ANNUAL REPORT 2017

AMW CAPITAL LEASING & FINANCE PLC

AMW CAPITAL LEASING

YOUR DESIRE. OUR PASSION.

Contents

Vision

To be the most trusted, admired and profitable financial institution in Sri Lanka.

Mission

Consistently deliver best-in-class service experiences to our clients. Attract and develop best-in-class professionals who are motivated to achieve the highest levels of service and performance. Provide a superior return for our shareholders and invest in the communities we serve.

Corporate Values

- **Best-in-class client experience**
  We provide timely, personalized and comprehensive solutions that create unique service experiences and earn our clients' loyalty.

- **Our people**
  We attract and develop a diverse workforce comprised of committed and driven individuals that have a sense of urgency and an inherent motivation to succeed.

- **Teamwork**
  We collaborate as one team to achieve our strategic objectives and goals.

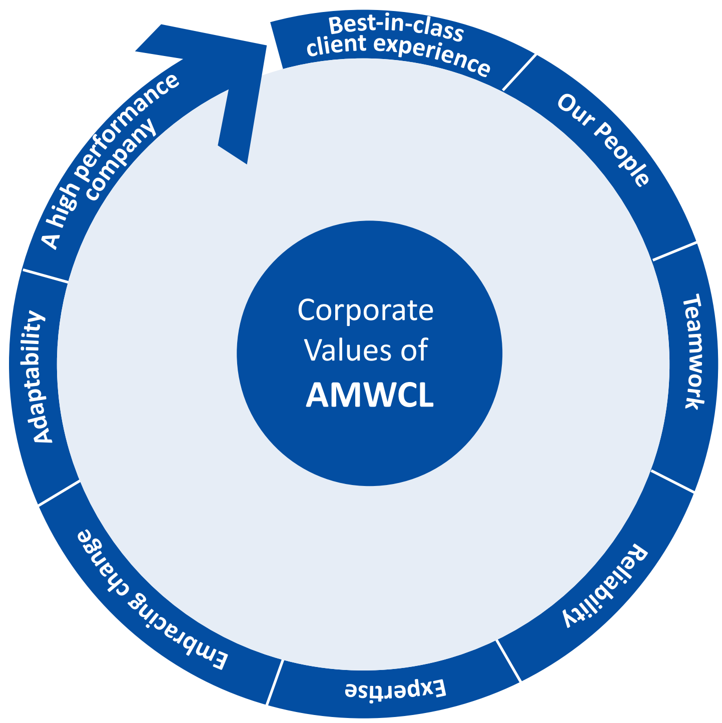
- **Reliability**
  We are committed to carrying out all tasks with accuracy, efficiency, honesty and integrity every day. The communities we serve, our customers, employees and shareholders can depend on us to remain a strong, locally-owned and operated and independent finance company.

- **Expertise**
  We are committed to continuous improvement and never stop learning and use our resources and expertise to encourage positive change in our customers, ourselves and our community.

- **Embracing change**
  We embrace change to find the best ideas, and to continuously improve and grow.

- **Adaptability**
  We are willing to capitalize on the opportunities that arise, tailor our services to fit our customers and anticipate future needs.

- **A high performance company**
  We are committed to excellence and are individually accountable for the achievement of measurable outcomes.



CHAIRMAN'S MESSAGE

"We are a strongly capitalized company and this is reflected in our Capital Adequacy Ratio. As for impairment, our provisioning standards are conservative and well on course to meeting the requirements the Sri Lanka Financial Reporting Standards No.9."

It is with great pleasure that I present to you the Annual Report and Audited Financial Statement for the year ended 31st December 2017 of AMW Capital Leasing and Finance PLC. I am happy to report that our Company recorded its highest ever profit of Rs. 383 million in its journey towards sustainable growth in all spheres of business regardless of tough economic conditions.

Global Economy

The global economy rebounded in 2017 with an estimated growth rate of 3.6% reflecting a global upswing in economic activities. Underpinning the growth was the performance from Emerging Markets and Developing Economies which achieved a growth rate of 4.3% during the year under review as a result of the recovery in commodity exports coupled with the robust activities of the commodity imports with East and South Asia being the most dynamic regions. The growth in the advanced economies stood at an estimated rate of 2.3% led by substantial growth in the Euro area and to a lesser degree in the United States and Japan.

Nevertheless, the global economic outlook is subjected to downside risks due to numerous factors in terms of financial stress, increased protectionism and increasing geopolitical tension in the coming years. Therefore, the need to focus on structural policies to increase long term productivity and improve living standards is vital.

CHAIRMAN'S MESSAGE *(Contd.)*

Sri Lankan Economy

The Sri Lankan economy achieved a GDP growth rate of 3.1% in the third quarter of 2017, mainly contributed by the services sector which had a growth pace of 4.3%. The industry sector grew by 1.9% while agricultural sector experienced a negative growth of 3.3% as a result of the drought that prevailed during the first quarter of the year and the floods during the second quarter. The overall economy remains at a satisfactory level though it decelerated compared to the previous year due to the adverse impact from the natural disasters and challenges posed by a complex political environment.

The government introduced a number of economic reforms to address the economic imbalances in terms of fiscal deficit, credit growth, inflation, foreign reserves, balance of payment and foreign exchange. Government introduced a new Inland Revenue Act effective from April 2018 to improve the tax revenues, which stands at a low of 12% of GDP. The Government is moving away from granting long term tax holidays and ad hoc tax exemptions to granting accelerated depreciation allowances. A significant change is the introduction of VAT on purchase of property and the introduction of Capital Gains Tax on the sale of capital assets. There is also a general increase in personal and corporate tax across industries.

The country's prevailing tight economic policies and the unstable political environment will pose some challenges and therefore realignment of strategies in relation to the external environment is of paramount important.

The Industry

The sector recorded a profit of Rs. 25.8 billion during the year 2017 compared to Rs. 31.4 billion in the year 2016. With a view to controlling credit growth during Q4 2016, government further tightened the Loan to Value ratio effective from January 2017. This had an adverse impact on asset growth which grew by 12% in the year 2017 compared to 22% in the year 2016.

The growth in sector assets was funded mainly through deposits, which grew by 29% in 2017 compared to a growth rate of 10% in 2016. In contrast, the borrowing growth declined by 10% in the year 2017 compared to the growth of 40% in 2016.

The quality of the assets marginally decreased with Non-Performing Loans increasing from 5.26% in 2016 to 5.94% in 2017. The annualized ROA and ROE ratios were at 2.99% and 14.73% respectively, compared to 3.62% and 19.81% respectively, in the year 2016. The sector by and large maintained adequate capital levels which is reflected by the average Capital Adequacy Ratio (CAR) of 12.41%.

