.12.6(2)	An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	An Independent Director has always been as the Chairmen of the Remuneration Committee.	Complied
9.12.7	Functions of the Committee	Refer Remuneration Committee Report of this Annual Report	Complied
9.12.8	The Annual Report should set out the names of the Directors comprising the Remuneration Committee, Statement of Remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Names of Remuneration Committee members are given in Corporate Governance Report on Page 38 The report of the Remuneration Committee is given on Page 58 and the remuneration paid to Directors is given in the Note 10 to the Financial Statement on page 92.	Complied
9.13 Audit Committee			
9.13.1	A listed company shall have an Audit Committee.	The Company has an Audit Committee. Refer Pages 56 to 57 of the Annual Report.	Complied
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	The Audit Committee has a written terms of reference clearly defining its scope, authority and duties.	Complied
9.13.3.1	Shall comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.	The Audit Committee comprised of five (5) Non-Executive Directors out of which three (3) are Independent.	Complied
9.13.3.2	Composition - The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be Independent Directors	Majority of the Committee members are independent.	Complied
9.13.3.3	Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.	Refer Audit Committee report on Pages 56 to 57 of this Annual Report	Complied
9.13.3.4	An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.	An Independent Director has always been the Chairmen of the Audit Committee.	Complied
9.13.3.5	Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	The Chief Executive Officer, Manager – Finance attend Audit Committee meetings by invitation.	Complied
9.13.3.6	The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	The Chairman of the Audit Committee is Fellow of both the Chartered Institute of Management Accountants (UK) and the Institute of Certified Management Accountants of Sri Lanka	Complied

CORPORATE GOVERNANCE (Contd.)

Rule No.	Applicable Requirement	Details	Compliance Status
9.13.4	Functions of the Committee	Refer Audit Committee report on Pages 56 to 57 of this Annual Report	Complied
9.13.5	The Annual Report should set out the names of the Directors comprising the Audit Committee, shall make a determination of the independence of the Auditors and disclose the basis for such determination and Annual Report shall contain a Report of the Audit Committee.	Refer the Audit Committee report on Pages 56 to 57 of this Annual Report.	Complied
9.14 Related Party Transactions Review Committee (RPTRC)			
9.14.1	Listed Entities shall have a Related Party Transactions Review Committee	The Company has a RPTRC. Refer Pages 61 to 62 of the Annual Report.	Complied
9.14.2	Related Party Transactions Review Committee shall comprise of a minimum of 3 members, majority of whom should be IDs and an ID shall be appointed as the Chairperson	The RPTRC comprised of five (5) Non-Executive Directors out of which three (3) are independent including the Chairman of the Committee.	Complied
9.14.3	Functions of the Committee	Refer RPTRC Report on Pages 61 to 62of the Annual Report	Complied
9.14.4 (2)-(4)	General Requirements	Refer RPTRC Report on Pages 61 to 62 of the Annual Report	Complied
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Refer RPTRC Report on Pages 61 to 62 of the Annual Report	Complied
9.14.6	Shareholder Approval	During the year under review, Company has not had any recurrent / non-recurrent Related Party Transactions, which requires shareholder approval.	Not Applicable
9.14.7	Immediate Disclosures – Non Recurrent Related Party Transactions	During the year under review, Company has not had any non-recurrent Related Party Transactions, which requires immediate announcement to the Exchange.	Not Applicable
9.14.8(1)	Disclosure of Non recurrent Related Party Transactions, if aggregate value of the Non-recurrent Related Party Transactions exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the listed entity as per the latest Audited Financial Statements.	Company has not had any non-recurrent Related Party Transactions during the year under review with aggregate value exceeding 10% of the equity or 5% of the Total assets, whichever is lower. Hence, no disclosure is required. Refer RPTRC report on Pages 61 to 62 of the Annual Report	Not Applicable
9.14.8(2)	Disclosure of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the Gross Revenue/ Income as per the latest Audited Financial Statements.	During the year, there were instances where aggregate recurrent Related Party Transactions value exceeded the threshold of 10% of Gross Revenue. Accordingly, required Disclosure has been made in note 33.1 to the Financial Statements.	Complied
9.14.8(3)	Committee report shall include; Names of Committee members, statement that Committee has reviewed the RPTs and communicated observations to the Board, policies and procedures adopted in reviewing RPTs and number of times Committee met during the year.	Refer Pages 61 to 62 for the Related Party Transactions Review Committee Report of this Annual Report.	Complied

CORPORATE GOVERNANCE (Contd.)

Rule No.	Applicable Requirement	Details	Compliance Status
9.14.8(4)	This should be an affirmative statement of the compliance and full disclosure of Related Party Transactions or a negative statement in the event the entity does not have Related Party Transactions.	Refer Page 38 of the Annual Report of the Board of Directors.	Complied
9.14.9	Acquisition And Disposal of Assets from / to Related Parties	There were no acquisition and disposal of substantial assets during the year 2025/26.	Not Applicable
9.17 Additional Disclosures			
9.17 (i)	Directors have disclosed all material interests in contracts and have refrained from voting when materially involved	Directors make a disclosure of interests at appointment, at the beginning of every financial year and also during the year may be required.	Complied
9.17 (ii)	Directors have conducted a review of the internal controls and obtained reasonable assurance of their effectiveness and adherence	Board takes steps to ensure the integrity of internal control systems, and that they remain effective, via the review and monitoring of such systems on a periodic basis.	Complied
9.17 (iii)	Directors are aware of laws, rules and regulations and their changes particularly to Listing Rules and applicable capital market provisions	Refer Annual Report of the Board of Directors on the Affairs of the Company	Complied
9.17 (iv)	Disclosure of material non-compliance with laws/ regulations and fines by relevant authorities where the Entity operates	During the year under review, there were no material fines incurred.	Complied

ETHICAL STANDARDS

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

COMPLIANCE

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

By order of the Board

A A M Amarasinghe
Chairman

D S Weerakkody
Chairman – Audit Committee

Colombo
25th May 2026

AUDIT COMMITTEE REPORT

The Audit Committee of Lanka Ashok Leyland PLC is a formally constituted subcommittee of the Board of Directors, established in accordance with the provisions of the Listing Rules of the Colombo Stock Exchange and in line with the principles of good corporate governance. The Committee is tasked with assisting the Board in fulfilling its oversight responsibilities related to the integrity of financial reporting, risk management, internal control systems, and compliance with applicable legal and regulatory requirements.

Composition of the Committee

Name	Designation	Status
Mr. D. S. Weerakkody	Chairman	Independent Non-Executive Director
Mr. Gopal Mahadevan	Member	Non-Executive Director
Mr. H. M. U. K. Samararatne	Member	Independent Non-Executive Director
Mr. A. A. M. Amarasinghe	Member	Non-Executive Director
Mr. Rajive Saharia	Member	Independent Non-Executive Director

The members bring a diverse and complementary blend of expertise across finance, audit, legal, corporate governance, and business operations. The Chairman, Mr. D. S. Weerakkody, holds a Doctorate in Business Administration (Honorary) from the United States and is a Fellow of both the Chartered Institute of Management Accountants (UK) and the Institute of Certified Management Accountants of Sri Lanka.

Brief profiles of all Committee members are presented on pages 11 to 13 of this Annual Report.

The Company Secretary serves as Secretary to the Audit Committee.

ROLE OF THE AUDIT COMMITTEE

The primary role of the Audit Committee is to assist the Board in discharging its oversight duties. The Committee operates under a formal charter approved by the Board and is responsible for the following key areas:

- Reviewing the adequacy and effectiveness of the Company's internal control and risk management systems.
- Ensuring that the financial reporting process is in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and applicable regulatory requirements.
- Monitoring the Company's compliance with statutory obligations under the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules, and other relevant legal and regulatory frameworks.
- Overseeing the effectiveness of the internal audit function and evaluating internal audit findings and follow-up actions.
- Reviewing the appropriateness of accounting policies and the judgments applied in the preparation of financial statements.
- Assessing the performance, independence, and objectivity of the external auditor.
- Reviewing the annual and interim financial statements prior to submission to the Board, focusing on significant reporting issues and compliance with financial reporting standards.
- Providing a forum for reviewing risks related to financial, operational, strategic, legal, and regulatory areas and ensuring appropriate mitigation measures are in place.
- Receiving assurances from the CEO and other senior management on the effectiveness of internal controls and risk management practices.

MEETINGS

During the year under review, the Committee met on four occasions. The attendance of the members at these meetings is disclosed in the Corporate Governance Report on page 46.

Meetings were attended by the Chief Executive Officer and the Head of Finance by invitation. Proceedings and key deliberations of the Committee were duly reported to the Board of Directors.

INTERNAL AUDIT

The internal audit function is outsourced to M/s Ernst & Young Consulting Services (Pvt) Ltd., a firm with significant expertise in risk-based auditing. The Committee meets the internal auditors quarterly to review audit findings, discuss risk exposures, and monitor the implementation of recommendations. Follow-up reviews on previously identified issues are also discussed. Internal audit reports are made available to the external auditors to ensure coordination and transparency between both functions.

Key operational and strategic risks identified through the internal audit process are detailed in the Risk Management Report (refer pages 64 to 67 of this Annual Report).

AUDIT COMMITTEE REPORT (Contd.)

EXTERNAL AUDIT

M/s KPMG, Chartered Accountants, continued to serve as the Company's external auditors for the financial year 2025/26. The Committee reviewed their independence, objectivity, and audit scope, and assessed the findings contained in the Management Letter issued upon completion of the statutory audit.

In accordance with Section 163(3) of the Companies Act No. 07 of 2007, KPMG has confirmed that no relationships or interests exist that could impair their independence.

The Committee further reviewed the provision of non-audit services by KPMG during the year and concluded that such services did not compromise their independence. Based on this evaluation, the Committee recommended to the Board the reappointment of M/s KPMG as External Auditors for the financial year 2025/26. This recommendation will be presented to shareholders at the upcoming Annual General Meeting.

KPMG has served as the Company's external auditor since incorporation in 1983. The Committee noted that the audit engagement partner was rotated for the financial year ended 31st March 2026 in line with best practice.

ASSURANCE FROM MANAGEMENT

The Committee confirms that the Board has received written assurance from the Chief Executive Officer and the Manager – Finance, affirming the adequacy and effectiveness of the Company's internal controls and the integrity of its financial reporting processes.

FINANCIAL REPORTING OVERSIGHT

The Committee reviewed all interim and annual financial statements, ensuring compliance with applicable accounting standards and regulatory frameworks, including the Companies Act, CSE Listing Rules, and the Securities and Exchange Commission of Sri Lanka regulations.

The Committee ensured that financial reports present a true and fair view of the Company's financial position, performance, and ability to continue as a going concern.

CONCLUSION

Based on its reviews and discussions, the Audit Committee is of the view that the Company's internal control systems, risk management practices, and governance processes are adequate and effective in safeguarding assets, ensuring compliance, and supporting reliable financial reporting.

D. S. Weerakkody
Chairman - Audit Committee

Colombo
25th May 2026

REMUNERATION COMMITTEE REPORT

This report is presented in compliance with Section 9.12 of the Colombo Stock Exchange Listing Rules and the principles outlined in the Code of Best Practice on Corporate Governance 2023 issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC).

COMPOSITION OF THE COMMITTEE

Remuneration Committee comprises Non-Executive Directors, the majority of whom are independent.

As at 31st March 2026, the composition was as follows:

Name	Designation	Status
Mr. H M U K Samararatne	Chairman	Independent Non-Executive Director
Mr. M K L Jayawardena	Member	Non-Executive Director
Mr. Rajive Shaharia	Member	Independent Non-Executive Director
Mr. Amandeep Singh Arora	Member	Non-Executive Director (Resigned from the committee w.e.f 13th February 2026)
Mr. D S Weerakkody	Member	Independent Non-Executive Director (Resigned from the committee w.e.f 13th February 2026)

The Company Secretary serves as Secretary to the Committee. The Chief Executive Officer (CEO) supports the Committee by furnishing relevant data and performance-related information, except where his own remuneration or potential conflicts are involved.

Brief profiles of the Committee members are included in the Directors' Profiles section (pages 11 to 13).

RESPONSIBILITIES AND SCOPE

In accordance with Schedule H of the Code and Rule 9.12 of the CSE Listing Rules, the Remuneration Committee is responsible for:

- Recommending to the Board the remuneration framework for Directors.
- Determining the compensation structure for the Chief Executive Officer.
- Reviewing the recommendation of CEO regarding overall compensation of Senior Management and Executives.
- Reviewing the recommendation of CEO on the overall compensation strategy, including employee benefits, perquisites, performance-based rewards, and other incentives.
- The Committee has granted authority to the Chief Executive Officer to decide the compensation of Senior Executives of the Company within the framework recommended by the Committee.

The Committee ensures that remuneration structures are designed to attract and retain qualified individuals, while maintaining alignment with shareholder interests and industry benchmarks.

REMUNERATION POLICY

The Company's remuneration policy is formulated to support strategic objectives and long-term shareholder value. The policy is underpinned by principles of competitiveness, fairness, performance alignment, and transparency. It is periodically benchmarked against market practices and peer organizations in the industry.

The key elements of employee remuneration include:

- Fixed Components: Basic salary, fixed allowances, and travel-related benefits.
- Variable Components: Monthly and annual performance-based incentives aligned with Key Result Areas (KRAs) and corporate goals.
- Other Benefits: Medical insurance, retirement benefits, and other welfare facilities.

The policy applies uniformly across all staff grades, with variations based on responsibilities and performance.

DIRECTORS' EMOLUMENTS

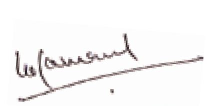
All Directors are entitled to a fixed honorarium and additional fees for participation in Board and Committee meetings. Details of the Directors' emoluments are disclosed in Note 10 to the Financial Statements (page 92).

MEETINGS AND ATTENDANCE

The Committee convened one meeting during the financial year under review. The attendance record of each Committee member is disclosed in the Corporate Governance Report on page 46, as required by Rule 9.12 of the CSE Listing Rules.

INDEPENDENCE AND DISCLOSURE

The Committee ensures that no individual is involved in decisions regarding their own remuneration. All decisions made by the Committee are duly reported to the Board. The Committee has access to external advice, if necessary, and continuously reviews market trends to ensure the competitiveness of remuneration policies.



H. M. U. K. Samararatne
Chairman - Remuneration Committee

Colombo
25th May 2026

NOMINATION AND GOVERNANCE COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Nomination and Governance Committee is comprised exclusively of Non-Executive Directors, including a majority of Independent Non-Executive Directors, in line with best practices in corporate governance. The Committee members during the year under review were as follows:

Name	Designation	Status
Mr. D S Weerakkody	Chairman	Independent Non-Executive Director
Mr. H M U K Samararatne	Former Chairman	Independent Non-Executive Director (Resigned from the committee w.e.f 13th February 2026)
Mr. Rajive Shaharia	Member	Independent Non-Executive Director
Mr. Amandeep Singh Arora	Member	Non-Executive Director (Resigned from the committee w.e.f 13th February 2026)
Mr. Gopal Mahadevan	Member	Non-Executive Director (Appointed to the committee w.e.f 13th February 2026)
Mr. M K L Jayawardena	Member	Non-Executive Director (Resigned from the committee w.e.f 13th February 2026)

The Company Secretary functions as the Secretary to the Committee. Brief profiles of each Committee member are provided in the Directors' Profiles section of this Annual Report (Pages 11–13).

PURPOSE OF THE COMMITTEE

The primary responsibility of the Nomination and Governance Committee is to ensure the effectiveness of the Board by evaluating its structure, composition, and performance. The Committee facilitates a process for identifying, evaluating, and recommending candidates for Board appointments and ensures that governance practices align with evolving regulatory requirements and industry norms.

The Committee's objectives include:

- Recommending appointments to the Board in accordance with the Articles of Association and the Promoters' Joint Venture Agreement.
- Ensuring the Board comprises individuals with appropriate expertise, skills, and diversity to support the Company's strategic direction.
- Overseeing corporate governance matters and making recommendations to the Board for continuous improvement.
- Ensuring compliance with the Listing Rules of the Colombo Stock Exchange (CSE) and applicable laws and regulations.

TERMS OF REFERENCE AND KEY ACTIVITIES

The Committee operates under a formal Charter approved by the Board and undertook the following key responsibilities during the year:

- Board Composition Review: Evaluate the current size, structure, and composition of the Board with a view to ensuring alignment with strategic requirements and governance best practices.
- Board Appointments: Consider nominations by Promoter Shareholders (Government of Sri Lanka and Ashok Leyland Limited) and recommend suitable appointments, particularly of Non-Independent Directors, in accordance with the Joint Venture Agreement.
- Director Re-appointments: Review and made recommend on the re-appointment of retiring Directors, taking into account statutory obligations and performance considerations.
- Committee Chair Appointments: Provide recommendations to the Board on the appointment of Chairpersons for various Board Committees.
- Governance Oversight: Review the Company's corporate governance framework and propos improvements where appropriate, benchmarking against the CSE Listing Rules and applicable regulations.
- Monitoring Regulatory Developments: Track emerging governance and regulatory trends and ensure the Board remained informed of necessary changes.
- Evaluate the eligibility of the Directors who have offered themselves for re- appointment and re-election to the Board considering the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities and made necessary recommendations to the Board.
- Ensure that any significant issues concerning the Company were communicated to the Independent Directors and special board meetings convened as and when necessary to discuss important or critical matters with the Board.
- Evaluation of the performance of the Board of Directors and the Chief Executive Officer.
- Update existing Directors and newly appointed Directors on Corporate Governance, Listing Rules, securities market regulation and other applicable laws and regulations.

NOMINATION AND GOVERNANCE COMMITTEE REPORT (Contd.)

Independence of Directors

The Committee evaluated the independence of the current Board of Directors based on the declarations submitted by the respective Directors in accordance with the requirements of the Listing Rules of the Colombo Stock Exchange. The Committee determined that three out of seven Directors were Independent as per the criteria set out on the Listing Rules of the Colombo Stock Exchange.

Re-Appointment and Re-Election of Directors

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

Details of memberships and chairmanships of the Board sub-committees are provided on page 38 of this Annual Report.

Mr. A A M Amarasinghe who retire from the Board at the conclusion of the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 7 of 2007, have offered himself for re-appointment.

None of the Directors who are being proposed for election or their family members, have any relationship with the Directors of the Company or shareholders having more than 10% of the shares of the Company.

Having given due consideration to each Director's performance, the Committee recommends that the said Directors are eligible for re-appointment and re-election as the case may be.

MEETINGS AND ATTENDANCE

The Committee convened one meeting during the financial year under review. The attendance of each member is detailed in the Corporate Governance section of this Annual Report (Page 47).

CONCLUSION

The Committee is satisfied that the Board of Directors, as currently constituted, possesses the requisite expertise, diversity, and independence to guide the Company effectively. Further, the Company remained compliant with the corporate governance requirements of the Colombo Stock Exchange and all other applicable regulations throughout the year.

D S Weerakkody
Chairman – Nomination and Governance Committee

Colombo
25th May 2026

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The RPTRC comprises Non-Executive Directors, the majority of whom are Independent, in compliance with CSE Listing Rule 9.14.2. The composition during the year under review was as follows:

Name	Designation	Status
Mr. H M U K Samararatne	Chairman	Independent Non-Executive Director
Mr. Gopal Mahadevan	Member	Non-Executive Director
Mr. D S Weerakkody	Member	Independent Non-Executive Director
Mr. A A M Amarasinghe	Member	Non-Executive Director
Mr. Rajive Shaharia	Member	Independent Non-Executive Director

Brief profiles of the members are presented on pages 11–13 of this Annual Report.

The Company Secretary serves as the Secretary to the Committee.

SCOPE AND RESPONSIBILITIES

The Committee is entrusted with the following responsibilities:

- Ensuring compliance with the SEC Code of Best Practices on Related Party Transactions and applicable provisions of the CSE Listing Rules.
- Reviewing and recommending for Board approval all Related Party Transactions, unless specifically exempted by the Code.
- Reviewing proposed and ongoing transactions to determine whether they are conducted on arm's length basis and in the best interest of the Company.
- Establishing guidelines for the management to ensure that recurrent transactions are carried out within established parameters.
- Facilitating appropriate and timely disclosures to the CSE and in the Annual Report, as required under Listing Rule 9.14 and LKAS 24.
- Recommending immediate market disclosures for applicable transactions based on the thresholds set out in the CSE Listing Rules.
- Reporting findings to the Board on a quarterly basis and as necessary.

POLICIES AND PROCEDURES

The Company maintains a robust framework for identifying and reviewing related party transactions. The Promoters (Lanka Leyland (Pvt) Limited and Ashok Leyland Limited, India) along with their affiliates and subsidiaries, are identified as Related Parties under applicable laws.

Key Management Personnel, including the Directors and the Chief Executive Officer, are also considered related parties. The Company obtains regular declarations from such individuals to maintain an updated register of their interests.

Data from these declarations, combined with transactional data from the Company's ERP system, forms the basis for monitoring, reviewing, and ensuring compliance with the applicable regulations.

MEETINGS OF THE COMMITTEE

During the financial year 2025/26, the Committee convened four meetings. The attendance of each member is disclosed under the Corporate Governance Report on page 47.

Post each meeting, the Committee's observations and recommendations were formally communicated to the Board of Directors, which reviewed and endorsed them for implementation by the Management.

REVIEW OF RELATED PARTY TRANSACTIONS FOR THE YEAR 2025/26

During the year under review, all Related Party Transactions were scrutinized by the Committee to ensure transparency and adherence to regulatory guidelines.

- No non-recurrent Related Party Transactions exceeded the thresholds specified under CSE Listing Rules (i.e., the lower of 10% of equity or 5% of total assets).
- However, certain recurrent transactions exceeded 10% of the Company's gross revenue, and appropriate disclosures have been made in Note 33 to the Financial Statements (pages 112–117), in accordance with LKAS 24.

Given the nature of the Company's business, a substantial portion of transactions involved related parties, particularly with the Promoters and the Government of Sri Lanka. These transactions were duly documented and disclosed, with special attention paid to credit arrangements, inventory holdings, and payment terms.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT (Contd.)

- The Government of Sri Lanka remains a principal customer. Payment delays—typical in dealings with public sector entities—were managed within acceptable commercial practices, and no defaults or bad debts were reported.
- Ashok Leyland Limited, India, provided extended credit facilities to support operations amidst macroeconomic challenges.

These arrangements are intrinsic to the Company's operating model and reflect the continued support from both major Promoters.

DECLARATION

An affirmative declaration, in line with Rule 9.14.8 of the Listing Rules of the Colombo Stock Exchange, stating that the Company has entered into Related Party Transactions during the year, is included in the Report of the Board of Directors on page 38 of this Annual Report.

All transactions that meet the definition of Related Party Transactions under LKAS 24 have been appropriately disclosed in Note 33 to the Financial Statements.

H M U K Samararatne
Chairman – Related Party Transactions Review Committee

Colombo
25th May 2026

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

INTRODUCTION

As required by Sections D.1.5 and D.2.2.4 of the Code of Best Practice on Corporate Governance 2023 (the "Code") issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Board of Directors of Lanka Ashok Leyland PLC presents its Statement on Internal Controls as part of this Annual Report.

RESPONSIBILITY FOR INTERNAL CONTROLS

The Board of Directors bears ultimate responsibility for establishing, maintaining, and continuously reviewing a sound system of internal controls. This system is intended to safeguard shareholders' investments and the Company's assets, ensure the integrity of financial reporting, and support compliance with applicable laws and regulations.

The Board is committed to identifying, assessing, and managing risks on an ongoing basis. To this end, it has implemented structured procedures and control mechanisms aimed at mitigating both financial and operational risks. The internal control framework encompasses internal checks, internal audits, clearly defined policies, and other operational controls designed to provide reasonable assurance against material misstatement or loss.

While the internal control system is intended to provide a reasonable level of assurance, it is not designed to eliminate all risks entirely. Instead, it is structured to manage and mitigate risks within the context of the Company's overall risk appetite and business objectives.

Internal Control Framework and Governance Structure

The Board has established several committees to support its governance responsibilities and strengthen oversight of internal controls and risk management. These include the:

- Audit Committee
- Remuneration Committee
- Related Party Transactions Review Committee
- Nominations and Governance Committee

Each of these committees operates under a defined charter and contributes to ensuring that the internal control environment is robust, effective, and responsive to the Company's evolving risk profile.

The Audit Committee, in particular, plays a central role in overseeing the effectiveness of the Company's internal control system. It reviews findings from the internal audit function (outsourced to an independent party), monitors the implementation of audit recommendations, and assesses issues raised by the external auditors, regulatory authorities, and management. The Committee also evaluates the internal audit scope, audit plans, and the quality and independence of the internal audit processes. Minutes of Audit Committee meetings are regularly presented to the Board for its consideration and appropriate action.

Key Internal Control Processes

Management, under the direction of the Board, is responsible for the implementation of internal control policies and procedures, particularly those related to financial reporting. This includes identifying key risk areas, designing and operating suitable controls, and monitoring their effectiveness.

During the year, designated officers of the Company continued to review and enhance processes and controls relating to significant accounts and disclosures in the Financial Statements. The internal audit function, through periodic assessments, verified both the design and operational effectiveness of these controls.

Committees appointed by the Board also assist in ensuring that the Company's operations align with corporate strategy, approved budgets, and internal policies. These oversight activities take into account prevailing business conditions and operational dynamics.

The Company has also continued to monitor the implementation status of recommendations issued by the external auditors in prior years, and appropriate corrective actions have been taken to address identified gaps and strengthen the control environment.

Directors' Confirmation

Based on the evaluations carried out through the processes outlined above, the Board of Directors confirms that the Company's internal control system, particularly those related to financial reporting, has been designed and operated to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements.

The Board further confirms that the Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS), the requirements of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange, and other applicable regulatory requirements.

By order of the Board

A A M Amarasinghe
Chairman

D S Weerakkody
Chairman – Audit Committee

Colombo
25th May 2026

MANAGEMENT OF RISK

OVERVIEW

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

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

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

RISK GOVERNANCE AND OVERSIGHT

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

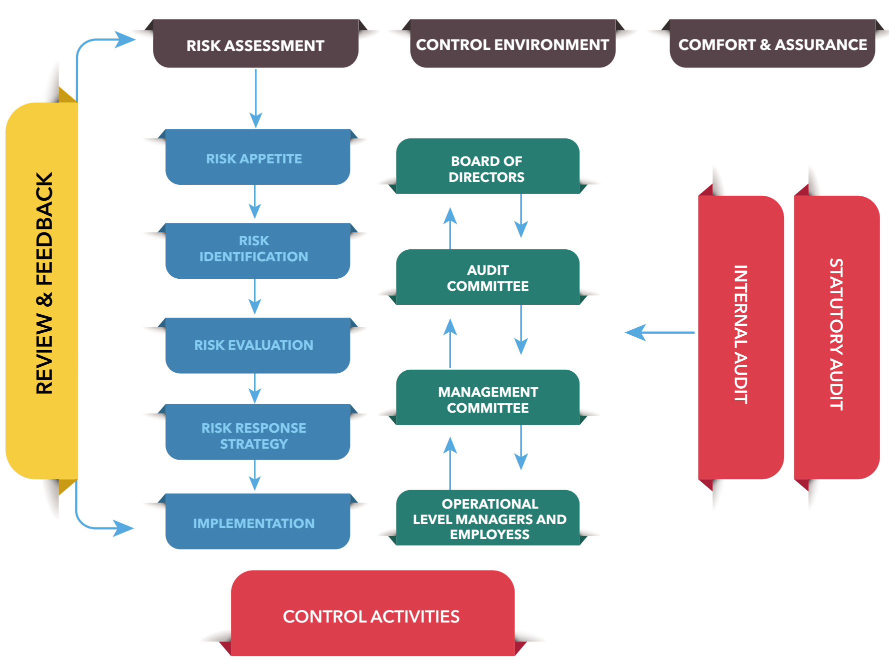
The Board has delegated its responsibility to the Audit Committee to oversee the system of Risk Management, compliance and controls to mitigate risks. The Company has appointed an independent professional organization, as internal Auditors who provide in-depth reports to the Audit Committee. The Audit Committee reviews the internal audit reports and assesses the effectiveness of laid down control process, suggested requirements, mitigation plans and gives directions to the Management.

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

RISK MANAGEMENT PROCESS

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

Risk Management Framework



MANAGEMENT OF RISK (Contd.)

Risk Assessment

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

Control Environment

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

Control Activities

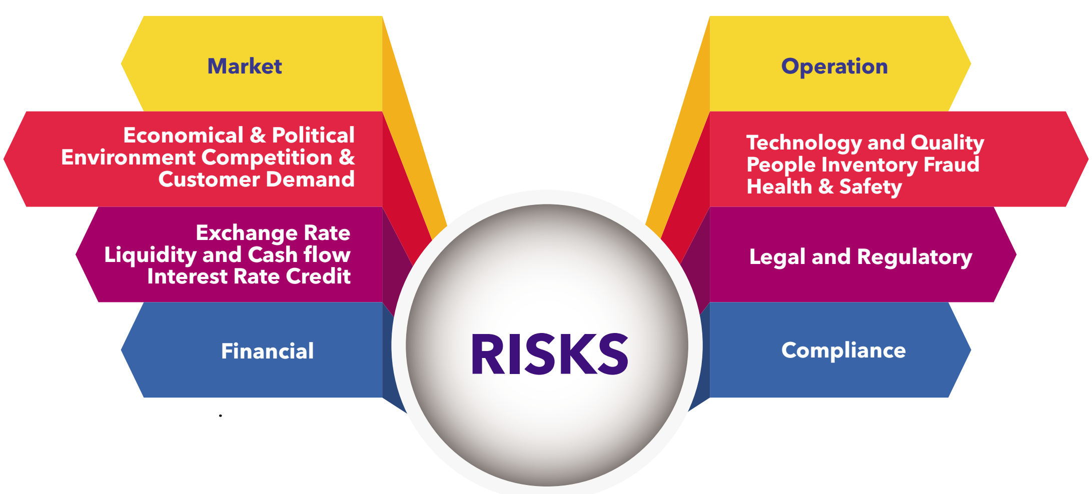
Control activities established through policies and procedures are performed at all levels of the company at various stages within business processes, and over the technological environment. They may be preventive or detective in nature. Segregation of duties is typically built into the selection and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

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

Communication and Monitoring

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

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



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

MANAGEMENT OF RISK (Contd.)

RISK MANAGEMENT ACTIONS

The table below sets out the categories of risks, along with specific risk elements which Lanka Ashok Leyland is exposed to and the potential implications of the same as well as the risk management initiatives in place.

Market Risk

Risk	Potential Impact	Treatment/s
Economical & Political Environment.	Negative impact on the Company due to changes in the economic and political environment.	Economic and political variables / potential fluctuations are continuously monitored and evaluated as part of the Company's "strategy and objectives".
Competition and Customer Demand	Decline in market share, new rivals and industry over-capacity in a high growth competitive environment.	The Company maintains long and well established relationships with Government of Sri Lanka and its various organizations, major transport operators in the industry as well as with individual clients. Launching of new products with latest technology and designs which attract existing and potential customers while focusing on continuous improvements.

Financial Risk

Risk	Potential Impact	Treatment/s
Exchange Rate	Possibility of Exchange rate fluctuations, and its effects on Company operations and profitability.	The Company carefully and actively monitored the situation, since the beginning of the year and took proactive mitigation measures as well as necessary policy decisions on pricing and supply chain management etc. Regular monitoring of exchange rate movements and entering into forward contracts when necessary.
Credit	Risk of financial loss to the Company as a result of customers not settling their dues.	Effective credit control policies with periodic evaluation. Establish effective systems for monitoring customer payment behavior and follow up promptly on any overdue payments. Maintain healthy relationships with customers.
Interest Rate	Exposure to interest rate risk may occur when the changes in the market interest rates would negatively impact the financial situation of the organisation.	Ongoing engagement and negotiations with banks Regular monitoring of interest rate fluctuations to enable necessary back-up plans to mitigate the risk. Ensuring that the import loans are settled within a shortest possible period by improving the working capital cycle and negotiating best possible rates with the banks.
Liquidity and Cash Flow	Possibility of risk that the Company encounters difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering Cash or another Financial Asset.	Ensuring that the Company always have sufficient liquidity to meet its liabilities by forecasting the cash flows. Strong working capital management and periodic reviews to ensure cash flow alignment. Maintain unutilized bank facilities as a safety cushion to meet immediate commitments.

Compliance Risk

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

MANAGEMENT OF RISK (Contd.)

Operational Risk		
Risk	**Potential Impact**	**Treatment/s**
Technology and Quality	Possibility of products or processes being outdated or obsolete due to advanced technology.	Keep pace with current technological developments in the industry. Upgrade knowledge of technical staff through trainings and seminars. Ensure strong supplier and customer relationship to understand customers' changing requirements and suppliers' new developments.
IT & Data Security Risk	Cybersecurity breaches or system failures, leading to data loss or theft, business disruptions, and reputational harm	Implementation of robust access controls Enhancement of information security policies and procedures Implementation of disaster recovery plans and drills Implement of comprehensive backup process for imported data.
People	Impact on business competitiveness due to difficulties in attracting, developing and retaining employees with the appropriate skills, experience and aptitude.	Recruitment of high caliber staff, establishing of effective communication lines and developing the Company's culture to foster good employer employee relationships. Regular training programs are conducted in order to infuse motivation, commitment and empowerment among the staff. Periodic review of remuneration and adjustments made accordingly.
Inventory	Risk of carrying inventory that is not saleable.	Maintain optimum levels in all possible categories of inventory. taking into consideration the supply chain barriers faced by Sri Lankan economy due to ongoing forex restrictions. Ensure required quality standards are met at all stages of inventory to maintain quality until the product is delivered.
Product Risk	Poor quality product manufacturing and delivery significantly affect customer satisfaction and the competitive edge.	All processes to be subject to robust quality assurance. Maintaining a portfolio of good quality products supported by strong Principals. Prioritizing research and development. Prioritizing on marketing and distribution procedures.
Fraud	The risk that the internal control weaknesses leading to corruption and employees abusing entrusted power for private gain and in turn leading to misappropriation of assets or fraudulent financial reports.	Conduct periodic internal audits by an independent firm of Chartered Accountants. Formation of an Audit Committee which reviews internal audit reports and other financial and non-financial reports on a quarterly basis. Establishment of stringent procedures and internal control measures and their continuous improvement.
Reputation Risk	Negative client and public opinion regarding the Company and its actions and the damage caused by the failure to manage customers, shareholders and public expectations. Loss of customer satisfaction will impact negatively the current and future performance of the Company	Implement sound HR practices and robust governance measures to foster a culture of shared values and integrity, prioritizing stakeholder interests. Ensure strict adherence to statutory and regulatory requirements, particularly as a Listed Company, through dedicated controls. Address customer complaints promptly to enhance satisfaction and maintain goodwill. Effectively address shareholder concerns and promptly escalate issues to the Board when necessary. Monitor and respond to feedback received through the corporate website in real time to demonstrate responsiveness and accountability.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors of Lanka Ashok Leyland PLC acknowledges its responsibility for the preparation and fair presentation of the Financial Statements of the Company, in accordance with the provisions of the Companies Act No. 07 of 2007, the Sri Lanka Accounting Standards (SLFRSs and LKASs), and the Listing Rules of the Colombo Stock Exchange.

This responsibility includes designing, implementing, and maintaining appropriate internal control systems to ensure the integrity and reliability of financial reporting, and to safeguard the assets of the Company.

Financial Statements

The Financial Statements of the Company for the year ended 31st March 2026 comprise the following:

- Statement of Financial Position, which presents a true and fair view of the financial position of the Company as at the reporting date;
- Statement of Profit or Loss and Other Comprehensive Income, which presents a true and fair view of the performance of the Company for the year then ended;
- Statement of Changes in Equity, showing movements in shareholders' equity during the year;
- Statement of Cash Flows, detailing the inflows and outflows of cash and cash equivalents;
- Notes to the Financial Statements, including the accounting policies and other explanatory information.

Compliance and Basis of Preparation

- The Board confirms that in preparing these Financial Statements:

  Appropriate accounting policies have been selected and applied consistently. Where necessary, material departures have been disclosed and explained;
- Judgments and estimates have been made with due care and prudence;
- The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs);
- The Financial Statements comply with the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange;
- The Financial Statements have been prepared on a going concern basis, and the Board has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Solvency and Dividend Declaration

In compliance with Section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that, based on the information available, the Company satisfies the Solvency Test as required under Section 57 of the Act, immediately after the proposed distribution. A Certificate of Solvency has been obtained from the Auditors in support of this confirmation, prior to recommending a first and final dividend of Rs. 30/- per share for the year ended 31st March 2026.

Internal Controls and Records

- The Directors are also responsible for:

  Maintaining adequate accounting records to disclose, with reasonable accuracy, the financial position of the Company;
- Taking reasonable measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities;
- Providing the Auditors with every opportunity to access relevant records, explanations, and information necessary to carry out their audit responsibilities.