Company Performance

AMW Capital Leasing and Finance PLC at the end of the financial year witnessed an increase of 11.6% in the profit after tax compared to the previous year. The financial results of our company showcase the story of our achievements during the year under review, despite an extremely challenging environment.

The asset base grew to Rs. 11.5 billion at the end of the financial year while maintaining the Non-Performing Loan (NPL) ratio at 2.1% which is lower than the industry average. The foremost aim of the company is to build a "quality over quantity" culture and I'm delighted to announce that we have continued to improve the quality of our product portfolio supported by a loyal customer base. As for impairment, our provisioning standards are conservative and well on course to meeting the requirements the Sri Lanka Financial Reporting Standards No.9.

The Return on Assets (ROA) and Return on Equity (ROE) were 5.65% and 20.9% respectively. The fixed deposit book increased by 60.1% of Rs. 2.7 billion compared to Rs. 1.7 billion increases in the previous year.

We are a strongly capitalized company and this is reflected in our Capital Adequacy Ratio of 18.37% in 2017 against 15.49% in 2016.

Outlook

We look forward to an exciting year ahead on the back of a strong 2017 performance. Government policy changes introduced in 2016 and 2017 will have a significant influence on the performance ahead.

Further, the years 2019 to 2022 will be crucial for the Sri Lankan economy given the significant foreign currency debt repayments that will arise in capital and interest.

In the light of these, the company has taken effective steps to manage costs, gradually moving to other secured lending products such as two-wheelers while managing risks effectively and also constantly monitoring and reviewing the funding mix to ensure that liquidity and market risks are managed prudently.

I have full confidence in the Management team to continue in delivering strong performance and successfully respond to changes in the market environment in a timely manner.

Appreciation

I take this opportunity to extend my gratitude to our parent company, Associated Motorways (Pvt) Ltd, for their invaluable contribution towards the success of the company. I would also like to convey my sincere appreciation to my colleagues on the Board for their valuable and unstinted support, expertise and guidance extended to me at all times to drive the Company forward. I extend my appreciation to the Director/CEO, the management team and all staff for their unconditional efforts and commitment to achieve an excellent and sustainable business performance. I greatly appreciate the support given by the Central Bank of Sri Lanka and other regulatory bodies for their valued counsel and direction and last but by no means least, I would like to thank our valued customers for the confidence placed in our company.

Trevine Sylvester Anthony Fernandopulle
Chairman

30 March 2018

DIRECTOR / CEO'S MESSAGE

"Despite the shrinking margins, challenging market conditions and upsurge in the cost of funds, AMWCL recorded an encouraging total revenue of Rs. 1.8 billion, with a net Profit after Tax (PAT) of Rs. 383.2 million."

It gives me great pleasure to share with you the Annual Report of AMW Capital Leasing and Finance PLC (AMWCL) for the year ended 31 December 2017. Surpassing the remarkable progress made over the past years, the Company continued to end the year with promising results.

The Economy

2017 was a challenging year due to unfavorable weather conditions and its adverse effects on the country. Sri Lanka recorded an economic growth of 3.1% in 2017, compared to the growth of 4.5% in the previous year. The price levels of the country as indicated by the inflation rate eased marginally during 2017 due to tighter policy measures.

Earnings from exports increased at a faster rate than the surge in import expenditure, resulting in a narrower trade deficit in 2017. Despite the trade deficit, continued inflows by way of tourism earnings and workers' remittances, have contributed towards limiting the pressure on balance of payments. The value of the SL Rupee against the US Dollar depreciated by about 2.0% during the year as a result.

The restrictive Loan to Value ratio imposed on motor vehicles, curtailed the growth in the vehicle market. During the year 2017, the number of motor vehicles registered in the Department of Motor Traffic Sri Lanka was 441,739; out of which only 418,659 were new vehicles, which was 11.62% lower than the previous year.

DIRECTOR / CEO'S MESSAGE *(Contd.)*

The Industry

The Non-Banking Financial Sector (NBFI) of Sri Lanka, which consist of 45 Licensed Finance Companies and 6 Specialized Leasing Companies operating through 1,362 branches, recorded an improved performance in the year 2017. As per the statistics, over the last four years, the sector expanded at 18.6% per annum on a compounded basis. However, it still remains relatively small, representing only 8.00% of the total assets of the financial system, leaving ample room for further growth. The NBFI sector that includes Licensed Finance Companies and Specialized Leasing Companies reported an asset base of Rs. 1,354.9 billion as of 31 December 2017.

The sector recorded a Profit after Tax (PAT) of Rs. 25.8 billion for the year 2017, whilst the quality of the portfolio has decreased as reflected by an increase in Gross Non-Performing Loan (NPL) ratio from 5.26% in 2016 to 5.94% in 2017. Maintaining asset quality in the present market conditions was a huge challenge for all NBFI's in the entire financial sector.

Overall, the sector recorded a Return on Equity (ROE) of 14.73% with a Return on Assets (ROA) ratio of 2.99% at the end of 2017.

It is noteworthy to mention that the presence of commercial banks in the automotive financing sector, often capturing a large slice of high creditworthy customers through low pricing, was a threat to the long term survival and growth of this industry. This has resulted in a price war and dilution of credit appraisal standards, often resulting in lesser net interest margins, increased non-performing loans and unsavory business ethics being practiced by many NBFI's.

Company Performance

Inspite of the challenging business environment and the decrease in the new motor vehicles market, largely due to increased customs duties and restriction in Loan to Value ratio, AMWCL managed to perform creditably in a highly competitive auto financing market.

Despite the shrinking margins, challenging market conditions and upsurge in the cost of funds predominant in the year, AMWCL recorded an encouraging total revenue of Rs. 1.8 billion, with a net Profit after Tax (PAT) of Rs. 383.2 million during the year, compared to Rs. 343.5 million in year 2016. This resulted in a Net Interest Margin (NIM) of 7.63%, a ROE of 20.9% and a ROA of 5.65%. The latter two ratios surpassing the industry average substantially.

Company's product mix comprises of 62% Finance Leases and 38% Auto Loans, which were fully secured with motor vehicles.

The company focused moderately on increasing its funding through Fixed Deposits. Despite this, the Fixed Deposit base reached Rs. 2.7 billion at the year end, which is a 60% increase over the previous year. The strategy was to retain loyal customers who placed more emphasis on the past track record, performance and sustainability of the company.

The growth in the lending portfolio was well complemented by a high quality asset portfolio, close monitoring and equally supported with stringent recovery efforts. This enabled AMWCL to maintain a commendable Non-Performing Loan Ratio (NPL) of 2.1% at year end, well below the industry average.