Compliance Report

The Board of Directors confirms that to the best of their knowledge and belief:

- All taxes, duties, and levies payable by the Company;
- All contributions, levies, and taxes payable on behalf of and in respect of the Company's employees;
- All other known statutory dues payable as at the reporting date have either been duly paid or adequately provided for in the Financial Statements.

The Board is satisfied that it has discharged its responsibilities as outlined above and remains committed to maintaining high standards of financial stewardship, compliance, and corporate governance.

By order of the Board

A A M Amarasinghe
Chairman

D S Weerakkody
Chairman – Audit Committee

Colombo
25th May 2026

FINANCIAL CALENDAR 2025/2026

	2025/26	2024/25
Annual Report	**23rd July 2026**	**18th July 2025**
Annual General Meeting to be held / held	**14th August 2026**	**11th August 2025**
Final Dividend to be Declared / Declared	**14th August 2026**	**11th August 2025**
Final Dividend to be Paid / Paid	**07th September 2026**	**29th August 2025**

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

	2025/26	2024/25
01st Quarter Report	**11th August 2025**	**14th August 2024**
02nd Quarter Report	**15th October 2025**	**13th November 2024**
03rd Quarter Report	**13th February 2026**	**17th February 2025**
04th Quarter Report	**25th May 2026**	**26th May 2025**

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. 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

TO THE SHAREHOLDERS OF LANKA ASHOK LEYLAND PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lanka Ashok Leyland PLC ("the Company"), which comprise the statement of financial position as at 31st March 2026, 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 material accounting policies and other explanatory information as set out in Pages 77 to 123.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2026, 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 3.9 and explanatory note in Note 21 of the financial statements. The Company held inventories which comprised several different vehicles, generators and spare parts with an aggregate carrying value of Rs. 7,497 Mn as at 31st March 2026.

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;

- Obtaining an understanding of and assessing the design, implementation, and operating effectiveness of key controls that management has established to manage inventories including purchases, issuing inventories, and valuation of inventories.
- 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.

INDEPENDENT AUDITOR'S REPORT (Contd.)

KPMG

- 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 such as goods receipt notes.
- Inquiring 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 and 22 (Rental receivable from trade debtors & Trade receivables) of the financial statements. The carrying value of Rental receivable from Trade Debtors amounted to Rs. 654 Mn and Trade receivables amounted to Rs. 1,466 Mn as at 31st March 2026.

Risk Description

Assessing the allowance for impairment of Rental and Trade Receivables remains one of the most significant judgments made by management. 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 judgments, 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.
- Evaluating 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 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 statement and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITOR'S REPORT (Contd.)

KPMG

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 2618.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

25th May 2026

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March	Note	2026 Rs.	2025 Rs.
Revenue	5	**19,330,408,115**	9,003,641,728
Cost of Sales		**(14,106,592,495)**	(6,275,205,361)
Gross Profit		**5,223,815,620**	2,728,436,367
Other Income	6	**171,399,512**	112,440,441
Selling and Distribution Expenses	7	**(147,364,447)**	(50,709,478)
Administrative Expenses		**(772,454,833)**	(598,390,370)
Impairment Reversal of Trade Receivables	8	**20,041,119**	112,767,891
Other Operating Expenses		**(298,723,474)**	(186,945,931)
Profit from Operations		**4,196,713,497**	2,117,598,920
Finance Income	9.1	**219,322,766**	107,915,625
Finance Cost	9.2	**(8,126,330)**	(8,910,002)
Net Finance Income	9	**211,196,436**	99,005,623
Profit Before Tax	10	**4,407,909,933**	2,216,604,543
Income Tax Expense	11.1	**(1,345,476,095)**	(685,577,515)
Profit for the Year		**3,062,433,838**	1,531,027,028
Other Comprehensive Income			
Items that will Not be Reclassified to Profit or Loss			
Remeasurement of Defined Benefit Obligation / Asset	27.6	**(74,178,227)**	(40,972,320)
Deferred Tax on Defined Benefit Obligation / Asset	11.3	**22,253,468**	12,291,696
Total Other Comprehensive Expense, net of Tax		**(51,924,759)**	(28,680,624)
Total Comprehensive Income for the Year		**3,010,509,079**	1,502,346,404
Basic and Diluted Earnings Per Share	12	**845.78**	422.84
Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (Adjusted EBITDA)	14	**4,468,564,472**	2,328,890,259

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

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2026 Rs.	2025 Rs.
ASSETS			
Non Current Assets			
Property, Plant & Equipment	15	1,900,971,060	1,012,952,181
Right-of-use Asset	16	123,352,139	138,759,214
Intangible Assets	17	10,045,909	368,294
Financial Assets	18	187,897,898	124,196,937
Rental Receivable from Trade Debtors	19.1	270,301,174	112,025,979
Deferred Tax Asset	20	92,791,581	169,924,751
Total Non Current Assets		2,585,359,761	1,558,227,356
Current Assets			
Inventories	21	7,497,028,049	6,752,880,959
Trade and Other Receivables	22	1,841,610,445	1,244,910,157
Rental Receivable from Trade Debtors	19.2	383,255,578	149,734,795
Deposits and Prepayments	23	190,130,476	101,117,946
Cash & Cash Equivalents	24.1	4,183,254,479	617,322,158
Total Current Assets		14,095,279,027	8,865,966,015
Total Assets		16,680,638,788	10,424,193,371
EQUITY & LIABILITIES			
Equity			
Stated Capital	25	49,375,150	49,375,150
General Reserve	26	887,347,500	887,347,500
Retained Earnings		8,040,203,694	5,101,787,401
Equity attributable to Owners of the Company		8,976,926,344	6,038,510,051
Non Current Liabilities			
Defined Benefit Obligation (Net)	27.1	91,888,014	57,361,781
Lease Liability	28.1	36,432,325	48,780,661
Total Non Current Liabilities		128,320,339	106,142,442
Current Liabilities			
Trade and Other Payables	29	3,869,762,091	3,249,813,969
Amount due to Related Party	30	2,606,524,202	408,780,680
Current Tax Liabilities	31	999,018,069	557,409,414
Provision for Warranty	32	14,393,089	17,053,305
Lease Liability	28.1	37,387,800	30,776,000
Bank Overdrafts	24.2	48,306,854	15,707,510
Total Current Liabilities		7,575,392,105	4,279,540,878
Total Liabilities		7,703,712,444	4,385,683,320
Total Equity & Liabilities		16,680,638,788	10,424,193,371
Net Assets per Share		2,479.24	1,667.71

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.

Tharindu Ranaweera
Manager - Finance

U Gautam
Chief Executive Officer

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

A A M Amarasinghe
Chairman

H.M.U.K. Samararthe
Director

Colombo, 25th May 2026

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	General Reserves Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 01st April 2024	49,375,150	887,347,500	3,652,674,229	4,589,396,879
Total Comprehensive Income				
Profit for the year	-	-	1,531,027,028	1,531,027,028
Other Comprehensive Expense for the year	-	-	(28,680,624)	(28,680,624)
Total Comprehensive Income	-	-	1,502,346,404	1,502,346,404
Transactions with Owners of the Company				
Contribution / Distribution				
Unclaimed Dividend Reversed (Note 13.1)	-	-	1,079,413	1,079,413
Dividend (Note 13.2)	-	-	(54,312,645)	(54,312,645)
Total Transactions with Owners of the Company	-	-	(53,233,232)	(53,233,232)
Balance as at 31st March 2025	49,375,150	887,347,500	5,101,787,401	6,038,510,051
Balance as at 01st April 2025	**49,375,150**	**887,347,500**	**5,101,787,401**	**6,038,510,051**
Total Comprehensive Income				
Profit for the year	-	-	**3,062,433,838**	**3,062,433,838**
Other Comprehensive Expense for the year	-	-	**(51,924,759)**	**(51,924,759)**
Total Comprehensive Income	-	-	**3,010,509,079**	**3,010,509,079**
Transactions with Owners of the Company				
Contribution / Distribution				
Unclaimed Dividend Reversed (Note 13.1)	-	-	**324,074**	**324,074**
Dividend (Note 13.2)	-	-	**(72,416,860)**	**(72,416,860)**
Total Transactions with Owners of the Company	-	-	**(72,092,786)**	**(72,092,786)**
Balance as at 31st March 2026	**49,375,150**	**887,347,500**	**8,040,203,694**	**8,976,926,344**

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

STATEMENT OF CASH FLOWS

For the Year Ended 31st March	Note	2026 Rs.	2025 Rs.
Cash flows from Operating Activities			
Profit Before Tax		4,407,909,933	2,216,604,543
Adjustment For :			
Depreciation of Property, Plant and Equipment	15	232,698,412	187,967,840
Depreciation of Right of Use Assets	16	37,977,569	23,047,468
Amortization of Intangible Assets	17	1,174,994	276,031
Provision for Defined Benefit Plan	27.5	44,568,551	34,567,421
Return on Plan Asset	27.5	(27,630,155)	(20,811,679)
Reversal for Impairment of Trade & Other Receivables	8	(20,041,119)	(112,767,891)
Reversal of Provision for Inventory	21.2	40,417,006	(86,022,809)
Finance Costs	9.2	8,126,330	8,910,002
Interest Income	9.1	(213,889,997)	(106,092,562)
Lease Interest Income	6	(21,575,971)	(38,545,063)
Gain on Disposal of Property, Plant and Equipment	6	(70,893,305)	(20,728,650)
Charge of Provision for Free Service	29.1	8,562,075	9,408,028
Charge of Warranty Provision	32	(2,660,216)	7,280,183
Fair Value Gain on Equity Investments	9.1	(123,745)	(104,729)
Unrealized Foreign Exchange (Gain) / Loss		(43,835,530)	1,842,125
		(27,125,101)	(111,774,285)
Operating Profit before Working Capital Changes		4,380,784,832	2,104,830,258
Working Capital Changes in			
Increase in Inventories		(1,806,192,732)	(2,922,925,006)
Increase in Trade and Other Receivables		(579,089,327)	(1,068,247,616)
(Increase) / Decrease in Amount due from Related Party		(478,126,867)	662,338,503
Increase in Trade and Other Payables		594,637,152	2,247,313,342
Increase / (Decrease) in Amounts due to Related Party		2,241,579,052	(1,246,744,866)
		(27,192,722)	(2,328,265,643)
Cash Generated from / (Used in) Operations		4,353,592,110	(223,435,385)
Interest Paid		(8,126,330)	(8,910,002)
Contribution to Plan Asset	27.3	(56,590,390)	(55,089,826)
Payments / Set off of Income Tax	31	(804,480,802)	(251,656,825)
		(869,197,522)	(315,656,653)
Net Cash Generated from / (Used in) Operating Activities		3,484,394,588	(539,092,038)
Cash flows from Investing Activities			
Interest Received		221,637,269	140,713,267
Investment in Debentures		(50,000,000)	-
Proceeds from Disposals of Property, Plant and Equipment		111,922,800	29,050,000
Acquisition of Property, Plant and Equipment	15.5	(123,045,181)	(144,668,178)
Acquisition of Intangible Assets	17	(10,852,609)	-
Net Cash Flows Generated from Investing Activities		149,662,279	25,095,089
Cash Flows from Financing Activities			
Refundable Deposit for Dehiwala Land		-	(200,000,000)
Capital Repayment of Lease Liability		(28,307,030)	(20,150,357)
Dividend Paid	13.2	(72,416,860)	(54,312,645)
Net Cash Flows Used in Financing Activities		(100,723,890)	(274,463,002)
Net Increase / (Decrease) Cash & Cash Equivalents		3,533,332,977	(788,459,951)
Net Cash & Cash Equivalents at the beginning of the year		601,614,648	1,390,074,599
Net Cash & Cash Equivalents at the end of the year	24	4,134,947,625	601,614,648
Analysis of Cash & Cash Equivalents at the end of the year			
Cash & Cash Equivalents	24.1	4,183,254,479	617,322,158
Bank Overdrafts	24.2	(48,306,854)	(15,707,510)
		4,134,947,625	601,614,648

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

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile & Legal Form

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

1.2 Principal Activities and Nature of Operations

The Company is involved in import and assemble of Semi-Knocked-Down (SKD) chassis, 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 307 (2025 - 274).

1.3 Ultimate Holding Company

The Company was incorporated in 1982 as a joint venture between the Government of Sri Lanka and Ashok Leyland Limited - India. As at the reporting date, 41.77% of the share capital is held by Lanka Leyland (Private) Limited, a fully state-owned entity 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 and presented in accordance with Sri Lanka Accounting Standards (referred "SLFRS/LKAS"), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). 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.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.2 Statement of Presentation

The Financial Statements of the Company have been presented in compliance with the requirements of the Companies Act No. 07 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

2.3 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".

2.4 Approval of Financial statements

The Financial Statements of the Company for the year ended 31st March 2026 were approved and authorised for issue by the Board of Directors on 25th May 2026.

2.5 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.
Lease Liability and Right-of-use Asset	Measured at its present value of the lease payments. The accounting policy is described in Note 3.15.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

2.6 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.

2.7 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 01 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

2.8 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.

2.8.1 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.

2.8.2 Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties as at 31st March 2026 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.

2.8.2.1 Useful Lifetime of Property, Plant and Equipment and Intangible Assets

Note 3.6 / 3.7 & 15 / 17: 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.

2.8.2.2 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.

2.8.2.3 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.

2.8.2.4 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.

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

Note 3.4, 19 & 22: The Company reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ.

If impairment is not required based on the individual assessment all such individually significant balances are then assessed collectively, in groups of assets with similar risk characteristics. The Company measures loss allowances using the Expected Credit Loss (ECL).

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

2.9 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

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

3.1 Foreign Currency Transactions

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

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

Statement of Financial Position

3.2 Current Versus non-current Classification

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

An asset as current when it is:

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

All other assets are classified as non-current.
A liability is current when:

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

The Company classifies all other liabilities as non-current. Employee Benefit and Lease Liability not payable within 12 months are classified as non-current liabilities.

3.3 Financial Instruments

3.3.1 Recognition and Initial Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

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

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

3.3.2 Classification and Subsequent Measurement

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

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

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

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

Financial asset measured at amortised cost comprises trade and other receivables, rental receivable from trade debtors, investment in treasury bills, repo investments, fixed deposits, debentures and refundable security deposit.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.3.2 Classification and Subsequent Measurement(Contd.)

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

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

FVTPL comprises investments in equity shares.

Financial Assets – Business Model Assessment

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

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

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

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

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

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Financial Assets – Subsequent Measurement and Gains and Losses

Financial Assets at FVTPL

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

Financial Assets at Amortised Cost

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

3.3.3 Reclassification

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

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

3.3.4 Derecognition

Financial Assets

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

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

Financial Liabilities

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

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

3.4 Impairment

3.4.1 Non-Derivative Financial Assets

Financial Instruments

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

The Company measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables 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.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

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;
- a breach of contract such as a default or being more than 365 days past due;
- adverse changes in the payment status of the debtor;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 (rental and trade receivables) on specific assets, accordingly all individually significant assets are assessed for specific impairment.

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

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

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

3.4.2 Non-Financial Assets

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

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

3.5 Stated Capital

Ordinary Shares

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

3.6 Property, Plant & Equipment

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

a) Cost

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

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

b) Depreciation (Contd.)

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.

Freehold Factory & Building	2.5%
Machinery & Equipment	5%
Factory Equipment	5%
Data Processing Equipment	25%
Office Equipment	10%
Furniture & Fittings	10%
Motor Vehicles	20%
Plant & Machinery and Equipment - Assy Line	20%
Tools and Equipment - Factory	25%
Leasehold Improvements	20%

Freehold land is not depreciated.

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

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

c) Derecognition

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

d) Capital Work-In-Progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as Capital Work-In-Progress, whilst the capital assets which have been completed during the year and put to use have been transferred to Property, Plant & Equipment.

3.7 Intangible Assets

a) Cost

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

b) Subsequent Expenditure

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

c) Amortization

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

3.8 Capital Commitments

Capital commitments of the Company are disclosed in the Note 34 to the Financial Statements.

3.9 Inventories

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

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

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

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

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

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

3.10 Goods-in-Transit

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

3.11 Employee Benefits

3.11.1 Short-term Employee Benefits

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

3.11.2 Defined Benefit Plan- Gratuity

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.11.2 Defined Benefit Plan- Gratuity (Contd.)

To cover the Company employees' gratuity liability, maintains a gratuity cash accumulation policy with Life Insurance Corporation (Lanka) Limited. LIC (Lanka) Ltd 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.

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

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

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

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

3.12 Provisions

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

3.13 Warranties

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

3.14 Contingent Liabilities

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

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

3.15 Leases

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either: the Company has the right to operate the asset; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

As a Lessee

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

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

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

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

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

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

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

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

As a Lessor

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

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

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Finance Leases – as a Lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the SOFP and presents them as a "Rental receivable from Trade Debtors" at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Company's net investment in lease is included in notes to financial statements. The finance income receivable is recognised in "other income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases and treated as investing activity in the statement of cash flows.

Statement of Profit or Loss and Other Comprehensive Income

3.16 Revenue

3.16.1 Revenue Streams

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

3.16.2 Disaggregation of Revenue from Contract with Customers

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

3.16.3 Performance Obligations and Revenue Recognition Policies

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.17 Sale of Goods under Finance Lease

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

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

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

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

3.19 Other Income

All other income is recognized on an accrual basis.

3.20 Expenditure Recognition

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

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

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

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

3.20.1 Borrowing Costs

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

3.21 Finance Income and Finance Costs

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

3.22 Income Tax Expense

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

3.22.1 Current Taxation

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

The Company is liable to taxation in accordance with the Inland Revenue (Amendment) Act, No. 45 of 2022 and subsequent amendments there to.

3.22.2 Deferred Taxation

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.22.2 Deferred Taxation (Contd.)

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

3.23 Fair Value Measurement

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

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

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

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

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

3.24 Events after the Reporting Period

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

3.25 Cash Flow Statement

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

3.26 Cash and Cash Equivalents

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

3.27 Earnings per Share

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

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

3.28 Dividends on Ordinary Shares

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT THE REPORTING DATE

A number of new standards are effective for annual periods beginning on or after 1st April 2026 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

SLFRS 18 Presentation and Disclosure in Financial Statement

SLFRS 18 will replace LKAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1st January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

Other Accounting Standards

The following new and amended accounting standards are not expected to have a significant impact on the financial statements.