The performance of your company has resulted in Fitch Ratings Lanka Ltd, affirming a BBB+ (lka) Credit Rating for the company, having taken in to account; consistent financial performance, good governance, parent company support and peer performance.

Outlook

2018 will witness similar environmental challenges in the form of interest rate and foreign exchange rate vulnerability, drop in demand for high engine capacity motor vehicles, enforcement of emission control and safety standards for motor vehicles and restriction of LTV. In light of this, the company will focus on increasing its income generating asset base and Net Interest Margins, through a diversified product portfolio and an increased market share of financing in-house captive automotive brands. It will strive to sustain and improve customer loyalty and satisfaction through technological enhancements, realignment of business processes and by improving the knowledge and skills of human resources.

The investments we continue to make to expand and diversify our portfolio and to constantly create value for all our stakeholders, stand as testimony to the confidence with which we look to the future and the long term.

Appreciation

I respectfully acknowledge the contribution and support extended by my colleagues on the Board, especially the immediate past Chairman Mr. Nihal Welikala and current Chairman Mr. Trevine Fernandopulle, for the valuable advice and guidance provided. My sincere appreciation goes out to the Governor of the Central Bank of Sri Lanka, Director Non-Bank Supervision and all officials of the Central Bank Non-Bank Supervision Division for the counsel and support at all times. A special word of thanks go out to all our customers for the loyalty and patronage and to all stakeholders for their continued support.

To achieve these results in the current context would not have been possible, if not for a passionate and dedicated group of employees, who rallied round the management team to deliver key performance objectives, in a timely manner. Their unstinted support and loyalty have been the cornerstone of your company's success.

Brandon Morris
Director/CEO

30 March 2018

BOARD OF DIRECTORS

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1. Mr. Trevine Sylvester Anthony Fernandopulle
Chairman

Mr. Fernandopulle has over 30 years of work experience at HSBC (Local and Overseas) from 1978 to 2008 and retiring at the end of 2008 as the Deputy CEO. He was seconded by HSBC to work in Saudi British Bank, Saudi Arabia as Head of Credit and to restructure their Risk Management and Credit Administration functions and to manage the Loan Recoveries during his tenure with the Bank from 1996 to 1999. He was also appointed as the Group Chief Risk Officer at the Bank of Ceylon from 2009 – 2012. From 2012 to May 2016 he was appointed as the Chief Risk Officer/Executive Vice President Risk at DFCC Group. Mr. Fernandopulle was appointed as a Director of Dutch Lanka Trailer Manufacturers Ltd and Union Bank Ltd effective January 2017 and April 2017 respectively.

Mr. Fernandopulle was also appointed to several committees such as the Asset and Liability, Audit, Strategic Planning, Human Resources, Risk Management, Credit, Investment, Impairment, Information Technology during his appointments in the respective banks. He is a Member of the Board of The National Insurance Trust Fund and the Chairman of the Board of Trustees of The Joseph Frazer Memorial Hospital. Mr. Fernandopulle was the Past President, Chartered Institute of Bankers (Sri Lanka Branch) and a Founder Member and Past Vice President Association of Banking Risk Professionals Sri Lanka.

Mr. Trevine Fernandopulle is an Associate of the Chartered Institute of Bankers London and a Fellow Member of the Chartered Institute of Bankers London. He holds a BSc (Mathematics) from the Imperial College University of London and MSc (Statistics) from London School of Economics University of London.

2. Mr. Brandon Philip Morris
Director/CEO

Mr. Brandon Morris counts over 25 years of Managerial experience, of which 20 have been in the Non-Banking Financial Sector (NBFI). Prior to joining AMW Capital Leasing & Finance PLC, Mr. Morris held key positions at LB Finance Ltd (Asst. Manager), LOLC (Asst. General Manager), Ceylease Financial Services Ltd (Chief Operating Officer) and TVS Automotives (Pvt) Ltd (CEO).

He is a Chartered Marketer, holds an MBA from the Post Graduate Institute of Management (PIM), University of Sri Jayewardenepura and a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (CIM) UK.

His diverse skills and valuable experience in Sales, Branding, Credit Appraisal, Debtor Management, Distribution, Dealership Management, Logistics and International Trading, in both the financial and trading sectors, complements his role as a Management Board Director of AMW Group as well.

Mr. Morris currently serves as a Director of the Finance Houses Association of Sri Lanka (FHA) and was the Past Vice Chairman of the Leasing Association of Sri Lanka. He represents the Leasing Association of Sri Lanka in the Ceylon Chamber of Commerce main committee.

3. Mr. Angelo Maharajah Patrick
Non-Executive Independent Director

Mr. Angelo M. Patrick holds an MBA from the University of Colombo and is a Fellow Member of the Chartered Institute of Management Accountants (UK) and a Member of the Institute of Marketing (UK). He has held Directorates and Senior Management positions over the past 40 years in Sri Lanka, Indonesia and Canada.

He was the President of the Chartered Institute of Management Accountants, Sri Lanka Division in 1993-94 and represented Sri Lanka on the Global Council of CIMA in the United Kingdom for 3 years. He is a Lecturer and Examiner for the Postgraduate Diploma in Manufacturing Management in the University of Colombo. He was a Member of the Sri Lanka Accounting Standards Committee and the Corporate Governance Committee of The Institute of Chartered Accountants of Sri Lanka.

He is a Group Director of The Capital Maharaja Organization Ltd and Non-Executive Independent Director of AMW Capital Leasing & Finance PLC and Richard Pieris Exports PLC.

BOARD OF DIRECTORS *(Contd.)*


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4. Mr. Joseph Dacius Nihal Kekulawala
Non-Executive Independent Director

Mr. Kekulawala has over 30 years of results oriented financial management experience in the Financial Service Industry. He had played a strategic role in the diversification of Hatton National Bank PLC, from commercial banking to investment banking, venture capital, stock broking and life/general insurance.

Mr. Kekulawala had held senior positions in the Hatton National Bank including Chief Financial Officer, Senior Deputy General Manager Strategy & Compliance. He worked as the lead consultant responsible for commencing commercial banking operations in the Solomon Islands and also functioned as the inaugural CEO of the bank.

He had undergone extensive Management and Leadership Development studies at Stanford University in USA, Institute of Management Development in Lausanne Switzerland, University of Melbourne in Australia and Asian Institute of Management in Philippines. Mr. Kekulawala is a Past President of the Association of Professional Bankers Sri Lanka.

Mr. Kekulawala is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of the Institute of Chartered Accountants in Sri Lanka and a Fellow of the Chartered Institute of Bankers in England. He holds a MBA from the University of Manchester.

5. Mr. Anil Dalsukhlal Lakhani
Executive Director

Mr. Anil Lakhani is a Senior Finance Professional being qualified by the Institute of Chartered Accountants of India and Chartered Institute of Management Accountants UK, with 24 years' experience in Retail, Real Estate and Trading sectors. He is the Finance Director of AMWCL's parent company Associated Motorways (Private) Limited.

He worked as an Assistant Audit Manager in A.F. Ferguson handling various audit assignments of leading business houses such as Tata, Mahindra and GE Lighting from July 1993 to November 1995. He was the Assistant Manager Finance at Al-Futtaim Sons from October 1996 to September 2001. He joined Dubai Properties LLC which is a part of Dubai Holding Group as the Director – Finance and Planning from September 2001 to June 2012. He was with Al-Futtaim Group since 2012 as General Manager Finance handling Retail vertical followed by Automotive.

During his work tenure he had worked with multi nationalities, geographies and start-up environment and he had managed teams to deliver business objectives and built sustainable performance standards in Finance and Commercial functions.

6. Mr. Richard Kassaby
Non-Executive Director

Mr. Richard Kassaby has worked in the finance industry for more than 20 years with broad experience in treasury, capital markets and regulatory structuring across a range of industry sectors in both developed and emerging markets.

Mr. Kassaby is the Managing Director of Al-Futtaim Finance, a finance company regulated by the Central Bank of the UAE. Prior to joining Al-Futtaim, Mr. Kassaby was a Director of Sturt Capital and an Executive Vice President, Institutional Banking at Commonwealth Bank of Australia.

Mr. Kassaby holds a Master of Taxation Law from Melbourne University and a Bachelor of Information Systems from Monash University.

7. Mrs. Ruvini Eroshini Weerasinghe
Company Secretary
(Absent in Photograph)

Mrs. Ruvini Eroshini Weerasinghe was appointed as the Company Secretary of AMW Capital Leasing and Finance PLC in June 2017 and is the Company Secretary and Head of Legal of AMW Group. She is an Attorney-at-Law of the Supreme Court of Sri Lanka and registered as a Company Secretary with the Registrar General of Companies. She holds an MBA from Cardiff Metropolitan University, UK.

Mrs. Weerasinghe has over 23 years' experience in litigation and Notarial work, and over 19 years of experience in the Finance Leasing Industry.

OPERATIONAL REVIEW

Management Discussion and Analysis

Operating Environment:

The operating environment during the year 2017 was not a pleasant one for NBFI (Non-Banking Financial Institutions) when compared with the year 2016. The Rupee got weaker against the US$ during the year increasing commodity prices as well as the prices of motor vehicles. Market interest rates too started edging up during the year. Further, the private sector credit growth showed a sharp decline from level of 28.5% in 2016 to 17.5% due to policies adopted by the government to manage the economy.

NBFI industry:

The continuous efforts on tightening the regulatory framework for NBFI sector has been visible throughout the year under review. The long due, unsolved issues related to public deposit holders of number of distressed finance companies can be seen as the obvious reason for these new developments. The direction issued by the regulator enhancing the minimum core capital on staggering basis to Rs. 1.0 billion, Rs. 1.5 billion and Rs. 2 billion respectively by the beginning of 2018, 2019 and 2020 can be seen as a measure taken to reduce the number of existing NBFI players in the market probably with the intention of having a better control, governance and to strengthen the balance sheets of NBFIs to achieve multifaceted benefits. However, this builds pressure on existing shareholders to infuse more equity or compel the companies with smaller balance sheets to be acquired by larger players to comply with the direction. The implementation of VAT law in November 2016, by increasing the VAT on financial service from 11% to 15% too impacted the industry profitability.

Further, new LTV direction issued by the regulator at the beginning of year 2017 reducing the LTVs for motor cars, SUVs and vans to 50% severely affected the vehicle financing business of NBFIs. The new direction almost halted the demand for three wheeler and its financing due to reducing the LTV on three wheelers to 25%. Total new three wheeler registration slipped to 22,008 units in 2017 in comparison to 56,340 units in 2016.

Funding the business operation through public deposits becomes a challenge for the NBFIs due to some of the banks offering attractive interest rates on fixed deposits since banks are not being imposed a cap on FD interest rates as the NBFIs.

Assets:

The total assets of the NBFI industry increased to Rs. 1,354.9 billion in 2017 from Rs. 1,211.8 billion in 2016. Further, loans & advances increased to Rs. 1,057.0 billion from Rs. 962.6 billion in 2016. The growth reported by leasing followed by loans and pawning were the key growth drivers during the year 2017. However, both the total asset base and the loans & advances of the sector experienced a sharp deceleration in its growth during the year 2017. The total assets which grew at 21.5% during 2016 declined to 11.5% in 2017 and the total growth rate of loans & advances declined to 9.9% from 21.0% in 2016. Although the total loans & advances increased by 9.9% during the year, Profit After Tax (PAT) declined by almost 22% from Rs. 31.48 billion in 2016 to Rs. 25.82 billion in 2017 challenging the operational efficiencies of the industry.

NBFIs opened 58 new branches during 2017. However, new branches opened during the year were relatively lower than the previous year. Total number of branches increased to 1,362 in 2017 from 1,304 in 2016.

Portfolio Quality:

With the sharp decrease in demand for motor vehicles and losing a sizeable market share of vehicle leasing to banks offering very competitive interest rates, NBFI sector had to resort to many other alternative products such as unsecured lending, loans against property mortgages etc without having proper infrastructure and business model to mitigate risks leading industry NPAs to slightly edge upwards to 5.7% (as of September) during the year 2017.

Loan provisioning and suspended interest escalated to Rs. 51.59 billion in 2017 from Rs. 43.63 billion in 2016.

Future Outlook:

The profitability of the industry shall get affected due to many new measures including IFRS9 accounting standards, excluding capital allowances benefit from tax calculation etc which are to come into action in the coming years. Further, increase of WHT on fixed deposit interest from 2.5% to 5% might be another barrier to solicit public funds.