- Lack of Exchangeability (Amendments to LKAS 21 – The Effects of Changes in Foreign Exchange Rates)

General requirements for disclosure of sustainability related financial information (SLFRS S1) and climate related disclosures (SLFRS S2)

In June 2023 the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards, IFRS S1 and IFRS S2. During the year, CA Sri Lanka issued the localised standards based on these IFRSs designated as SLFRS S1 SLFRS S2. These standards will become effective for the Company from 1st April 2026. No financial impact is expected on the Company except for additional disclosures.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the Year Ended 31st March	2026 Rs.	2025 Rs.
5	**REVENUE**		
5.1	**Disaggregation of Revenue from Contract with Customers**		
5.1.1	**Major Products / Service Lines**		
	New Vehicle Sales	**16,885,410,741**	7,194,099,472
	Diesel Generator Set Sales	**48,667,797**	17,739,492
	Repair Income	**327,408,288**	325,347,267
	Spare Parts Sales	**910,811,654**	626,319,530
	Vehicle Hiring Income	**1,158,109,635**	837,345,789
	Local Agency Commission	**-**	2,790,178
		19,330,408,115	9,003,641,728
5.1.2	**Sales by Type of Counter-party**		
	Government Entities	**2,415,170,515**	1,513,457,965
	Corporates and Institutions	**8,806,936,325**	5,335,328,792
	Individuals	**8,108,301,275**	2,154,854,971
		19,330,408,115	9,003,641,728
5.1.3	**Revenve by Geographical Markets**		
	Domestic Sales	**18,824,116,728**	8,862,655,199
	Export Sales	**506,291,387**	140,986,529
		19,330,408,115	9,003,641,728
5.1.4	**Timing of Revenue Recognition**		
	Products & Services Transferred at a Point in Time	**18,172,298,480**	8,166,295,939
	Product & Services Transferred Over Time	**1,158,109,635**	837,345,789
		19,330,408,115	9,003,641,728

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.

	For the Year Ended 31st March	2026 Rs.	2025 Rs.
6	**OTHER INCOME**		
	Profit on Sale of Property, Plant and Equipment	**70,893,305**	20,728,650
	Lease Interest Income (Note 19.7)	**21,575,971**	38,545,063
	Sundry Income (Note 6.1)	**78,930,236**	53,166,728
		171,399,512	112,440,441
6.1	Sundry income comprises proceeds from scrap sales and registration related income.		
7	**SELLING AND DISTRIBUTION EXPENSES**		
	Distribution Expenses Comprise of the Followings;		
	Sales Promotions & Delivery Expenses	**6,281,743**	6,093,539
	Discounts	**57,879,742**	10,165,742
	Other Selling Expenses	**83,202,962**	34,450,197
		147,364,447	50,709,478

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	For the Year Ended 31st March	2026 Rs.	2025 Rs.
8	**IMPAIRMENT REVERSAL OF TRADE RECEIVABLES**		
	Impairment Reversal of Rental Receivable from Trade Receivables (Note 19.3)	64,050	75,522,955
	Impairment Reversal of Trade Receivables (Note 22.2)	19,977,069	37,244,936
		20,041,119	112,767,891
9	**NET FINANCE INCOME**		
9.1	**Finance Income**		
	Interest Income	213,889,997	106,092,562
	Net Foreign Exchange Gain	5,309,024	1,718,334
	Financial Assets at FVTPL - Net Change in Fair Value Gain	123,745	104,729
		219,322,766	107,915,625
9.2	**Finance Cost**		
	Interest Expense on Short Term Borrowings	-	(154,191)
	Interest Expense on Bank Overdrafts	(617,359)	(46,168)
	Interest Cost on Lease Liability	(7,508,971)	(8,709,643)
		(8,126,330)	(8,910,002)
	NET FINANCE INCOME	211,196,436	99,005,623
10	**PROFIT BEFORE TAX**		
	Profit before tax is stated after charging all the expenses / (reversals) including followings;		
	Directors' Emoluments	16,950,000	14,400,000
	Auditors' Remuneration - Audit Services	2,998,000	2,725,000
	- Audit Related Services	125,000	205,000
	- Non Audit Services	550,000	500,000
	Staff Cost (Note 10.1)	784,083,598	512,026,650
	Depreciation of Property, Plant and Equipment (Note 15)	232,698,412	187,967,840
	Depreciation of Right of Use Asset (Note 16)	37,977,569	23,047,468
	Amortization of Intangible Assets (Note 17)	1,174,994	276,031
	Reversal of Provision for Slow Moving and Obsolete Stocks (Note 21.2)	(40,417,006)	(86,022,809)
	Provision for Free Service (Note 29.1)	8,562,075	9,408,028
	Warranty Provision (Note 32)	(2,660,216)	7,280,183
10.1	**Staff Cost**		
	Salaries, Wages and Other Benefits	691,744,853	439,670,002
	Defined Contribution Plans - EPF	38,216,155	30,231,382
	Defined Contribution Plans - ETF	9,554,039	7,557,845
	Defined Benefit Plans (Note 27.2)	44,568,551	34,567,421
		784,083,598	512,026,650

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

11 INCOME TAX EXPENSE

In accordance with the provisions of the Inland Revenue (Amendment) Act No 45 of 2022, the Company is liable for income tax at the standard rate of 30% on its taxable income. The composition of income tax expense is as follows ;

	For the Year Ended 31st March	2026 Rs.	2025 Rs.
11.1	**Amount Recognise in Profit or Loss**		
	Income Tax on Profits for the year (Note 11.2)	**1,243,008,329**	612,140,594
	Under Provision of Current Tax in Respect of Previous Year	**3,081,128**	-
	Deferred Tax Expense (Note 20)	**99,386,638**	73,436,921
		1,345,476,095	685,577,515
11.2	**Reconciliation of the Accounting Profit and Taxable Profit**		
	Profit Before Tax	**4,407,909,933**	2,216,604,543
	Income from Other Sources and Exempt Income	**(415,009,815)**	(147,738,873)
	Aggregated Expenses Disallowed for Taxation / Assessable Charge	**412,819,324**	128,895,164
	Aggregated Deductible Expenses for Taxation	**(500,009,368)**	(284,196,429)
	Assessable Income from Business	**3,905,710,074**	1,913,564,405
	Assessable Income from Investment	**237,651,021**	126,904,241
	Taxable Income	**4,143,361,095**	2,040,468,646
	Income Tax at 30%	**1,243,008,329**	612,140,594
	Income Tax on Profits for the year	**1,243,008,329**	612,140,594
11.3	**Amount Recognized in other Comprehensive Income**		
	Deferred tax on remeasurement of defined benefit liability (Note 20)	**22,253,468**	12,291,696
		22,253,468	12,291,696
11.4	**Effective Tax Rate**		
	Effective Tax Rate Excluding Deferred Tax (Note 11.5)	**28.20%**	27.62%
	Effective Tax Rate Including Deferred Tax (Note 11.5)	**30.45%**	30.93%
	Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years (Note 11.5)	**30.52%**	30.93%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the Year Ended 31st March	2026 Rate	2026 Rs.	2025 Rate	2025 Rs.
11 INCOME TAX EXPENSE (Contd.)				
11.5 Reconciliation of Effective Tax Rate				
Profit Before Tax		**4,407,909,933**		2,216,604,543
Income Tax Expense at the Average Statutory Income Tax Rate	**30.00%**	**1,322,372,980**	30.00%	664,981,363
Exempt Income	**-1.21%**	**(53,207,638)**	-0.28%	(6,250,390)
Disallowable Expenses	**2.81%**	**123,845,798**	1.74%	38,668,550
Deductible Expenses	**-3.40%**	**(150,002,810)**	-3.85%	(85,258,929)
Effective Tax Rate Excluding Deferred Tax	**28.20%**	**1,243,008,329**	27.62%	612,140,594
Temporary Differences	**2.25%**	**99,386,638**	3.31%	73,436,921
Effective Tax Rate Including Deferred Tax	**30.45%**	**1,342,394,966**	30.93%	685,577,515
Over Provision of Current Tax in Respect of Previous years	**0.07%**	**3,081,128**	0.00%	-
Effective Tax Rate Including Deferred Tax and Over Provision of Current Tax in Respect of Previous years	**30.52%**	**1,345,476,094**	30.93%	685,577,515

12 EARNINGS PER SHARE

12.1 Basic Earnings per Share

Basic Earnings per Share is calculated in accordance with LKAS 33 – Earnings per Share, by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the current and comparative periods has been adjusted for any events that have changed the number of shares in issue without a corresponding change in resources (e.g., bonus issues, share splits).

For the Year Ended 31st March	2026	2025
Profit Attributable to Ordinary Shareholders (Rs.)	**3,062,433,838**	1,531,027,028
Weighted Average Number of Ordinary Shares	**3,620,843**	3,620,843
Basic and Diluted Earnings per Share (Rs.)	**845.78**	422.84

12.2 Diluted Earnings per Share

Diluted Earnings per Share is calculated based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares, adjusted for the effects of all potential dilutive ordinary shares that were outstanding during the reporting period.

However, the Company had no potentially dilutive ordinary shares outstanding at any time during the current or previous financial year. As such, Diluted Earnings per Share is equal to Basic Earnings per Share.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

13 DIVIDEND PER SHARE

In accordance with the provisions of LKAS 10 – Events After the Reporting Period, dividends proposed or declared after the reporting date are not recognized as liabilities in the Financial Statements since they do not meet the criteria of a present obligation as at the end of the reporting period.

For the Year Ended 31st March	2026	2025
Dividend for the Year (Rs.)	108,625,290	72,416,860
Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
Dividend per Share (Rs.)	30.00	20.00

13.1 During the year, an amount of Rs. 324,074/- (2024/25 - Rs. 1,079,413/-) reversed as unclaimed dividend.

13.2 In 2024/25 Company has declared a first and final Dividend amount of Rs. 72,416,860/- was paid during 2025/26 and dividend declared for 2023/24 year amounting to Rs. 54,312,645/- paid during 2024/25.

14 ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION

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 Continuing Operations;

For the Year Ended 31st March	Note	2026 Rs.	2025 Rs.
Profit from Continuing Operations		3,062,433,838	1,531,027,028
Income Tax Expense	11.1	1,345,476,095	685,577,515
Profit before Tax		4,407,909,933	2,216,604,543
Adjustments for:			
- Net Finance Income	9	(211,196,436)	(99,005,623)
- Depreciation of Property, Plant & Equipment	15	232,698,412	187,967,840
- Depreciation of Right-of-use Asset	16	37,977,569	23,047,468
- Amortisation of Intangible Assets	17	1,174,994	276,031
Adjusted EBITDA		4,468,564,472	2,328,890,259

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

15 PROPERTY, PLANT & EQUIPMENT

For the Year Ended 31st March 2026	Cost			
	As at 01st April 2025	Additions / Transfers	Disposals / Transfers	As at 31st March 2026
	Rs.	Rs.	Rs.	Rs.
Freehold Land	10,700,810	-	-	10,700,810
Freehold Factory & Building	488,131,935	38,204,671	-	526,336,606
Data Processing Equipment	88,453,831	1,587,703	-	90,041,534
Machinery & Equipment	57,173,860	-	-	57,173,860
Factory Equipment	42,071,640	-	-	42,071,640
Office Equipment	27,647,386	2,120,584	(3,175,558)	26,592,412
Furniture & Fittings	39,430,684	1,094,538	-	40,525,222
Motor Vehicles	1,421,961,778	1,051,426,746	(76,774,976)	2,396,613,548
Plant & Machinery and Equipment - Assy Line	118,505,748	4,825,293	-	123,331,041
Tools and Equipment - Factory	10,644,444	8,298,428	(42,800)	18,900,072
Leasehold Improvements	-	63,091,309	-	63,091,309
	2,304,722,116	1,170,649,272	(79,993,334)	3,395,378,054
Capital Work In Progress - Building	25,975,456	(25,975,456)	-	-
	2,330,697,572	1,144,673,816	(79,993,334)	3,395,378,054

For the Year Ended 31st March 2025	Cost			
	As at 01st April 2024	Additions	Disposals / Transfers	As at 31st March 2025
	Rs.	Rs.	Rs.	Rs.
Freehold Land	10,700,810	-	-	10,700,810
Freehold Factory & Building	438,955,986	49,175,949	-	488,131,935
Data Processing Equipment	65,135,798	30,047,204	(6,729,171)	88,453,831
Machinery & Equipment	57,173,860	-	-	57,173,860
Factory Equipment	42,071,640	-	-	42,071,640
Office Equipment	18,613,332	9,034,054	-	27,647,386
Furniture & Fittings	39,234,948	195,736	-	39,430,684
Motor Vehicles	1,415,369,886	30,808,961	(24,217,069)	1,421,961,778
Plant & Machinery and Equipment - Assy Line	78,175,869	40,329,879	-	118,505,748
Tools and Equipment - Factory	5,470,938	5,173,506	-	10,644,444
	2,170,903,067	164,765,289	(30,946,240)	2,304,722,116
Capital Work In Progress - Building	37,263,605	34,637,800	(45,925,949)	25,975,456
	2,208,166,672	199,403,089	(76,872,189)	2,330,697,572

15.1 Market Value of the Freehold Land & Building

The Company carried out an independent valuation of its Freehold Land and Buildings as at 20th January 2025 for disclosure purposes. The market value of these assets was determined by a professionally qualified independent valuer as follows;

Property	Market Value	Valuation Surveyor	No of Buildings	Land Extent
Freehold Land & Building at Panagoda, Homagama	Rs. 1,649 Mn	Mr. M.A. Ananda Sarath	4	18 acres and 29.20 perches

The valuation has been carried out solely for disclosure and internal management purposes. The carrying amounts of land and buildings in the financial statements are based on historical cost and have not been adjusted to reflect the revalued amounts.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Accumulated Depreciation				Carrying Value
As at 01st April 2025	Charge for the year	On Disposal	As at 31st March 2026	As at 31st March 2026
Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	10,700,810
93,553,710	12,205,915	-	105,759,625	420,576,981
47,976,291	14,539,254	-	62,515,545	27,525,989
22,085,404	2,482,315	-	24,567,719	32,606,141
20,240,715	1,984,279	-	22,224,994	19,846,646
9,917,333	2,199,242	(792,585)	11,323,990	15,268,422
25,669,276	2,075,638	-	27,744,914	12,780,308
1,046,766,473	169,968,186	(55,236,075)	1,161,498,584	1,235,114,964
48,390,299	23,885,731	-	72,276,030	51,055,011
3,145,890	3,323,281	(8,149)	6,461,022	12,439,050
-	34,571	-	34,571	63,056,738
1,317,745,391	232,698,412	(56,036,809)	1,494,406,994	1,900,971,060
-	-	-	-	-
1,317,745,391	232,698,412	(56,036,809)	1,494,406,994	1,900,971,060

Accumulated Depreciation				Carrying Value
As at 01st April 2024	Charge for the year	On Disposal	As at 31st March 2025	As at 31st March 2025
Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	10,700,810
82,290,191	11,263,519	-	93,553,710	394,578,225
43,124,847	11,580,615	(6,729,171)	47,976,291	40,477,540
19,545,079	2,540,325	-	22,085,404	35,088,456
18,243,934	1,996,781	-	20,240,715	21,830,925
8,045,420	1,871,913	-	9,917,333	17,730,053
23,580,308	2,088,968	-	25,669,276	13,761,408
931,675,501	135,418,047	(20,327,075)	1,046,766,473	375,195,305
28,958,109	19,432,190	-	48,390,299	70,115,449
1,370,408	1,775,482	-	3,145,890	7,498,554
1,156,833,797	187,967,840	(27,056,246)	1,317,745,391	986,976,725
-	-	-	-	25,975,456
1,156,833,797	187,967,840	(27,056,246)	1,317,745,391	1,012,952,181

15.2 Security over Assets

As at 31st March 2026, certain items of Property, Plant and Equipment have been pledged as security for banking facilities obtained by the Company. Seylan Bank PLC holds a primary mortgage over the Company's Factory Land, Buildings, with a total carrying value of Rs. 200 Mn.

15.3 Capitalization of Motor Vehicles from Inventory

During the financial year, the Company transferred motor vehicles amounting to Rs. 1,021,628,635/- (2024/25: Rs. 8,808,961/-) from Motor Vehicle Stock to Property, Plant and Equipment. These assets were brought into use for hiring purpose and internal operations, and accordingly capitalized, in line with the recognition criteria set out in LKAS 16 – Property, Plant and Equipment.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

15 PROPERTY, PLANT & EQUIPMENT (Contd.)

15.4 Fully Depreciated Assets in Use

As at the reporting date, Property, Plant and Equipment includes fully depreciated assets that are still in active use by the Company. The gross carrying amount of such assets is Rs. 917,937,526/- (2024/25: Rs. 884,599,775/-). These assets continue to contribute to operations and are retained in the books in compliance with LKAS 16.

15.5 Additions During the Year

During the year ended 31st March 2026, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 123,045,181/- (2024/25: Rs. 144,668,178/-). These additions were made entirely through cash purchases and relate primarily to investments in buildings, machinery, and other operational assets.

15.6 Impairment of Property, Plant & Equipment

As at 31st March 2026, management has assessed the recoverable amount of Property, Plant and Equipment and concluded that no indicators of impairment exist. Accordingly, no provision has been made for impairment, as there is no evidence of a permanent fall in the value of any class of assets.

15.7 Title Restrictions

There were no restrictions on the title of any Property, Plant and Equipment as at the reporting date. All assets are legally owned and free of encumbrances.

15.8 Capitalized Borrowing Costs

During the year ended 31st March 2026, the Company did not capitalize any borrowing costs to the cost of Property, Plant and Equipment, in accordance with the requirements of LKAS 23 – Borrowing Costs.

As at 31st March	2026 Rs.	2025 Rs.
16 RIGHT-OF-USE ASSETS		
Cost		
Balance at beginning of the year	**231,280,283**	86,245,353
Additions	**22,570,494**	140,894,131
Lease Modification	**-**	4,140,799
Balance at end of the year	**253,850,777**	231,280,283
Accumulated Depreciation		
Balance at beginning of the year	**92,521,069**	69,473,601
Charge for the year	**37,977,569**	23,047,468
Balance at end of the year	**130,498,638**	92,521,069
Carrying Value as at 31st March	**123,352,139**	138,759,214

Additions to right-of-use assets during the year include the recognition of a new lease agreement for the Kandy Outlet.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

17 INTANGIBLE ASSETS

As at 31st March	2026 Rs.	2025 Rs.
Cost		
Balance at beginning of the year	**28,817,321**	28,817,321
Additions	**10,852,609**	-
Balance at end of the year	**39,669,930**	28,817,321
Accumulated Amortization		
Balance at beginning of the year	**28,449,027**	28,172,996
Charge for the year	**1,174,994**	276,031
Balance at end of the year	**29,624,021**	28,449,027
Carrying Value as at 31st March	**10,045,909**	368,294

17.1 The Company's intangible assets consist of Enterprise Resource Planning (ERP) software systems, acquired for internal operational use. These assets are accounted for in accordance with LKAS 38 – Intangible Assets, and are recognized at cost, net of accumulated amortization and impairment losses, if any.

17.2 As at 31st March 2026, the Company's intangible assets include fully amortized ERP software systems that are still in use. These assets continue to contribute to operations and remain recorded at gross carrying amount with zero net book value, in line with LKAS 38.

Intangible Assets included fully amortized assets that are still in use having a gross amount of Rs. 27,713,196 as at 31st March 2026 (2024/25 - Rs. 27,713,196).

As at 31st March	2026 Rs.	2025 Rs.
18 FINANCIAL ASSETS		
Equity Securities - Fair Value Through Profit or Loss (Note 18.1)	**360,378**	236,633
Refundable Security Deposit (Note 18.2)	**137,286,037**	123,960,304
Corporate Debt Securities - Amortised Cost (Note 18.3)	**50,251,483**	-
	187,897,898	124,196,937

As at 31st March	2026		2025	
	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**	**360,378**	7,417	236,633
	7,417	**360,378**	7,417	236,633

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

18 FINANCIAL ASSETS (Contd.)

18.2 Refundable Security Deposit

The Company recognized a financial asset in respect of the refundable lease deposit made for the use of Land located at Dehiwala over a period of 5 years. In accordance with SLFRS 9 – Financial Instruments, the security deposit was initially measured at its present value and is subsequently measured at amortized cost using the effective interest method.

As at 31st March	2026 Year of Maturity Rs.	2026 Carrying Amount Rs.	2025 Year of Maturity Rs.	2025 Carrying Amount Rs.
18.3 Corporate Debt Securities - Amortised Cost				
Union Bank of Colombo PLC (500,000 Debentures at Rate of Rs. 100/- each)	**2031**	**50,251,483**	-	-
	-	**50,251,483**	-	-

Corporate debt securities are classified at amortised cost. Debentures have an interest rate of 13% and will be matured on 2031.

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	2026 Rs.	2025 Rs.
Balance as at the beginning of the year	310,838,475	551,300,254
Granted during the year	**726,584,250**	303,981,750
Total Rental Receivable	**1,037,422,725**	855,282,004
Less : Payment received during the year	**(299,080,229)**	(544,443,529)
Total Rental Outstanding (Note 19.4)	**738,342,496**	310,838,475
Less : Deferred Interest Income	**(57,048,453)**	(21,276,360)
Unearned Rental Income	**681,294,043**	289,562,115
Less : Provision for Impairment Loss (Note 19.3)	**(27,737,291)**	(27,801,341)
Balance as at the end of the year	**653,556,752**	261,760,774
19.1 Receivable after one year		
Total Rental Outstanding	**288,567,292**	118,395,735
Less : Deferred Interest Income	**(18,266,118)**	(6,369,756)
Unearned Rental Income	**270,301,174**	112,025,979
Less : Provision for Impairment Loss	**-**	-
Balance as at 31st March	**270,301,174**	112,025,979
19.2 Receivable within one year		
Total Rental Outstanding	**449,775,204**	192,442,740
Less : Deferred Interest Income	**(38,782,335)**	(14,906,604)
Unearned Rental Income	**410,992,869**	177,536,136
Less : Provision for Impairment Loss (Note 19.3)	**(27,737,291)**	(27,801,341)
Balance as at 31st March	**383,255,578**	149,734,795
Total	**653,556,752**	261,760,774

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

19 RENTAL RECEIVABLE FROM TRADE DEBTORS (Contd.)

19.3 Movement of Impairment Loss

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

As at 31st March 2026	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	21,323,099	6,478,242	27,801,341
Impairment Loss / (Reversal) recognized during the year	2,595,380	(2,659,430)	(64,050)
Balance at the end of the year	23,918,479	3,818,812	27,737,291

As at 31st March 2025	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	101,516,646	1,807,650	103,324,296
Impairment Loss / (Reversal) recognized during the year	(80,193,547)	4,670,592	(75,522,955)
Balance at the end of the year	21,323,099	6,478,242	27,801,341

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

As at 31st March	2026 Rs.	2025 Rs.
Sri Lanka Transport Board (Note 33.1)	9,401,572	9,401,572
Corporate and Other Institutions	243,033,398	287,983,733
Individuals	485,907,526	13,453,170
	738,342,496	310,838,475

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 31st March 2026	265,342,677	117,912,901	270,301,174	653,556,752
Rental Receivables from Trade Debtors As at 31st March 2025	95,391,593	54,343,202	112,025,979	261,760,774

19.6 Remaining Contractual Maturity Analysis of Rental Receivable from Trade Debtors

As at 31st March	2026 Rs.	2025 Rs.
Within 1 Year	449,775,204	192,442,740
1 - 2 Years	222,165,548	110,372,879
2 - 3 Years	66,401,744	8,022,856
Gross Rental Outstanding from Trade Debtors	738,342,496	310,838,475
Less: Deferred Interest Income	(57,048,453)	(21,276,360)
	681,294,043	289,562,115
Less: Provision for Impairment Loss	(27,737,291)	(27,801,341)
Net Rental Receivable from Trade Debtors	653,556,752	261,760,774

19.7 Amounts Recognised in Profit or Loss

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

	2026	2025
Selling Profit	191,793,573	77,633,945
Lease Interest Income	21,575,971	38,545,063
	213,369,544	116,179,008

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

20 DEFERRED TAX ASSETS

As at 31st March	2026 Rs.	2025 Rs.
Balance at the beginning of the year	169,924,751	231,069,976
Recognised in Profit or Loss (Note 20.2)	(99,386,638)	(73,436,921)
Recognised in Other Comprehensive Income (Note 20.2)	22,253,468	12,291,696
Balance at the end of the Year	92,791,581	169,924,751

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

As at 31st March	Assets		Liabilities		Net Asset / (Liability)	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Property, Plant and Equipment	-	-	(146,880,250)	(93,924,700)	(146,880,250)	(93,924,700)
Employee Benefits	27,566,404	17,208,535	-	-	27,566,404	17,208,535
Provision for Inventory	166,880,140	179,005,242	-	-	166,880,140	179,005,242
Provision for Trade and Rental Receivbles	51,237,898	57,250,243	-	-	51,237,898	57,250,243
Others (Note 20.4)	26,463,965	29,535,627	(32,476,576)	(19,150,196)	(6,012,611)	10,385,431
Net Deferred Tax Asset / (Liability)	272,148,407	282,999,647	(179,356,826)	(113,074,896)	92,791,581	169,924,751

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 01st April 2025 Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Balance as at 31st March 2026 Rs.
Property, Plant and Equipment	(93,924,700)	(52,955,550)	-	(146,880,250)
Employee Benefits	17,208,535	(11,895,599)	22,253,468	27,566,404
Provision for Inventory	179,005,242	(12,125,102)	-	166,880,140
Provision for Trade and Rental Receivbles	57,250,243	(6,012,345)	-	51,237,898
Others (Note 20.4)	10,385,431	(16,398,042)	-	(6,012,611)
Net Deferred Tax Asset	169,924,751	(99,386,638)	22,253,468	92,791,581

	Balance as at 01st April 2024 Rs.	Recognised in Profit or Loss Rs.	Recognised in OCI Rs.	Balance as at 31st March 2025 Rs.
Property, Plant and Equipment	(90,431,031)	(3,493,669)	-	(93,924,700)
Employee Benefits	17,317,059	(12,400,220)	12,291,696	17,208,535
Provision for Inventory	204,812,083	(25,806,841)	-	179,005,242
Provision for Trade and Rental Receivbles	91,080,610	(33,830,367)	-	57,250,243
Others (Note 20.4)	8,291,255	2,094,176	-	10,385,431
Net Deferred Tax Asset	231,069,976	(73,436,921)	12,291,696	169,924,751

20.3 The deferred tax asset is calculated at the rate of 30% (2025- 30%) for the Company as at 31st March 2026.

20.4 Others comprises deferred tax arising from the right-of-use asset and lease liability, provisions for warranty, and unrealized foreign exchange gains or loss.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

21 INVENTORIES

As at 31st March	2026 Rs.	2025 Rs.
Fully Built Vehicle Stock	**2,844,999,999**	1,486,934,035
Semi-Knock-Down (SKD) Vehicle Stock	**1,636,339,092**	3,759,138,856
Generators	**28,804,127**	32,399,601
Cabins / Bodies & Work In Progress	**432,342,292**	322,056,991
Spare Parts & Consumables	**1,857,709,198**	1,197,604,458
	6,800,194,708	6,798,133,941
Goods In Transit (Note 21.1)	**1,253,100,476**	551,431,159
	8,053,295,184	7,349,565,100
Provision for Slow Moving & Obsolete Stocks (Note 21.2)	**(556,267,135)**	(596,684,141)
	7,497,028,049	6,752,880,959

21.1 Goods In Transit

Goods in Transit represents inventory items that have been shipped by the supplier but not yet received by the Company as at the reporting date. These items are recognized in inventory at cost, including freight, insurance, and other directly attributable expenses incurred to bring the inventory to its present location and condition, in accordance with LKAS 2 – Inventories. Title to these goods is typically transferred based on the shipping terms (e.g., FOB, CIF), and the cost is recorded in the financial statements when the Company assumes the significant risks and rewards of ownership.

As at 31st March	2026 Rs.	2025 Rs.
21.2 Provision for Slow Moving & Obsolete Stocks		
Balance at the beginning of the year	**596,684,141**	682,706,950
Reversal during the year	**(40,417,006)**	(86,022,809)
Balance at the end of the year	**556,267,135**	596,684,141

21.3 Pledged Inventory

As at 31st March 2026, inventory has been pledged as collateral against revolving import loan, import loan facilities and overdraft facilities obtained from Seylan Bank PLC, Commercial Bank of Ceylon PLC and State Bank of India. The carrying value of the pledged inventory is included under the relevant inventory categories. The Company continues to retain legal title and the risks and rewards of ownership of these inventories, and there are no restrictions on their use in the ordinary course of business.

As at 31st March	2026 Rs.	2025 Rs.
22 TRADE AND OTHER RECEIVABLES		
Trade Receivables	**875,671,870**	373,233,544
Receivables from Related Parties (Note 22.1)	**733,068,567**	254,941,699
Less: Provision for Impairment Loss (Note 22.2)	**(143,055,681)**	(163,032,770)
	1,465,684,756	465,142,473
Advances to Staff	**2,206,333**	4,052,167
Other Receivables (Note 22.3)	**373,719,356**	775,715,517
	1,841,610,445	1,244,910,157

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

22. TRADE AND OTHER RECEIVABLES (Contd.)

As at 31st March	2026 Rs.	2025 Rs.
22.1 Receivables from Related Parties		
Sri Lanka Transport Board (Note 33.1)	**381,157,841**	172,938,064
Ashok Leyland Limited - India (Note 33.1)	**29,999,164**	28,081,100
Other Government Related Entities (Note 33.1)	**298,613,249**	36,903,735
Bank of Ceylon (Note 33.1)	**16,403,415**	9,800,000
People's Leasing & Finance PLC (Note 33.1)	**6,894,898**	4,080,000
Other Government Financial Institutions (Note 33.1)	**-**	3,138,800
	733,068,567	254,941,699

22.2 Movement of Impairment Loss

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

As at 31st March 2026	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	**132,243,451**	**30,789,299**	**163,032,750**
Impairment (Reversal) / Charge recognized during the year	**(132,243,451)**	**112,266,382**	**(19,977,069)**
Balance at the end of the year	**-**	**143,055,681**	**143,055,681**

As at 31st March 2025	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance at the beginning of the year	157,423,448	42,854,258	200,277,706
Impairment Reversal recognized during the year	(25,179,997)	(12,064,959)	(37,244,956)
Balance at the end of the year	132,243,451	30,789,299	163,032,750

22.3 Other Receivables

Other Receivables includes an estimated provision for Input VAT amounting to Rs. 266.43 Mn. relating to Semi-Knock-Down (SKD) units imported under the Standard Operating Procedures (SOP) introduced for Automobile Manufacturing / Assembling Industry and Automobile Components Manufacturing Industry of Sri Lanka by Ministry of Industries.

As per the operational process, Input VAT becomes receivable only upon completion of assembly and inspection by Ministry of Industries along with Sri Lanka Customs and VAT paid to the authority. As at the reporting date, the related Input VAT was provisionally estimated and recognized as part of other receivables on remaining unassembled SKD units.

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As at 31st March	2026 Rs.	2025 Rs.
23	**DEPOSITS AND PREPAYMENTS**		
	Deposits and Advances	158,054,885	84,138,627
	Prepayments	32,075,591	16,979,319
		190,130,476	101,117,946

24 CASH & CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, balances held in current and savings accounts with licensed commercial banks, and short-term highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

These balances are available for use in the Company's day-to-day operations and are recognized at their nominal value in accordance with LKAS 7 – Statement of Cash Flows.

	As at 31st March	2026 Rs.	2025 Rs.
24.1	**Favorable Balances**		
	Short Term Investments (Note 24.3)	3,537,287,079	391,094,370
	Cash in Hand	47,399,585	36,456,236
	Cash at Banks	598,567,815	189,771,552
	Cash & Cash Equivalents in the Statement of Financial Position	4,183,254,479	617,322,158
24.2	**Unfavorable Balances**		
	Bank Overdrafts	(48,306,854)	(15,707,510)
		(48,306,854)	(15,707,510)
	Cash & Cash Equivalents in the Statement of Cash Flows	4,134,947,625	601,614,648
24.3	**Short Term Investments**		
	Investment in Fixed Deposits	2,407,287,079	102,364,521
	Investment in Repo	1,130,000,000	288,729,849
		3,537,287,079	391,094,370

The company's financial assets held at amortised cost include fixed deposits and repo with average interest rates ranging from 7% to 9.5%.

24.4 Bank Overdraft Facility Details

Bank	Interest Rate (%)	Approved Facility (Rs.)	Security
Seylan Bank PLC	AWPLR +0.75	100,000,000	Land / Building / Inventory
Commecial Bank of Ceylon PLC	AWPLR +0.5	50,000,000	Inventory
Indian Bank	AWPLR +1	50,000,000	-
Bank of Ceylon	AWPLR	1,900,000	Fixed Deposit

24.5 Unutilized Bank Overdraft Facilities

As at 31st March 2026, the Company had access to unutilized bank overdraft facilities totaling Rs. 201.9 Mn (2024/25: Rs. 201.9 Mn), provided by Seylan Bank PLC, Commercial Bank of Ceylon PLC, Indian Bank and Bank of Ceylon. These facilities are available on demand and are subject to review and renewal on an annual basis.

The Company has not drawn on these facilities as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

24 CASH & CASH EQUIVALENTS (Contd.)

24.6 Liquidity and Banking Facilities

To ensure liquidity and manage working capital needs, the Company maintains various banking facilities, including overdraft lines and short-term revolving loan facilities with multiple financial institutions.

As at 31st March	2026	2025	2026	2025
	No of Shares		Rs.	Rs.
25 STATED CAPITAL				
Ordinary Shares	**3,620,843**	3,620,843	**36,208,430**	36,208,430
Share Premium			**13,166,720**	13,166,720
Stated Capital			**49,375,150**	49,375,150

25.1 Authorized Share Capital

The Company is authorized to issue 6,000,000 Ordinary Shares with a par value of Rs. 10/- per share.

25.2 Issued and Fully Paid Share Capital

As at 31st March 2026, the issued and fully paid share capital of the Company comprised 3,620,843 Ordinary Shares (2024/25: 3,620,843 Ordinary Shares).

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

25.3 Rights, Preferences, and Restrictions of Ordinary Shares

All Ordinary Shares rank equal rights and entitlements with respect to:
- Participation in dividends as and when declared by the Board of Directors,
- Participation in the distribution of residual assets upon winding up,
- Voting rights, with each share carrying one vote at meetings of shareholders.

There are no restrictions on the distribution of dividends or the repayment of capital in respect of these shares.

25.4 Share Premium

In the year 1992, the Company issued 329,168 Ordinary Shares by way of a rights issue at a premium of Rs. 40/- per share. The total premium received on this issue has been accounted for under Stated Capital.

As at 31st March	2026 Rs.	2025 Rs.
26 GENERAL RESERVE		
General Reserve	**887,347,500**	887,347,500
	887,347,500	887,347,500

26.1 The General Reserve represents amounts appropriated from retained earnings by the Board of Directors for general application within the Company. These reserves are available for distribution at the discretion of the Board, subject to the provisions of the Companies Act No. 07 of 2007.

There were no movements in the General Reserve during the year ended 31st March 2026 (2024/25: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

	As At 31st March	2026 Rs.	2025 Rs.
27	**DEFINED BENEFIT OBLIGATION (NET)**		
	Net Defined Benefit Obligation		
	Present Value of Defined Benefit Obligation at the end of the year (Note 27.2)	382,053,761	271,481,499
	Fair Value of Plan Asset at the end of the year (Note 27.3)	(290,165,747)	(214,119,718)
	Amount Recognised in Statement of Financial Position	91,888,014	57,361,781
27.1	**Reconciliation of Net Defined Benefit Liability**		
	Net Defined Benefit Liability as at 01st April	57,361,781	57,723,545
	Expenses recognised in Profit or Loss (Note 27.5)	16,938,396	13,755,742
	Expenses recognised in Other Comprehensive Income (Note 27.6)	74,178,227	40,972,320
	Contribution by Employer	(56,590,390)	(55,089,826)
	Net Defined Benefit Liability as at 31st March	91,888,014	57,361,781

27.2 Movement in the Present Value of Defined Benefit Obligation

The present value of the defined benefit obligation (PVDBO) is actuarially determined using the Projected Unit Credit Method, based on assumptions concerning salary increases, discount rates, retirement age, and staff turnover. The valuation reflects benefits accrued to employees as at the reporting date.

	As at 31st March	2026 Rs.	2025 Rs.
	Balance at the beginning of the year	271,481,499	209,088,686
	Expenses recognised in Profit or Loss (Note 27.5)	44,568,551	34,567,421
	Actuarial Loss recognised in Other Comprehensive Income (Note 27.6)	70,309,096	38,784,187
	Payments during the year	(4,305,385)	(10,958,795)
	Balance at the end of the year	382,053,761	271,481,499
27.3	**Movement in Plan Asset**		
	Balance at the beginning of the year	214,119,718	151,365,141
	Contribution by Empolyer	56,590,390	55,089,826
	Expected Return on Plan Asset (Note 27.5)	27,630,155	20,811,679
	Actuarial Loss on Plan Asset (Note 27.6)	(3,869,131)	(2,188,133)
	Benefit Paid by the Plan	(4,305,385)	(10,958,795)
	Balance at the end of the year	290,165,747	214,119,718
27.4	**Plan Asset**		
	Plan Asset comprise the following;		
	Government Treasury Bonds	200,000,000	200,000,000
	Corporate Debt Securities	90,165,747	14,119,718
		290,165,747	214,119,718

The actuarial valuation as at 31st March 2026 was carried out by Messrs. Prime Actuarial Solutions, a firm of professionally qualified actuaries. The net defined benefit obligation recognized in the Statement of Financial Position represents the present value of the defined benefit obligation, net of the fair value of plan assets.