Company Performance:

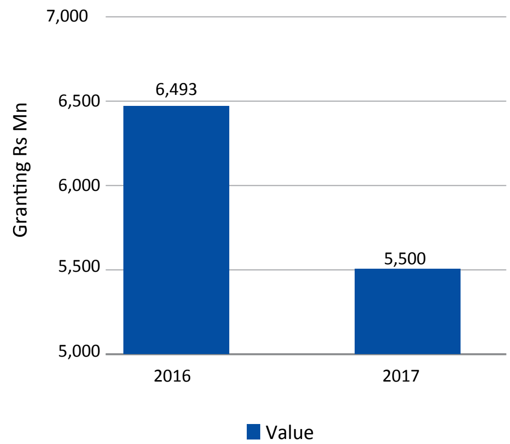
Sales & Marketing:

The year 2017 was one of the toughest years for the Sales & Marketing Division in achieving the budgeted volumes. The overall demand across almost all the motor vehicle segments, which consists of major portion of the disbursements of finance/ leasing companies, contracted as a result of the introduction of stricter LTV ratios and increase in motor vehicle prices as a result of increased duty and local currency depreciation.

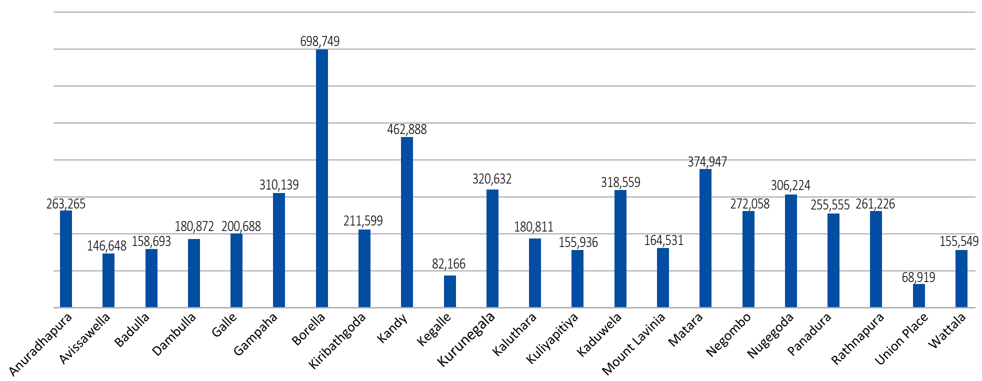
The company's sales & marketing strategy has always been to get more from "captive brands" which has been of high credit quality while increasing the volume from non-AMW (Associated Motorways (Pvt) Ltd) brands (both pre-owned and unregistered) as well to support the company's growth plans. However, increased vehicle prices and LTV ratios badly affected AMW's sales volumes during the year 2017 severely affecting the leasing volumes projected by AMWCL (AMW Capital Leasing & Finance PLC) from AMW in return. The overall business volume derived from captive brands decreased by 35% in 2017 when compared to that of in 2016. The brands that contributed badly to this drop were Suzuki/ Maruti and Renault. The total number of vehicles sold by Suzuki division dropped to 2,921 units in 2017 from 8,516 units in 2016 and that of Renault came down to 1,055 units in 2017 from 3,033 units in 2016.

The company maintained its Net Interest Margin (NIM) at 7.63%, which is on par with the industry average, but continues its thrust of increasing the NIM by focusing more on high yielding products such as two wheeler financing with the ultimatum of improving profitability, ROA and ROE. The volume generated from two wheelers showed a stunning growth of 25% within a shorter period of last 06 months of the year in comparison to the previous year. Further, regional sales concept was brought in by appointing 04 Regional Managers to concentrate & focus more on sales, branch governance structure and productivity which brought satisfactory results. The continuous focus, concentrated efforts together with overall business strategies used assisted the company to improve its PAT besides a drop in granting.

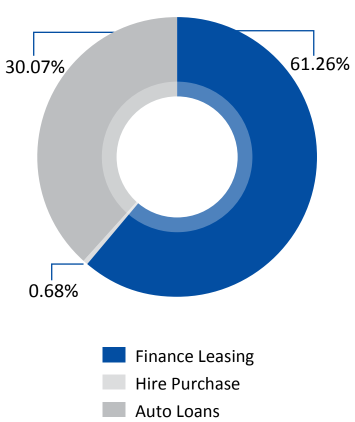
Disbursements 2016 Vs 2017



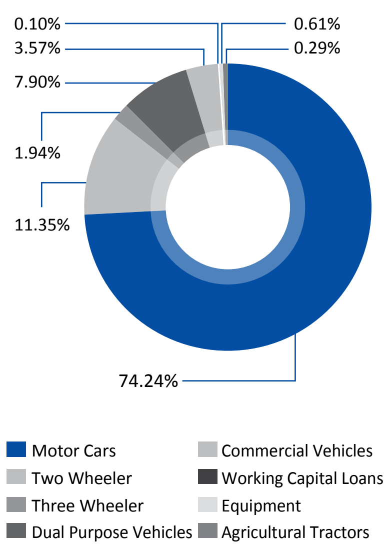
Branch-wise Executions - 2017



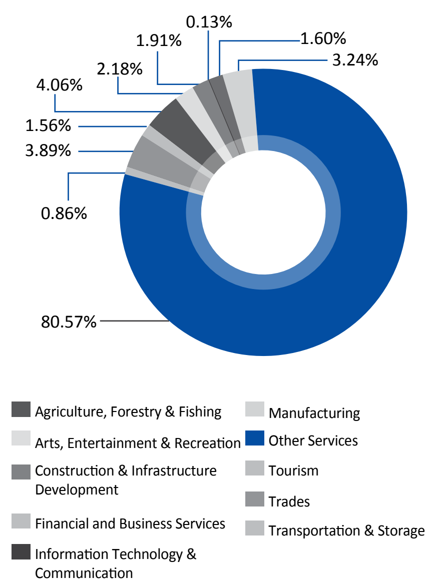
Exposure Based on Product Class - 2017



Portfolio Asset Class - 2017



Sector-wise Executions - 2017



Funding

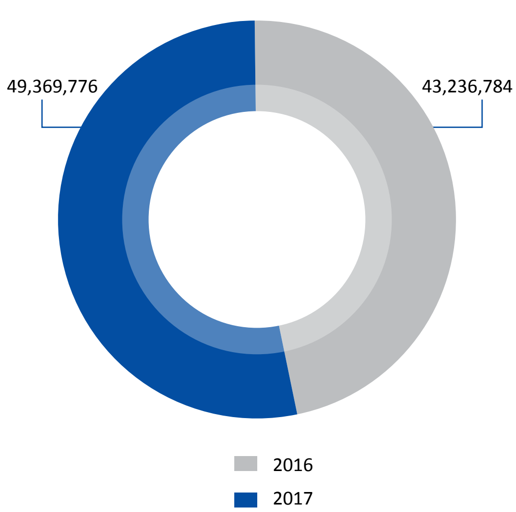
The company's Asset and Liability Committee (ALCO) takes calls on the right composition (tenor, rate/ both fixed & variable and the quantum) of the various types of debt instruments required by the company considering the liquidity gaps, interest rates gaps and anticipated market trends. Since the bank borrowings were cheaper in all aspects including interest rate risk, the company resorted to borrow almost 50% of the required funding from banks sometimes securitizing the portfolio receivables. The company also borrowed from the parent company, as and when the requirements arise, at attractive rates. The company's time deposit increased by 60% to reach Rs. 2.70 billion in 2017 without investing on infrastructure or on additional manpower thus operating the division as lean as possible.

Insurance

Comprehensively insuring all the lease assets with financial interest to the company is very important in case of accident to recovery the capital outstanding of the loan while offering our customer peace mind. Our company deals with the best 10 insurance companies in the country to facilitate insurance requirements in order to enable our customers to obtain all related services under one roof, thus providing the maximum convenience. However, the choice of selecting the insurance company always remains with the customer.

During the year under discussion, we managed to increase the insurance placed through our company's insurance unit to over 90% of the total transactions done by the company thus increasing our insurance commission income to Rs. 49.37 million, a growth of 14% over the previous year. The total insurance commission income represented 12.6% of the total other operating income during 2017. The department cleared all uninsured assets in the portfolio which has been an outstanding issue for several years by comprehensively insuring the entire asset base avoiding any future risk that may arise from uninsured assets.The company also commenced automatic renewal notices sending process using SMS alerts to inform customers to renew their insurance promptly. The company is planning to upgrade its insurance module to handle non-leasing, outside insurance in the future to increase the commission income further.

Insurance Commission Income



Portfolio Quality

The company is blessed with a management team that understands the underlying concept and the importance of credit management in lending business. The strong credit culture which has been prevailing since inception of the company enabled the company to maintain extremely good quality portfolio. The NPA ratio was as low as 2.18% (gross) in 2017 when the industry average is around 6.0%. Thus assisting the company to derive ROEs as high as 19.13% when the industry average was 15.0% (as of September 2017). Empowering Branch Managers through thoughtfully designed product based credit parameters assisted the company to speed up the credit underlying and approval process thereby accelerating the decision making process to provide a better service to our customers.

Recovery

The commendably low NPA ratio maintained during the year under review is a reflection of sound credit & risk policies, processes and the performance of the Recovery Department. The continuous changes to meet the changing market environment conditions, automation of certain processes and improving of the collection tactics consistently assisted the company to improve its results. Further, the company divided the entire geographical area into three and delegated the responsibilities of the branches operating under each area to three regional heads for effective and efficient monitoring. The company also formed a dedicated Recovery Team to follow up on the small ticket leases such as two wheelers/ three wheelers since the company is on the drive to grow the two wheeler, better yielding products during the year under review.

Information and Communication Technology (ICT)

ICT has always been in the top of the mind of the company's management team and it constantly gets the knowledge and the support of new technology from Al-Futtaim Group, the major shareholder of AMW and one of the largest business conglomerates in the UAE. AMWCL introduced many first among NBFIs in the past such as "paperless on-line credit approvals", "Customer Portal to check their account balances" etc. The company kept developing many things during the year 2017 as well and some of them are given below.

- Introduced a comprehensive "Pledge Asset Handling" module
- Upgrading the Core Module (Lease Wave) to IE 11.0 platform to make the system compatible with latest operating systems thereby enhancing the process speed
- Both software & hardware server versions were upgraded for performance & reliability
- Introduction of a "audit trail mechanism" to the Core Module to track and enhance security aspects
- Incorporation of a feature to facilitate new ID numbers

In addition, automation of many operational activities and report customizations to provide better Management Reports were introduced.

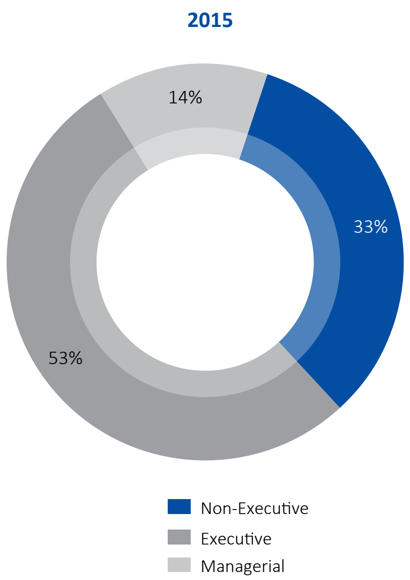
We have formed a focus team who will meet on a regular basis to research, facilitate, check the feasibility and implement the changes to take our IT platform totally to a different height to meet the future requirement of our customers.

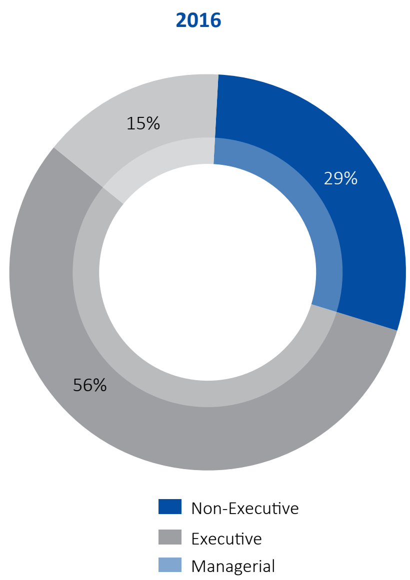
HUMAN RESOURCE ENGAGEMENT

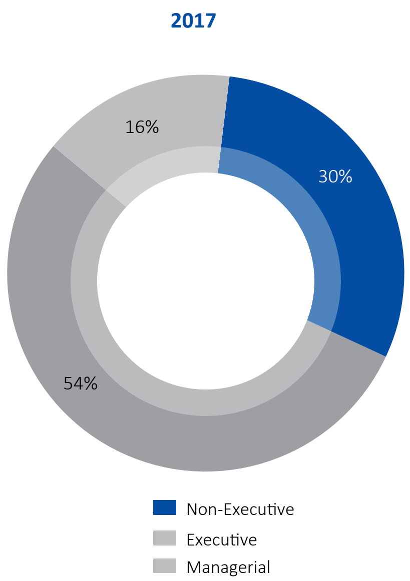
Manpower Statistics

As at 31.12.2017, AMW Capital Leasing & Finance PLC's total cadre stood at 237, in comparison to 2016 and 2015 which stood at 254 & 211 respectively.