The Company has funded its obligation externally through a Gratuity Plan with Life Insurance Corporation (Lanka) Limited.

Mr. Dinesh Weerakkody and Mr. Umesh Gautam, who serve as Non-Executive Director and Chief Executive Officer, respectively of Lanka Ashok Leyland PLC, also serve as Independent Directors of Life Insurance Corporation (Lanka) Limited. The gratuity fund arrangement between Lanka Ashok Leyland PLC and Life Insurance Corporation (Lanka) Limited has been established on an arm's length basis and under normal commercial terms.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

27 DEFINED BENEFIT OBLIGATION (NET) (Contd.)

For the Year Ended 31st March	2026 Rs.	2025 Rs.
27.5 Expenses Recognised in Profit or Loss		
Current Service Cost	**13,595,738**	10,134,306
Interest Cost	**30,972,813**	24,433,115
Expense Recognised in Profit or Loss	**44,568,551**	34,567,421
Expected Return on Plan Asset	**(27,630,155)**	(20,811,679)
Net Expense Recognised in Profit or Loss	**16,938,396**	13,755,742
27.6 Expenses Recognised in Other Comprehensive Income		
Actuarial Loss on Defined Benefit Obligation	**70,309,096**	38,784,187
Actuarial Loss on Plan Asset	**3,869,131**	2,188,133
	74,178,227	40,972,320

27.7 Actuarial Assumptions

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

As At 31st March	2026	2025
Discount Rate	**10.75%**	11.50%
Expected Annual Average Salary Increment	**15.00%**	15.00%
Staff Turnover Factor	**3.0%**	5.0%
Retiring Age	**60 Years**	60 Years
Mortality Table	**LALM (2012-14)**	LALM (2012-14)

The valuation of the defined benefit obligation is based on an actuarial assessment which involves the use of key assumptions, including discount rate, future salary increment, and mortality rates. The actuarial assumptions are determined based on the best estimates at the reporting date, taking into account the relevant economic and demographic factors. The discount rate of 10.75% as at 31st March 2026 (2024/25 : 11.5%), was determined with reference to applicable market interest rates on Government securities based on weighted average duration of RBO adjusted for anticipated long-term rate at inflation and other factors where applicable.

All assumptions, including the discount rate, expected future salary increment, and mortality rates, are subject to periodic review and are adjusted as necessary to reflect current economic conditions and expectations. Any changes in these assumptions are incorporated into the actuarial valuation, which is updated at each reporting date.

Demographic assumptions - In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. “LALM (2012-14) mortality table” was used to estimate the gratuity liability of the Company.

27.8 Sensitivity Analysis

The determination of the defined benefit obligation is sensitive to changes in the underlying actuarial assumptions, particularly the discount rate and the salary increment rate. The table below presents the sensitivity of the defined benefit obligation to changes in these key assumptions. The sensitivity analysis has been determined based on reasonably possible changes in the respective assumptions at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

27 DEFINED BENEFIT OBLIGATION (NET) (Contd.)

27.8 Sensitivity Analysis (Contd.)

It is important to note that the sensitivity analysis presented above is based on a static assumption that each variable changes independently. However, in practice, the changes in these assumptions may not occur in isolation, as some of these assumptions may be correlated with each other. Consequently, the actual change in the defined benefit obligation may differ from the results presented here.

The sensitivity analysis presented is calculated using the Projected Unit Credit (PUC) Method, which is the same methodology applied in the calculation of the defined benefit obligation liability recognized in the Statement of Financial Position. The PUC method takes into account the projected future salary increment and the expected benefits payable, thereby providing a comprehensive measure of the defined benefit obligation.

There have been no changes in the methods used in preparing the sensitivity analysis compared to the previous year. The same actuarial valuation methodology, has been applied consistently to ensure comparability of the financial statements over time.

As at / For the Year Ended 31st March	2026		2025	
	PVODBO Rs.	Benefit / (Expense) Rs.	PVODBO Rs.	Benefit / (Expense) Rs.
1% Increase in Discount Rate	357,006,551	25,047,210	253,500,892	17,980,607
1% Decrease in Discount Rate	411,122,013	(29,068,252)	292,225,588	(20,744,089)
1% Increase in Salary Increment Rate	409,706,945	(27,653,184)	291,362,128	(19,880,629)
1% Decrease in Salary Increment Rate	357,671,712	24,382,049	253,869,011	17,612,488

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.

27.9 Maturity Profile of the Defined Benefit Obligation

As at 31st March	2026 Rs.	2025 Rs.
Expected Future Working Life		
Within the Next Twelve Months	88,572,174	56,108,942
Between One to Five Years	90,811,735	52,394,414
Between Five to Ten Years	101,896,804	81,845,788
More than Ten Years	100,773,048	81,132,355
	382,053,761	271,481,499
Weighted Average duration of Defined Benefit Obligation	8.30 Years	8.42 Years
Estimated term of Liability in Years	11.95 Years	11.83 Years

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

28 LEASE LIABILITY

The Company's Leasing Activities

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

As at 31st March	2026 Rs.	2025 Rs.
Balance as at beginning of the Year	79,556,661	34,636,142
Additions	22,570,494	60,930,077
Lease Modification	-	4,140,799
Interest Expense Recognised in Profit or Loss	7,508,971	8,709,643
Payment for Lease Liability	(35,816,001)	(28,860,000)
Balance as at end of the Year	73,820,125	79,556,661

28.1 Lease Liabilities included in the Statement of Financial Position

Non-current	36,432,325	48,780,661
Current	37,387,800	30,776,000
	73,820,125	79,556,661

28.2 Amounts recognised in Profit or Loss

For the Year Ended 31st March	2026 Rs.	2025 Rs.
Interest on Lease Liabilities	(7,508,971)	(8,709,643)
Recognised in Finance Cost	(7,508,971)	(8,709,643)
Expenses Relating to Short-term and low-value Assets	10,500,000	10,500,000
Depreciation - Right-of-use Assets	37,977,569	23,047,468
Recognised in Administrative Expenses	48,477,569	33,547,468
Total Amount recognised in Profit or Loss	40,968,598	24,837,825

28.3 Amounts Recognised in Statement of Cash Flows

Payment for Lease Liabilities	35,816,001	28,860,000

28.4 Maturity Analysis – Contractual Undiscounted Cash Fows

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

For the Year Ended 31st March	2025/26 Rs.	2024/25 Rs.
Less than one year	37,387,800	30,776,000
One to five years	45,604,596	60,765,996
Total Undiscounted Lease Liabilities	82,992,396	91,541,996

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

29 TRADE AND OTHER PAYABLES

As at 31st March	2026 Rs.	2025 Rs.
Trade Payables	1,038,027,240	1,019,487,152
Accruals	115,140,242	103,282,798
Import Duties and Related Other Payable	989,649,445	811,938,348
Advance Received	1,237,255,313	361,649,492
Unclaimed Dividend	403,033	602,223
Contract Liabilities (Note 29.1)	21,595,615	13,033,540
Unclaimed Wages	-	33,207
Taxes Payable	172,545,759	188,255,978
Other Liabilities (Note 29.2)	295,145,444	751,531,231
	3,869,762,091	3,249,813,969

29.1 Movement of Contract Liabilities

Balance at the beginning of the year	13,033,540	3,625,512
Charge for the year	8,562,075	9,408,028
Balance at the end of the year	21,595,615	13,033,540

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

29.2 Other Liabilities

Other Liabilities includes an estimated provision for Import VAT amounting to Rs. 266.43 Mn relating to Semi-Knock-Down (SKD) units imported under the Standard Operating Procedures (SOP) introduced for Automobile Manufacturing/ Assembling Industry and Automobile Components Manufacturing Industry of Sri Lanka by Ministry of Industries.

As per the operational process, VAT becomes payable only upon completion of assembly and inspection by Ministry of Industries along with Sri Lanka Customs. As at the reporting date, the related Import VAT was provisionally estimated and recognized as part of other liabilities on remaining unassembled SKD units.

As at 31st March	2026 Rs.	2025 Rs.
30 AMOUNTS DUE TO RELATED PARTY		
Payable to Ashok Leyland Limited - India (Note 33.1)	2,606,524,202	408,780,680
	2,606,524,202	408,780,680
31 CURRENT TAX LIABILITIES		
Balance at the beginning of the year	557,409,414	196,925,645
Income Tax on Profit for the year (Note 11.2)	1,243,008,329	612,140,594
Under Provision of Current Tax in Respect of Previous years	3,081,128	-
Tax Paid during the year	(785,490,496)	(245,427,181)
WHT Recoverable	(18,990,306)	(6,229,644)
Balance at the end of the year	999,018,069	557,409,414
32 PROVISION FOR WARRANTY		
Balance at the beginning of the year	17,053,305	9,773,122
(Reversal)/Provision for the year	(2,660,216)	7,280,183
Balance at the end of the year	14,393,089	17,053,305

Provision for warranties relates mainly to vehicles sold during the last six months of the financial year. 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

33 RELATED PARTY DISCLOSURE

33.1 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	2026 Rs.	2025 Rs.
a) Transactions with Lanka Leyland (Private) Limited					
Lanka Leyland (Private) Limited Holds 41.77% of the Share Capital of the Company.	Mr. A A M Amarasinghe Mr. M K L Jayawardena	Chairman of Lanka Leyland (Private) Limited Director of Lanka Leyland (Private) Limited	Dividend Payment to Lanka Leyland (Private) Limited	30,250,000	22,687,500
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 Mr. Amandeep Singh Arora	Director of Ashok Leyland Limited - India Head of International Operations of Ashok Leyland Limited - India	**Payable to Ashok Leyland India** Opening Balance as at 01st April (Including Import Bills Payable on GIT)	408,780,680	1,655,721,179
			Purchase of Semi-Knock-Down (SKD) Chassis kits and Motor Vehicle	9,708,034,991	5,252,846,676
			Purchase of Spare Parts / Power Generators	1,024,702,645	357,729,179
			Usage Charges for ERP System	4,477,961	4,303,410
			Exchange Gain	(112,636,717)	(38,349,217)
			Settlement of Purchases	(8,426,835,358)	(6,823,470,547)
			Closing Balance as at 31st March (Including Import Bills Payable on GIT)	2,606,524,202	408,780,680
			Receivable from Ashok Leyland India		
			Opening Balance as at 01st April	28,081,100	212,257,006
			Local agency commission (LAC) on Direct Supply of Vehicles	-	3,292,410
			Payment Received	-	(184,373,824)
			Exchange Gain/(Loss)	1,918,064	(3,094,492)
			Closing Balance as at 31st March	29,999,164	28,081,100
			Dividend Payment to Ashok Leyland Limited - India	20,166,640	15,124,980
Aggregate Value of Related Party Transactions During the Year				10,757,382,237	5,633,296,655
Aggregate Value of Related Party Transactions as a % of Net Revenue				119.48%	104.24%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

33 RELATED PARTY DISCLOSURE (Contd.)

33.1 Related Party Transactions (Contd.)

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

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

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

Name of Related Party	Nature of Transaction	Description	2026 Rs.	2025 Rs.
i) Non-Recurring Transaction - Trading Nature				
Sri Lanka Transport Board	Supply of Vehicles on Finance Lease Terms	Balance as at 01st April	9,401,572	431,722,572
		Payment Received during the year	-	(422,321,000)
		Balance Receivable as at 31st March	9,401,572	9,401,572
Total Future Rentals Receivable as at 31st March			9,401,572	9,401,572
ii) Recurring Transaction - Trading Nature				
Sri Lanka Transport Board	Sale of Vehicles / Spare Parts and Repair / Hiring services provided under Payment on Delivery Term	Balance as at 01st April	172,938,064	219,195,968
		Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year	628,801,818	618,744,997
		Hiring and Other Services Rendered during the year	1,239,515,813	985,534,653
		Payment Received during the year	(1,660,097,854)	(1,650,537,554)
		Balance Receivable as at 31st March	381,157,841	172,938,064
Aggregate Value of Related Party Transactions during the Year		- Sri Lanka Transport Board	1,868,317,631	1,604,279,650
Aggregate Value of Related Party Transactions as a % of Net Revenue		- Sri Lanka Transport Board	20.75%	29.68%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

33 RELATED PARTY DISCLOSURE (Contd.)

33.1 Related Party Transactions (Contd.)

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

ii) Recurring Transaction - Trading Nature **(Contd.)**

Name of Related Party	Nature of Transaction	Description	2026 Rs.	2025 Rs.
Other Government Related Entities	Sale of Vehicles / Spare Parts and Repair services provided under Payment on Delivery Term	Balance as at 01st April	36,903,735	78,110,590
		Sale of Vehicles, Spares Parts and Gen Sets and Services Rendered during the year	945,522,732	229,247,766
		Payment Received	(683,813,218)	(270,454,621)
		Balance Receivable as at 31st March	298,613,249	36,903,735
Bank of Ceylon	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01st April	9,800,000	8,000,000
		Finance Provided during the year	443,691,315	155,664,800
		Payment Received for the Sale of Vehicles	(437,087,900)	(153,864,800)
		Balance Receivable as at 31st March	16,403,415	9,800,000
People's Leasing & Finance PLC	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01st April	4,080,000	-
		Finance Provided during the year	848,510,998	226,085,400
		Payment Received for the Sale of Vehicles	(845,696,100)	(222,005,400)
		Balance Receivable as at 31st March	6,894,898	4,080,000
Aggregate Value of Related Party Transactions During the Year		- Bank of Ceylon	443,691,315	155,664,800
		- People's Leasing & Finance PLC	848,510,998	226,085,400
Aggregate Value of Related Party Transactions as a % of Net Revenue		- Bank of Ceylon	4.93%	2.88%
		- People's Leasing & Finance PLC	9.42%	4.18%
Other Government Financial Institutions	Finance Provided to Lanka Ashok Leyland PLC's Customers	Balance as at 01st April	3,138,800	-
		Finance Provided during the year	46,256,910	17,543,800
		Payment Received for the Sale of Vehicles	(49,395,710)	(14,405,000)
		Balance Receivable as at 31st March	-	3,138,800
Total Receivable from Government Financial Institutions			23,298,313	17,018,800
Total Related Party Receivable as at 31st March			733,068,567	254,941,699

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

33 RELATED PARTY DISCLOSURE (Contd.)

33.1 Related Party Transactions (Contd.)

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

ii) Recurring Transaction - Trading Nature (Contd.)

Name of Related Party	Nature of Transaction	Description	2026 Rs.	2025 Rs.
Sri Lanka Transport Board	Dividend Payment to Sri Lanka Transport Board	Payment during the year	625,000	468,750
Custom of Sri Lanka	Import Duty and Taxes	Balance as at 01st April	719,792,488	117,836,800
		Taxes and Duty Charge for the Year	3,556,002,099	1,637,839,838
		Payment Made	(3,510,794,587)	(1,035,884,150)
		Balance Payable as at 31st March	765,000,000	719,792,488
Aggregate Value of Related Party Transactions During the Year		- Custom of Sri Lanka	3,556,002,099	1,637,839,838
Aggregate Value of Related Party Transactions as a % of Net Revenue		- Custom of Sri Lanka	39.50%	30.31%
Other Government Institutions	Statutory Payments and Utility Payments made to Government Institutions	Balance as at 01st April	668,321,314	150,732,146
		Taxes, Other Statutory Expenses and Utility Expenses	2,132,624,838	1,473,809,472
		Payment Made	(1,772,798,361)	(956,220,304)
		Balance Payable as at 31st March	1,028,147,791	668,321,314

The aforementioned payable balances to Customs of Sri Lanka and Other Government Institutions have been classified under Trade and Other Payable in Note 29, as well as Current Tax Liability in Note 31.

d) Movement for Impairment Provision Recognized on Related Parties

For the Year Ended 31st March 2026	Balance as at 01st April 2025 Rs.	Impairment Reversal Rs.	Balance as at 31st March 2026 Rs.
Sri Lanka Transport Board	141,645,077	(73,432,076)	68,213,001
Other Government Related Entities - Trade Receivables	10,878,309	15,885,779	26,764,088
	152,523,386	(57,546,297)	94,977,089

For the Year Ended 31st March 2025	Balance as at 01st April 2024 Rs.	Impairment Charge Rs.	Balance as at 31st March 2025 Rs.
Sri Lanka Transport Board	244,718,325	(103,073,248)	141,645,077
Other Government Related Entities - Trade Receivables	15,301,916	(4,423,607)	10,878,309
	260,020,241	(107,496,855)	152,523,386

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

33 RELATED PARTY DISCLOSURE (Contd.)

33.1 Related Party Transactions (Contd.)

c) Transactions and Outstanding balances with Government of Sri Lanka and its related entities (Contd.)
ii) Recurring Transaction - Trading Nature (Contd.)

As At 31st March	2026 Rs.	2025 Rs.
e) Open Advances - by Government of Sri Lanka and its Related Entities		
Sri Lanka Transport Board	26,284,950	19,103,473
Other Government related entities	16,094,303	5,955,803
	42,379,253	25,059,276
f) Open Advances - with Government of Sri Lanka and its Related Entities		
Ceylon Electricity Board	637,500	637,500
	637,500	637,500

33.2 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.

33.3 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.

33.4 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 33 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 33.1 to the Financial Statements.

33.5 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. 51,315,704/- (2024/25 - Rs. 36,397,127/-).

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

For the Year Ended 31st March	2026 Rs.	2025 Rs.
Key Management Personnel Payments		
a. Short Term Employee Benefits	49,050,029	34,509,663
b. Post-Employment Benefits	2,265,675	1,887,464
c. Termination Benefits	-	-
d. Share-Based Payments	-	-
	51,315,704	36,397,127

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

33 RELATED PARTY DISCLOSURE (Contd.)

33.6 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.

33.7 Loans to Directors

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

33.8 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.

34 COMMITMENTS

Letter of credits, affected and documents on acceptance for foreign purchases amounted to Rs. 2,472.11 Mn. (2024/25 - Rs. 744.97 Mn.)

35 CAPITAL COMMITMENTS

There were no material capital expenditure approved by the Board of Directors as at 31st March 2026.

36 CONTINGENT LIABILITIES

There were no material Contingent Liabilities, which require adjustments to or disclosures in the Financial Statements as at 31st March 2026.