Year	Non-Executive	Executive	Managerial
2015	33%	53%	14%
2016	29%	56%	15%
2017	30%	54%	16%

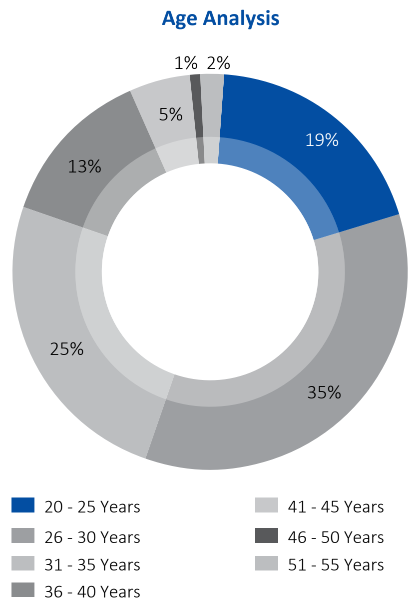


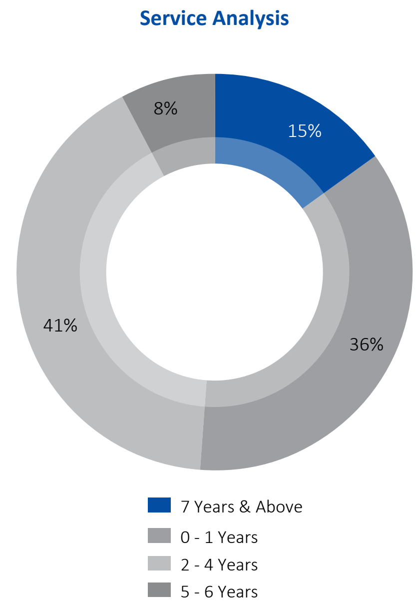




HUMAN RESOURCE ENGAGEMENT (Contd.)

As at 31.12.2017 employees service and age analysis





Our team of diversified associates, with their dedication to service and excellence play a vital role in the success of our business. They have shown that through dedication and resilience when taking into consideration the market conditions of last year and the numerous competitors that we can still overcome and shine.

Within the AMW Capital Leasing frame work we promote a culture of honesty and fair dealing, and encourage employees to observe ethical business practices at all times by providing them with the necessary training to enable them to understand the corporate values, corporate culture, business principles, standards and norms of behavior unique to AMW. Further, we have implemented a strict ethics and integrity control framework to ensure that the highest level of ethical behavior is practiced across the business. The key aspects of the framework is that we have a whistle blowing policy implemented during the year 2017.

A key initiative for the year 2017 has been the launch of the new Performance Management System, namely SuccessFactors. This system enable associates to have a clear view of their respective objectives throughout the year enabling and encouraging continuous conversations and feedback at every quarter. Associates can request for trainings specific to their role or general skill enhancements required through this system. The individual development plan linked makes them partially responsible and empowered towards their career and personal development.

At AMW Capital Leasing & Finance PLC we also make sure that our associates are well taken care of by providing them with a diverse range of benefits and privileges. Associates wellbeing is considered utmost important in all management decisions and initiatives. A key aspect we wish to further enhance and sustain is the transparency in our policies that empowers employees to perform their job roles confidently. We support in creating a vibrant work-life balance which encourage employees to maintain a healthy lifestyle which we believe will enable them to contribute positively to the organization's growth.

Employees were given the opportunity to join in programmes such Yoga, Christmas Carols and Wesak Lantern Competition arranged in-house. An event that has always been in the engagement event calendar is the programme arranged to recognize and encourage employees' children who have excelled in their education and who have received special achievements in various fields such as sports, arts etc. Similarly, the 'children to work place' programme was highly successful this year as well, where, children of employees were given the opportunity to visit the work premises of their parents giving them a chance to understand the work role of their parents.

Our company's social calendar of the year include number of religious programmes which bring employees of diverse cultural backgrounds together. The Blood Donation programme has been successfully conducted this year as well. Other events such as the *Avurudu Ulela, Paduru Sajjaya* and the Annual AMW Capital Leasing Get-together etc. are organized with the intention of enhancing employee motivation and engagement.

We had an in-house CSR project for all flood victims affected by the severe South West Monsoons last year by our employees for all employees affected. It was a very encouraging sight to see them come together to address the needs of others in forms of contributions and kind.

These events are looked forward to with much anticipation by our employees and have contributed towards strengthening team spirit which has contributed immensely towards better performance.