37 LITIGATIONS AND CLAIMS

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

38 EVENTS AFTER REPORTING PERIOD

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

After satisfying the Solvency Test in accordance with Section 57 of the Companies Act, No. 07 of 2007, the Directors recommend the payment of first and final dividend of Rs. 30/- per share (300% - Dividend as a percentage of par value) amounting to Rs. 108,625,290/- for the year ended 31st March 2026 (2024/25- Rs. 20/- per share [200% - Dividend as a percentage of par value]) amounting to Rs. 72,416,860/-), which will be declared at the Annual General Meeting to be held on 14th August 2026.

In accordance with LKAS 10, "Events after the reporting period" this proposed first and final dividend has not been recognized as a liability as at 31st March 2026. 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 SEGMENTAL REPORTING

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

40 NUMBER OF EMPLOYEES

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

As At 31st March	2026	2025
Executives	109	85
Non Executives	198	189
	307	274

41 COMPARATIVE INFORMATION

The Company has consistently applied the accounting policies with those adopted in the previous financial year. The presentation and classification of the financial statements of the previous period have been adjusted, where relevant, for better presentation, including a reclassification during 2026 of the Depreciation on Motor Vehicles, Plant & Machinery and Factory Equipment from 'Administrative Expense' to 'Cost of Sales' to better reflect the nature of the expense. Accordingly, Rs. 147,046,750/- was reclassified in the comparative figures for the year ended 31st March 2025.

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 2026	Carrying Amount				Fair Value			
	Fair Value FVTPL	Financial Assets at Amortised cost	Other Financial Liabilities at Amortised cost	Total	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets Measured at Fair Value								
Investment in Equity Securities	360,378	-	-	360,378	360,378	-	-	360,378
	360,378	-	-	360,378	360,378	-	-	360,378
Financial Assets not Measured at Fair Value								
Refundable Security Deposit	-	137,286,037	-	137,286,037	-	-	-	-
Investment in Debentures	-	50,251,483	-	50,251,483				
Rental Receivable from Trade Debtors	-	653,556,752	-	653,556,752	-	-	-	-
Trade Receivable	-	1,465,684,756	-	1,465,684,756	-	-	-	-
Cash & Cash Equivalents	-	4,183,254,479	-	4,183,254,479	-	-	-	-
	-	6,490,033,507	-	6,490,033,507	-	-	-	-
Financial Liabilities Not Measured at Fair Value								
Trade Payable	-	-	1,038,027,240	1,038,027,240	-	-	-	-
Amounts due to Related Parties	-	-	2,606,524,202	2,606,524,202	-	-	-	-
Lease Liabilities	-	-	73,820,125	73,820,125	-	-	-	-
Bank Overdrafts	-	-	48,306,854	48,306,854	-	-	-	-
	-	-	3,766,678,421	3,766,678,421	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

42 FINANCIAL INSTRUMENTS - FAIR VALUES (Contd.)

42.1 Accounting Classifications and Fair Values (Contd.)

As at 31st March 2025	Carrying Amount				Fair Value			
	Fair Value FVTPL Rs.	Financial Assets at Amortised cost Rs.	Other Financial Liabilities at Amotised cost Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets measured at Fair Value								
Investment in Equity Securities	236,633	-	-	236,633	236,633	-	-	236,633
	236,633	-	-	236,633	236,633	-	-	236,633
Financial Assets not measured at Fair Value								
Refundable Security Deposit	-	123,960,304	-	123,960,304	-	-	-	-
Rental Receivable from Trade Debtors	-	261,760,774	-	261,760,774	-	-	-	-
Trade Receivable	-	465,142,473	-	465,142,473	-	-	-	-
Cash & Cash Equivalents	-	617,322,158	-	617,322,158	-	-	-	-
	-	1,468,185,709	-	1,468,185,709	-	-	-	-
Financial Liabilities not measured at Fair Value								
Trade Payable	-	-	1,019,487,152	1,019,487,152	-	-	-	-
Amounts due to Related Parties	-	-	408,780,680	408,780,680	-	-	-	-
Lease Liabilities	-	-	79,556,661	79,556,661	-	-	-	-
Bank Overdrafts	-	-	15,707,510	15,707,510	-	-	-	-
	-	-	1,523,532,003	1,523,532,003	-	-	-	-

Transfer between levels

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's 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's 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

43 FINANCIAL RISK MANAGEMENT (Contd.)

Exposure to Credit Risk

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

As At 31st March	2026 Rs.	2025 Rs.
Trade Receivables	1,465,684,756	465,142,473
Rental Receivable from Trade Debtors	653,556,752	261,760,774
Refundable Security Deposit	137,286,037	123,960,304
Investment in Debentures	50,251,483	-
Cash at Banks and Short Term Investments in Banks	4,135,854,894	580,865,922
Total	6,442,633,922	1,431,729,473

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 2025/26, approximately 5.6% (2024/25 : 5.2%) 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;

As at 31st March 2026	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)	1,001,256,663	200,983,274	72,419,164	61,616,699	272,464,637	1,608,740,437
Impairment	(16,175,196)	(16,860,522)	(4,307,154)	(9,549,850)	(96,162,959)	(143,055,681)
Trade Receivables (Net)	985,081,467	184,122,752	68,112,010	52,066,849	176,301,678	1,465,684,756

As at 31st March 2025	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)	463,898,332	12,702,288	14,423,733	16,485,325	120,665,565	628,175,243
Impairment	(61,636,464)	(3,930,641)	(1,710,473)	(5,604,269)	(90,150,923)	(163,032,770)
Trade Receivables (Net)	402,261,868	8,771,647	12,713,260	10,881,056	30,514,642	465,142,473

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

As At 31st March	Carrying Amount 2026 Rs.	2025 Rs.
Government Entities	617,492,750	83,738,764
Corporates and Other Institutions	757,095,528	364,280,420
End-user Customers	91,096,478	17,123,289
	1,465,684,756	465,142,473

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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;

As at 31st March 2026	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance as at 01st April 2025	153,566,570	37,267,541	190,834,111
Reversal for the year	(129,648,071)	109,606,952	(20,041,119)
Balance as at 31st March 2026	23,918,499	146,874,493	170,792,992

As at 31st March 2025	Individual Impairment Rs.	Collective Impairment Rs.	Total Impairment Rs.
Balance as at 01st April 2024	258,940,094	44,661,908	303,602,002
Reversal for the year	(105,373,524)	(7,394,367)	(112,767,891)
Balance as at 31st March 2025	258,940,094	44,661,908	303,602,002

Cash at Banks

The Company held cash at banks of Rs. 4,104.23 Mn. as at 31st March 2026 (2024/25: Rs. 580.87 Mn.), which represents its maximum credit exposure on these assets.
Respective credit ratings of banks with Company cash balances held are as follows;

As at 31st March		Cash at Bank	
Bank	Credit Rate	2026 Rs.	2025 Rs.
Bank of Ceylon	AA- (lka)	459,367,024	2,300,000
Cargills Bank	A (lka)	407,785,264	159,082,130
Commercial Bank of Ceylon PLC	AA- (lka)	1,898,384,617	318,002,205
Indian Bank	BB+	384,200,852	101,386,307
People's Bank	AA- (lka)	35,800	70,280
Sampath Bank	AA- (lka)	657,207	-
Seylan Bank PLC	A+ (lka)	953,797,603	25,000
State Bank of India	BBB- (lka)	4,933	-
		4,104,233,300	580,865,922

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. 201.9 Mn overdraft facility that is secured. Interest would be payable at the market rate.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

43 FINANCIAL RISK MANAGEMENT (Contd.)

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

As at 31st March 2026	Carrying Amount Rs.	Contractual Cash Flows Total Rs.	0 - 30 Days Rs.	31 - 90 Days Rs.	More than 90 Days Rs.
Trade Payables	1,038,027,240	1,038,027,240	273,233,032	633,514,731	131,279,477
Amounts due to Related Party	2,606,524,202	2,606,524,202	2,606,524,202	-	-
Lease Liability	73,820,125	82,992,396	645,000	1,290,000	81,057,396
Bank Overdrafts	48,306,854	48,306,854	48,306,854	-	-
Total	3,766,678,421	3,775,850,692	2,928,709,088	634,804,731	212,336,873

As at 31st March 2025	Carrying Amount Rs.	Contractual Cash Flows Total Rs.	0 - 30 Days Rs.	31 - 90 Days Rs.	More than 90 Days Rs.
Trade Payables	1,019,487,152	1,019,487,152	338,933,189	549,274,486	131,279,477
Amounts due to Related Party	408,780,680	408,780,680	-	408,780,680	-
Lease Liability	79,556,661	91,541,996	1,635,000	25,916,000	63,990,996
Bank Overdrafts	15,707,510	15,707,510	15,707,510	-	-
Total	1,523,532,003	1,535,517,338	356,275,699	983,971,166	195,270,473

Market Risk

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

Foreign Currency Risk

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

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

As at 31st March	2026 LKR	2026 Exchange Rate	2026 USD	2025 LKR	2025 Exchange Rate	2025 USD
Payable to Ashok Leyland Limited - India	2,606,524,202	319.31	8,162,990	408,780,680	300.58	1,359,973
	2,606,524,202		8,162,990	408,780,680	-	1,359,973

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

43 FINANCIAL RISK MANAGEMENT (Contd.)

Sensitivity Analysis

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

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

	Profit before Tax	
	Strengthening	**Weakening**
2025-26		
LKR (5% movement)	**130,326,210**	**(130,326,210)**
2024-25		
LKR (5% movement)	20,439,034	(20,439,034)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk mainly arises from its interest-bearing financial assets, including fixed deposits and other short-term investments placed with licensed financial institutions.

The Company does not have any interest-bearing borrowings as at the reporting date. Accordingly, the Company is not exposed to significant cash flow interest rate risk arising from borrowings. Management continuously monitors market interest rates to ensure optimal returns on surplus funds while maintaining adequate liquidity and minimizing risk exposure.

Exposure to Interest Rate Risk

The interest rate profile of the Company's interest-bearing financial instruments is given in Note 24.4 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 31st March	2026 Rs.	2025 Rs.
Bank Overdrafts	**48,306,854**	15,707,510
Total Equity	**8,976,926,344**	6,038,510,051
Equity and Debt	**9,025,233,198**	6,054,217,561
Gearing Ratio	**0.5%**	0.3%

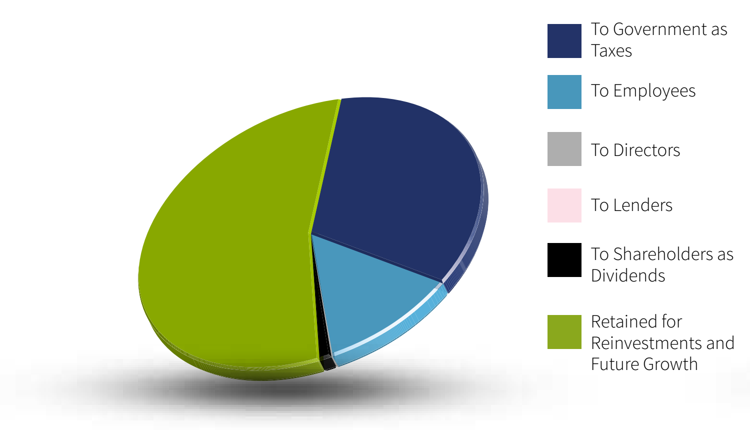
VALUE ADDED STATEMENT

For the Year Ended 31st March	2026 Rs.	2025 Rs.
Revenue	**19,330,408,115**	9,003,641,728
Operating Expenses	**(13,410,109,686)**	(5,763,767,052)
	5,920,298,429	3,239,874,676
Other Operating Income	**171,399,512**	112,440,441
Finance Income	**219,199,021**	107,810,896
Total Value Added by the Company	**6,310,896,962**	3,460,126,013

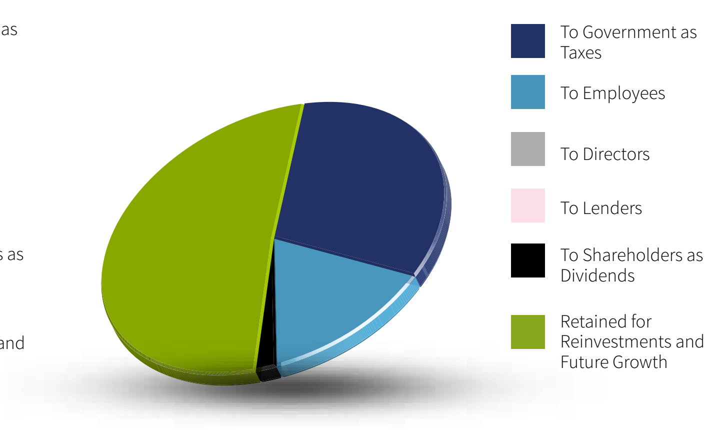
Distributed as Follows

For the Year Ended 31st March	2026		2025	
	Rs.	As a %	Rs.	As a %
To Government as Duties and Taxes	**2,075,698,299**	32.89%	1,117,848,445	32.30%
To Employees	**784,083,598**	12.42%	512,026,650	14.80%
To Directors	**16,950,000**	0.27%	14,400,000	0.42%
To Lenders (Interest on Loan Capital)	**617,359**	0.01%	200,359	0.01%
To Shareholders as Dividends	**72,416,860**	1.15%	54,312,645	1.57%
Retained for Reinvestments and Future Growth (Depreciation & Retained Profits)	**3,361,130,846**	23.26%	1,761,337,914	50.90%
	6,310,896,962	**100%**	**3,460,126,013**	**100.00**

2025/26



2024/25



SHARE INFORMATION

There were 1,540 registered shareholders as at 31st March 2026 distributed as follows;

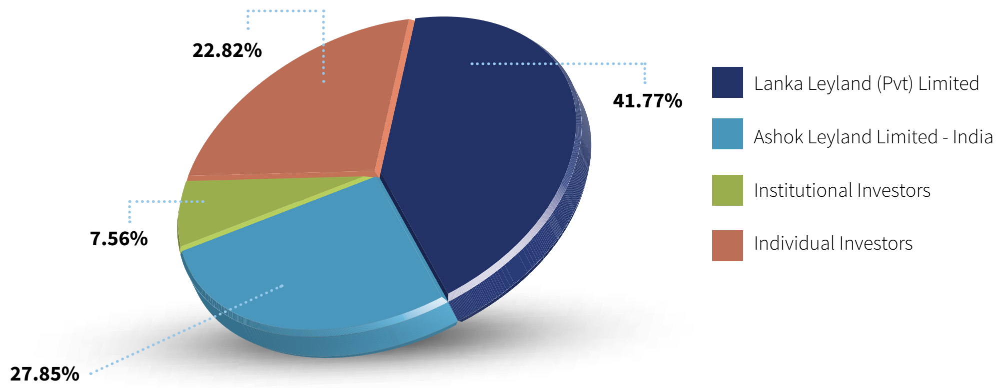
CATEGORY	NO. OF SHAREHOLDERS		NO. OF SHARES		SHAREHOLDING %	
	31st March 2026	31st March 2025	31st March 2026	31st March 2025	31st March 2026	31st March 2025
1 - 1,000	1,482	900	111,596	70,115	3.08	1.94
1,001 - 5,000	45	50	100,821	120,996	2.78	3.34
5,001 - 10,000	7	7	45,483	57,256	1.26	1.58
10,001 - 50,000	2	3	47,250	54,983	1.30	1.52
50,001 - 100,000	-	-	-	-	-	-
100,001 - 500,000	1	1	228,356	228,356	6.31	6.31
500,001 - 1,000,000	1	1	566,505	568,305	15.65	15.70
OVER 1,000,000	2	2	2,520,832	2,520,832	69.62	69.62
TOTAL	1,540	964	3,620,843	3,620,843	100	100

List of 20 Major Shareholders

MAJOR SHAREHOLDERS	NO. OF SHARES HELD		SHARE HOLDING %	
	31st March 2026	31st March 2025	31st March 2026	31st March 2025
Lanka Leyland (Pvt) Limited	1,512,500	1,512,500	41.77	41.77
Ashok Leyland Limited	1,008,332	1,008,332	27.85	27.85
N Thirimanne	564,017	568,305	15.58	15.70
Perpetual Equities (Pvt) Limited	228,356	228,356	6.31	6.31
Sri Lanka Central Transport Board	31,250	31,250	0.86	0.86
L C D Peiris	16,000	-	0.44	-
Peoples leasing and Finance PLC / Verite Research (Pvt) Ltd	9,408	-	0.26	-
Peoples leasing and Finance PLC / P. Tillakaratne	7,936	10,000	0.22	0.28
D R Costa	7,048	2,822	0.19	0.08
Peoples leasing and Finance PLC / H D D Madugalla	5,461	500	0.15	0.01
D B D D Danthanarayana	5,300	5,000	0.15	0.14
U I Suriyabandara	5,300	4,950	0.15	0.14
D S J V Costa	5,030	3,340	0.14	0.09
Peoples leasing & Finance PLC / C D K Kohombanwickram	4,810	-	0.13	-
Seylan Bank PLC/ Ammaiappan Kulasegaran	4,600	4,600	0.13	0.13
B P M Mendis	4,000	3,000	0.11	0.08
Seylan Bank PLC/ S R Fernando	3,950	3,932	0.11	0.11
L N J Perera	3,600	2,600	0.10	0.07
H M Usgalhewa	3,575	-	0.10	-
HNB Investment Bank (Pvt) Ltd / Don Janaka Nishan	3,500	10,000	0.10	0.28
S. Shivadharshan	3,500	7,500	0.10	0.21

SHARE INFORMATION (Contd.)

Overview of Lanka Ashok Leyland PLC Shareholder Structure by Ownership



Public Holding

Public Holding	No. of Shareholders	No. of Shares	% Holding	Float Adjusted Market Capitalization (Rs.)
Shares held by public as at 31st March 2026	1,538	1,100,011	30.38%	2,922,732,159
Shares held by public as at 31st March 2025	962	1,100,011	30.38%	1,045,011,498

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

	Year Ended 31st March 2026		Year Ended 31st March 2025	
	Rs.	Date	Rs.	Date
Highest	4,390.00	16-Oct-25	1,199.00	18-Feb-25
Lowest	2,400.00	23-Mar-26	675.00	30-Jul-24
Last Traded	2,740.00	31-Mar-26	1,000.00	28-Mar-25
Year End	2,657.00	31-Mar-26	950.00	28-Mar-25

Float Adjusted Market Capitalisation

The public holding of the Company as at 31st March 2026 was 30.38% comprising of 1538 shareholders and the float adjusted market capitalization in terms of Rule 7.13.1 (i) (a) of Listing Rule of CSE was Rs. 2,922,732,159/-, accordingly the Company qualifies under option four of the minimum public holding requirement.

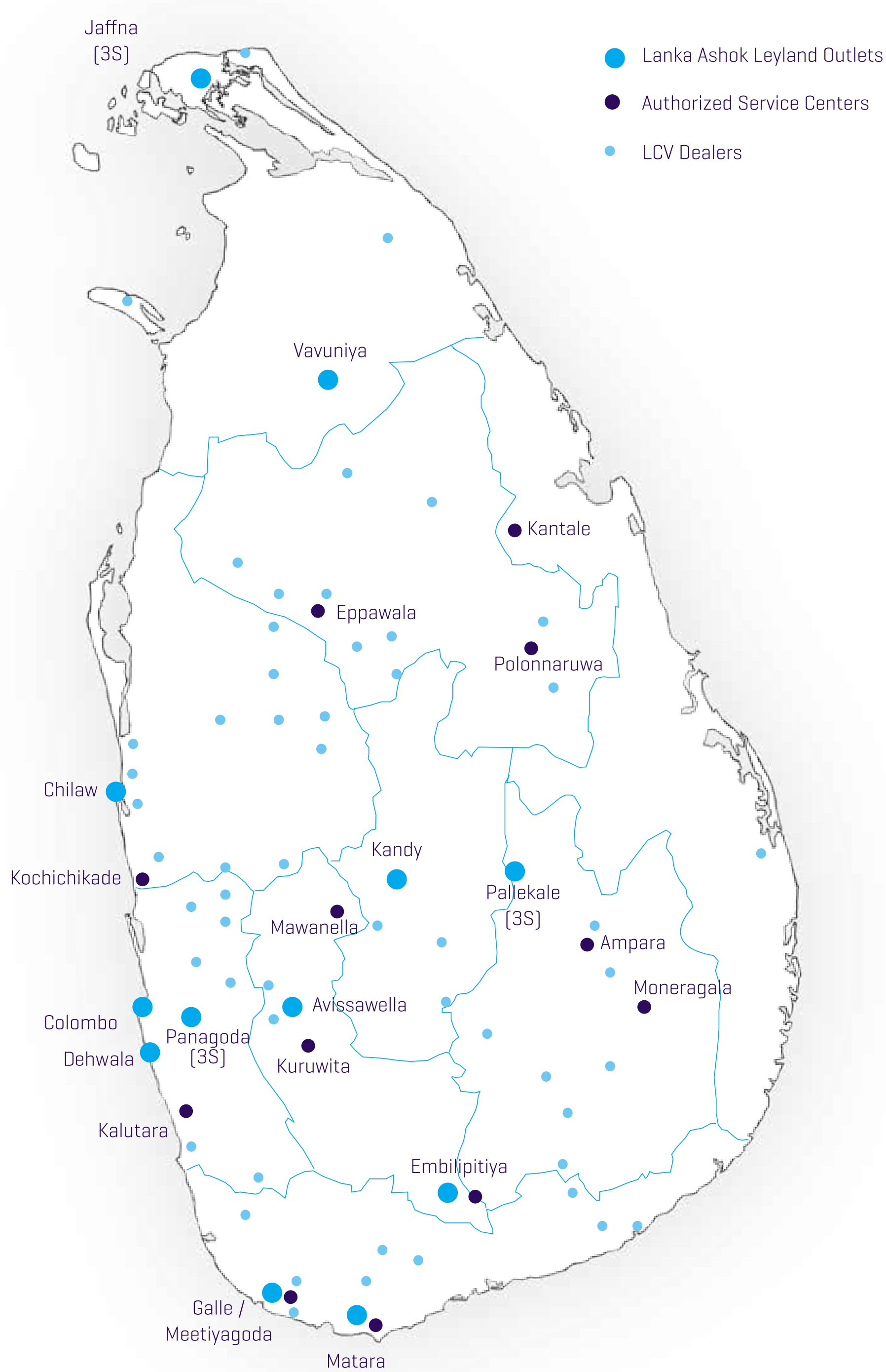
DECADE AT A GLANCE

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
TRADING RESULTS											
Turnover	Rs 000'	11,416,595	15,565,077	8,627,775	6,718,237	2,973,106	6,860,963	3,487,705	5,404,388	9,003,642	**19,330,408**
Net Trading Profit /(Loss) Before Interest	Rs 000'	445,420	821,267	295,316	(5,641)	(238,735)	105,205	(176,612)	1,068,966	2,113,074	**4,244,637**
Interest Paid	Rs 000'	(124,437)	(164,289)	(229,819)	(267,372)	(177,596)	(24,029)	(25,232)	(10,365)	(8,910)	**(8,126)**
Net Trading Profit /(Loss) After Interest	Rs 000'	320,982	656,978	65,496	(273,012)	(416,331)	81,176	(201,844)	1,058,601	2,104,164	**4,236,510**
Other Income	Rs 000'	28,380	26,324	51,432	293,632	435,407	367,472	282,667	194,552	112,440	**171,400**
Profit Before Tax	Rs 000'	349,362	683,302	116,929	20,620	19,076	448,648	80,823	1,253,152	2,216,605	**4,407,910**
Taxation	Rs 000'	(111,156)	(179,185)	(9,468)	82,793	(14,570)	(105,673)	68,171	(395,366)	(685,578)	**(1,345,476)**
Profit After Tax	Rs 000'	238,207	504,117	107,461	103,413	4,505	342,975	148,994	857,787	1,531,027	**3,062,434**
Other Comprehensive Income	Rs 000'	(1,547)	(5,214)	7,259	4,113	810	3,256	4,010	(65,682)	(28,681)	**(51,925)**
Profit Brought Forward	Rs 000'	1,865,189	2,011,388	2,401,829	2,376,907	2,431,363	2,419,620	2,759,922	2,877,613	3,652,674	**5,101,788**
Effect of Transitional Provision	Rs 000'	-	-	(12,913)	(19,325)	-	-	-	-	-	
Retained Earnings											
Profit Available for Appropriations	Rs 000'	2,101,848	2,510,291	2,503,636	2,465,107	2,436,678	2,765,852	2,912,927	3,669,718	5,155,021	**8,112,297**
Dividend Paid	Rs 000'	(90,521)	(108,625)	(126,730)	(36,208)	(18,104)	(7,242)	(36,208)	(18,104)	(54,313)	**(72,417)**
Unclaimed Dividend Reversed	Rs 000'	61	163	-	2,464	1,046	1,312	895	1,061	1,079	**324**
Retained Earnings	Rs 000'	2,011,388	2,401,829	2,376,907	2,431,363	2,419,620	2,759,922	2,877,613	3,652,674	5,101,788	**8,040,204**
INVESTORS' FUNDS											
Share Capital	Rs 000'	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	**36,208**
Retained Earnings	Rs 000'	2,011,388	2,401,829	2,376,907	2,431,363	2,419,620	2,759,922	2,877,613	3,652,674	5,101,788	**8,040,204**
Reserves	Rs 000'	900,646	900,622	900,514	900,514	900,514	900,514	900,514	900,514	900,514	**900,514**
Shareholders Fund	Rs 000'	2,948,242	3,338,660	3,313,629	3,368,085	3,356,342	3,696,644	3,814,335	4,589,397	6,038,510	**8,976,926**
ASSETS & LIABILITIES											
Property, Plant & Equipment	Rs 000'	549,022	524,690	548,285	566,792	508,332	647,642	697,391	1,051,333	1,012,952	**1,900,971**
Other Non Current Assets	Rs 000'	26,404	39,288	54,619	1,929,759	1,558,874	1,135,915	676,873	290,414	545,275	**684,389**
Current Assets	Rs 000'	5,118,300	6,563,827	5,406,205	5,070,161	5,165,568	5,859,273	3,747,304	6,243,210	8,865,966	**14,095,279**
Short - Term Borrowings	Rs 000'	(940,192)	(2,320,488)	(1,523,125)	(3,360,661)	(863,724)	(378,206)	-	-	-	**-**
Other Current Liabilities	Rs 000'	(1,711,833)	(1,385,101)	(1,087,856)	(671,307)	(2,853,333)	(3,426,302)	(1,166,893)	(2,926,724)	(4,279,541)	**(7,575,392)**
Working Capital	Rs 000'	2,466,275	2,858,238	2,795,224	1,038,193	1,448,511	2,054,765	2,580,410	3,316,487	4,586,425	**6,519,887**
Non Current Liabilities	Rs 000'	(93,460)	(83,557)	(84,498)	(166,659)	(159,374)	(141,678)	(140,339)	(68,836)	(106,142)	**(128,320)**
Net worth of Company	Rs 000'	2,948,242	3,338,660	3,313,629	3,368,086	3,356,343	3,696,645	3,814,335	4,589,397	6,038,510	**8,976,926**

DECADE AT A GLANCE (Contd.)

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
CASH FLOW ANALYSIS											
Investments in Property,											
Plant and Equipment	Rs 000'	77,003	29,766	51,553	15,948	24,782	179,570	98,970	80,395	144,668	**123,045**
Depreciation and Amortization	Rs 000'	125,582	121,295	115,993	134,200	136,404	114,063	124,788	151,541	211,291	**271,851**
Net Cash Generated from / (used in)											
Operating Activities	Rs 000'	326,513	(1,205,776)	852,480	(2,023,320)	2,146,543	2,363,943	(1,804,891)	1,329,414	(539,092)	**3,484,395**
Investing Activities	Rs 000'	(69,464)	(13,913)	(27,653)	234,806	403,660	181,277	219,804	128,202	25,095	**149,662**
Financing Activities	Rs 000'	(276,277)	1,271,671	(924,092)	1,772,704	(2,538,672)	(511,933)	(437,466)	(41,619)	(274,463)	**(100,724)**
Net Increase / (Decrease) in											
Cash and Cash Equivalents	Rs 000'	(19,227)	51,982	(99,265)	(15,810)	11,531	2,033,288	(2,022,554)	1,415,997	(788,460)	**3,533,333**
RATIOS & STATISTICS											
Issued Share Capital	Nos.	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	**3,620,844**
Net Assets per Share	Rs.	814.24	922.07	915.15	930.19	926.95	1,020.93	1,053.44	1,267.49	1,667.71	**2,479.24**
Dividend per Share	Rs.	30.00	35.00	10.00	5.00	2.00	10.00	5.00	15.00	20.00	**30.00**
Market Price per Share	Rs.	1,062.00	990.50	628.00	702.00	839.25	710.00	788.00	690.25	950.00	**2,657.00**
Market Capitalisation	Rs 000'	3,845,335	3,586,445	2,273,889	2,541,832	3,038,792	2,570,799	2,853,224	2,499,287	3,439,801	**9,620,580**
Earnings per Share	Rs.	65.79	139.23	29.68	28.56	1.24	94.72	41.15	236.90	422.84	**845.78**
Dividend Payout	%	45.60	25.14	33.69	17.51	160.74	10.56	12.15	6.33	4.73	**3.55**
Price Earning Ratio	No of Times	16.14	7.11	21.16	24.58	674.49	7.50	19.15	2.91	2.25	**3.14**
Current Ratio	No of Times	1.93	1.77	2.07	1.26	1.39	1.54	3.21	2.13	2.07	**1.86**
Quick Ratio	No of Times	0.44	0.25	0.24	0.21	0.21	0.76	0.96	0.85	0.49	**0.87**
Interest Cover	No of Times	3.81	5.16	1.51	1.08	1.11	19.67	4.20	121.90	249.78	**543.42**
Trading Profit Before Int. / Net Turnover.	%	3.90	5.28	3.42	(0.08)	(8.03)	1.53	(5.06)	19.78	23.47	**21.96**
Trading Profit After Int. / Net Turnover.	%	2.81	4.22	0.76	(4.06)	(14.00)	1.18	(5.79)	19.59	23.37	**21.92**
Return on Equity	%	8.08	15.10	3.24	3.07	0.13	9.28	3.91	18.69	25.35	**34.11**
Asset Turnover	No of Times	2.01	2.18	1.44	0.89	0.41	0.90	0.68	0.71	0.86	**1.16**
Gearing (Debt Capital/Debt+Equity Capital)	%	0.25	0.41	0.32	0.51	0.22	0.11	0.01	0.01	0.00	**0.01**

DISTRIBUTION NETWORK



3S - Services, Sales (Vehicle) & Spare parts

GLOSSARY

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

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

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

Borrowings
All interest bearing liabilities.

Capital Employed
Total equity, minority interest and interest bearing Borrowings.

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

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

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

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

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

Debenture
A long-term debt instrument issued by a corporate.

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

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

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

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

EBIT
Abbreviation for Earnings Before Interest and Tax.

Effective Tax Rate
Income tax expense divided by profit from ordinary activities before tax.

Equity
Shareholders' funds.

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

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

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

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

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

GLOSSARY (Contd.)

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

Gearing
Proportion of total interest bearing borrowings to capital employed.

Gross Profit Ratio
Gross profit divided by revenue.

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

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

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

Loss Given Default (LGD)
LGD is the percentage of an exposure that a lender expects to loss in the event of obligor default.

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

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

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

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

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

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

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

Return on Average Capital Employed
Profit before tax plus net finance cost divided by average capital employed.

Return on Average Shareholders' Funds
Attributable profits to the shareholders divided by average shareholders' funds.

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

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

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

NOTICE OF MEETING

Notice is hereby given that the **43rd Annual General Meeting (AGM)** of Lanka Ashok Leyland PLC will be held at Lanka Ashok Leyland Conference Room, Panagoda, Homagama on 14th August 2026 at 11.00 a.m. for the following purposes.

1. To consider the report of the Directors' and the audited Financial Statements for the year ended 31st March 2026.

2. To re-elect a Director in place of Mr. A A M Amarasinghe, who retires by rotation in terms of Article 84 of the Articles of Association of the Company and who, being eligible, offers himself for re-appointment.

3. To re-elect Mr. A A M Amarasinghe as a Director who is over the age of 70 years and who retires at the Annual General Meeting in terms of section 210 of the Companies Act, No. 07 of 2007, by passing the following ordinary resolution.

   "It is hereby Resolved that the age limit referred to in Section 210 of the Companies Act, No. 07 of 2007 shall not apply to Mr. A A M Amarasinghe, who is over the age of 70 years prior to this Annual General Meeting and that he be re-elected."

4. To declare a dividend as recommended by the Board of Directors.

5. To re-appoint Auditors and fix their remuneration, M/s KPMG Chartered Accountants, who are eligible for re-appointment.

   To consider and, if thought fit, to pass with or without modification(s), the following as an ordinary resolution.

   "Resolved that M/s KPMG Chartered Accountants are hereby appointed as Statutory Auditors of the Company, for the Financial Year 2026/27, on a remuneration of Rs. 3,360,000/- (Rupees Three Million Three Hundred Sixty Thousand), in addition to reimbursement of out of pocket expenses."

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

By order of the Board

D A Abeyawardene Associates
Secretary

Colombo
25[5h] May 2026

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

CORPORATE INFORMATION

NAME OF COMPANY	Lanka Ashok Leyland PLC
COMPANY REGISTRATION NO	P Q 168 (Former No N (PBS) 21)
LEGAL FORM	A public quoted Company incorporated in Sri Lanka in 1982. Re-registered as a Public Limited Company under the Companies Act, No. 07 of 2007.
DIRECTORS	Mr. A A M Amarasinghe - Chairman Mr. Gopal Mahadevan Mr. Amandeep Singh Arora Mr. D S Weerakkody Mr. H M U K Samararatne Mr. M K L Jayawardena Mr. Rajive Saharia
COMPANY SECRETARY	D A Abeyawardene Associates 80/12, Rubberwatte Road Gangodavila Nugegoda. Tel : 0112 801205
CHIEF EXECUTIVE OFFICER	Mr. Umesh Gautam
REGISTERED OFFICE	Panagoda, Homagama Tel: 011-2752320 / 011-2751321 / 011-2750232-3 Fax: 011-2752400 E-mail: info@lal.lk Web: www.lal.lk
MARKETING OFFICE	41, Edward Lane R. A. De Mel Mawatha Colombo 03. Tel: 011-2502532 / 011-2590404 / 011-2592163 Fax: 011- 2502286
BANKERS	Bank of Ceylon Cargills Bank Commercial Bank of Ceylon PLC Hatton National Bank Indian Bank People's Bank Sampath Bank PLC Seylan Bank PLC State Bank of India
AUDITORS - STATUTORY	KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Marker Mawatha, P.O. Box 186 Colombo 03.
AUDITORS - INTERNAL	Ernst & Young Consulting Services (Privets) Limited (Chartered Accountants) Rotunda Towers No 109, Galle Road Colombo 03.
TAX CONSULTANTS	Dinitway Partners (Chartered Accountants) No. 7 ½, Devanampiyathissa Mawatha Colombo 10.

NOTES

FORM OF PROXY

I/We..

....holder of NIC No..of

. . ..

....being a *shareholder / shareholders of Lanka Ashok Leyland PLC, do hereby appoint ....

....holder of NIC No:...of

....

or failing him/her

Mr. A A M Amarasinghe .... of Colombo or failing him
Mr. Gopal Mahadevan...of Chennai or failing him
Mr. Amandeep Singh Arora .... of Chennai or failing him
Mr. D S Weerakkody .... of Colombo or failing him
Mr. H M U K Samararatne .... of Colombo or failing him
Mr. M K L Jayawardena .... of Colombo or failing him
Mr. Rajive Saharia .... of Chennai or failing him

as my/ our* proxy to represent me/ us* and on my/ our* behalf at the Annual General Meeting of the Company to be held at Lanka Ashok Leyland Conference Room, Panagoda, Homagama on 14th August 2026 at 11.00 a.m. and at any adjournment thereof and at every poll which may be taken consequence thereof.

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

....
Signature

* Note :

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

FORM OF PROXY (Contd.)

Instructions to Complete Proxy

1. Kindly perfect the form of proxy by filling in legibly your full name and address by deleting one or other of the alternative words indicated by an asterisk in the body of the form overleaf in order to indicate clearly your voting instructions by signing in the space provided and filling in the date of signature.

2. If there is any doubt as to which way the proxy should vote by reason of the way in which instructions under (I) above have been carried out, no vote will be recorded by the proxy.

3. A proxy need not be a member of the Company.

4. The completed form of proxy should be deposited at the registered office of the Company, Panagoda, Homagama, before 11.00 a.m on 12th August 2026 being forty-eight hours before the time appointed for the holding of the meeting.

5. If a form of proxy is signed by an Attorney, the relevant power of Attorney or a notarially certified copy of such power of Attorney should accompany the completed form of proxy for registration if such power of attorney has not already been registered with the Company.

LANKA ASHOK LEYLAND PLC

Panagoda, Homagama, Sri Lanka.
Tel : +94(11) 2750232, +94(11)2752320
E-mail : info@lal.lk
Web : www.lal.lk

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