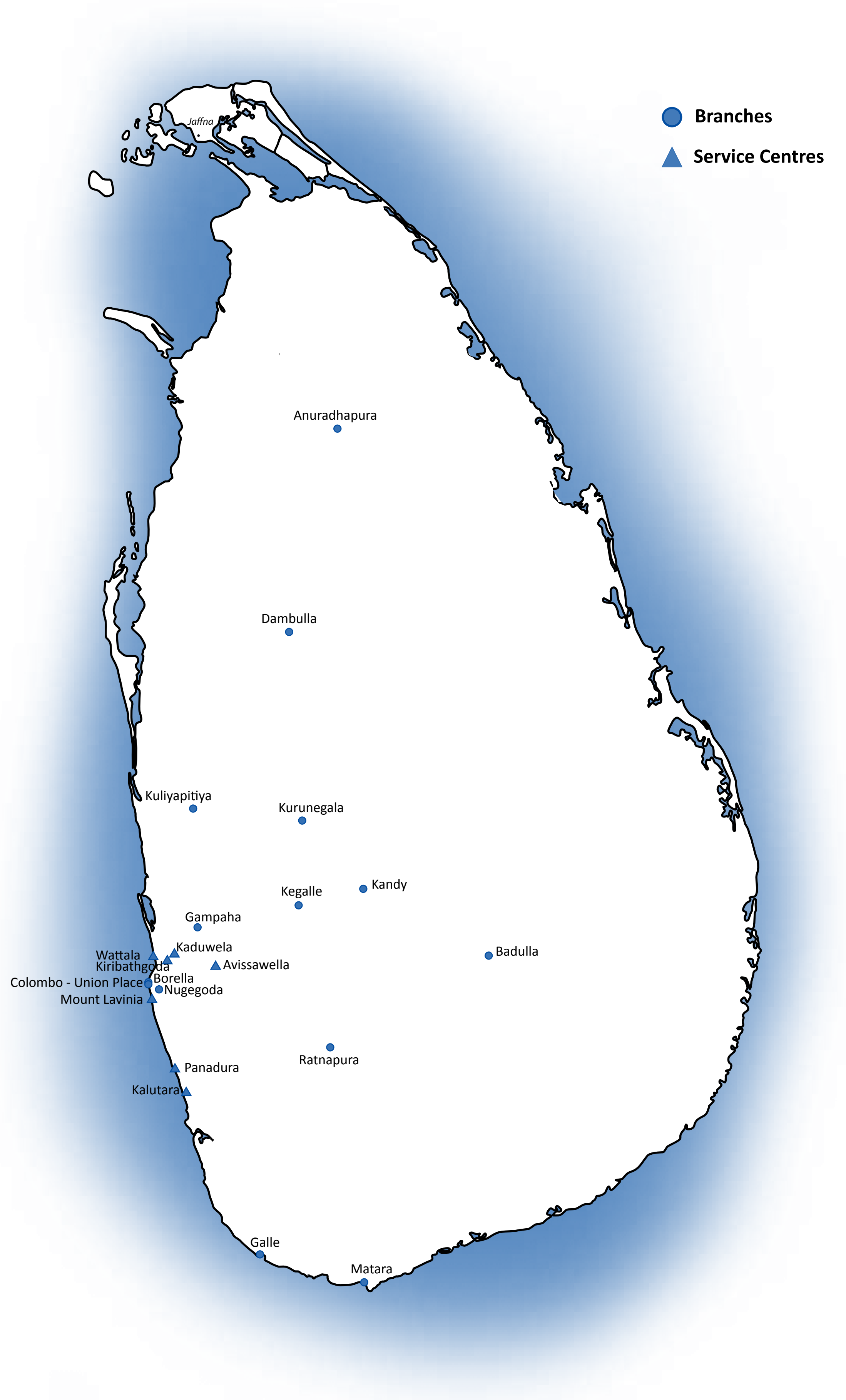
BRANCH NETWORK

Information of Company Branch Network and Service Centres

Location	District	Province	Address	Contact Person	Telephone	Fax	Type of Operation
Borella	Colombo	Western	AMW Capital Leasing and Finance PLC No. 445, Bauddhaloka Mawatha,Colombo 08	Mr. Mahesh Karunathilake	011-2671371	011-2671272	Branch
Kurunegala	Kurunegala	North Western	AMW Capital Leasing and Finance PLC No. 204, Colombo Road, Wanduragala, Kurunegala	Mr. Thusitha Yalage	037-7609608	037-2229867	Branch
Negombo	Gampaha	Western	AMW Capital Leasing and Finance PLC No. 262, Suzuki Maruti Showroom, Chilaw Road, Periyamulla, Negombo	Mr. Indika Jayamanne	031-2221775	031-2225552	Branch
Kandy	Kandy	Central	AMW Capital Leasing and Finance PLC No. 400, Katugastota Road, Kandy	Mr. Dineeth Premachandra	081-7609608-43	081-2212952	Branch
Ratnapura	Ratnapura	Sabaragamuwa	AMW Capital Leasing and Finance PLC No. 510, Colombo Road, Weralupa, Ratnapura	Mr. Aruna Kuruppu	045-5677677/ 045-3465095	045-2226940	Branch
Matara	Matara	Southern	AMW Capital Leasing and Finance PLC No. 215E, Galle Road, Pamburana, Matara	Mr. Vipul Shantha	041-7609608	041-2235544	Branch
Badulla	Badulla	Uva	AMW Capital Leasing and Finance PLC No. 16A, Railway Station Road, Badulla	Mr. Tharanga Wedaarachchi	055-2231993/94-95-96	055-2231997	Branch
Anuradhapura	Anuradhapura	North Central	AMW Capital Leasing and Finance PLC No. 521/40, 4th Cross Road, New Town, Anuradhapura	Mr. Janaka Priyantha	025-2227020-21-22-23	025-2227024	Branch
Nugegoda	Colombo	Western	AMW Capital Leasing and Finance PLC No. 311, High Level Road, Nugegoda	Mr. Manoj U. Perera	011-2829525-26	011-2829521	Branch
Gampaha	Gampaha	Western	AMW Capital Leasing and Finance PLC No. 163/A, Ja-Ela Road, Gampaha	Mr. Eroshan Anuradha	033-7609608-640-41-42-43	011-2829524	Branch
Kuliyapitiya	Kurunegala	North Western	AMW Capital Leasing and Finance PLC No:463/A, Madampe Road, Kuliyapitiya	Mr. Sachith Bandaranayaka	037-7609650-51	037-7609658	Branch
Dambulla	Matale	Central	AMW Capital Leasing and Finance PLC No:22, Kurunegala Junction, Dambulla	Mr. Tharinda Samarawickrama	066-2285760-61-63	066-2285364	Branch
Union Place	Colombo	Western	AMW Capital Leasing and Finance PLC No. 185, Union Place, Colombo 2	Mr. Mahesh Karunathilaka	011-2307739	011-2307749	Branch
Kalutara	Kalutara	Western	AMW Capital Leasing and Finance PLC No. 380D, Galle Road, Kalutara North	Mr. Kasun Wakista	034-2228609-10-11-12	034-2237411	Service Centre
Kiribathgoda	Colombo	Western	AMW Capital Leasing and Finance PLC No. 101, Kandy Road, Kiribathgoda	Mr. Pio Perera	011-2908916-17-18	011-2908914	Service Centre
Avissawella	Colombo	Western	AMW Capital Leasing and Finance PLC No. 8, Colombo Road, Ukwatta, Avissawella	Mr. Krishan Hettiarachchi	036-2231110-13-14-15	036-2231116	Service Centre
Galle	Galle	Southern	AMW Capital Leasing and Finance PLC No. 287 A, Suzuki Maruti Showroom, Wakwella Road, Galle	Mr. Shanal Samarathunga	091-2231265-66	091-2231267	Branch
Kaduwela	Colombo	Western	AMW Capital Leasing and Finance PLC No. 156/2, Old Avissawella Road, Hewagama, Kaduwela	Mr. Dhanushka Fonseka	011-2538623	011-2538795	Service Centre
Mount Lavinia	Colombo	Western	AMW Capital Leasing and Finance PLC No. 231, Galle Road, Mount Lavinia	Mr. Indimal Hewavitharana	011-2737452-26, 011-737630-31	011-2737632	Service Centre
Panadura	Kalutara	Western	AMW Capital Leasing and Finance PLC No. 18, Horana Road, Panadura	Mr. Dhanushka Weerasinghe	038-2230565	038-2230747	Service Centre
Kegalle	Kegalle	Sabaragamuwa	AMW Capital Leasing and Finance PLC No. 509, Colombo Road, Ranwala, Kegalle	Mr. Asanka Senavirathne	035-2232903	035-2232893	Branch
Wattala	Colombo	Western	AMW Capital Leasing and Finance PLC No. 114, Negombo Road, Wattala	Mr. Devon Prins	011-2948736	011-2948705	Service Centre

BRANCH NETWORK (Contd.)

Information of Company Branch Network and Service Centers



FINANCIAL HIGHLIGHTS

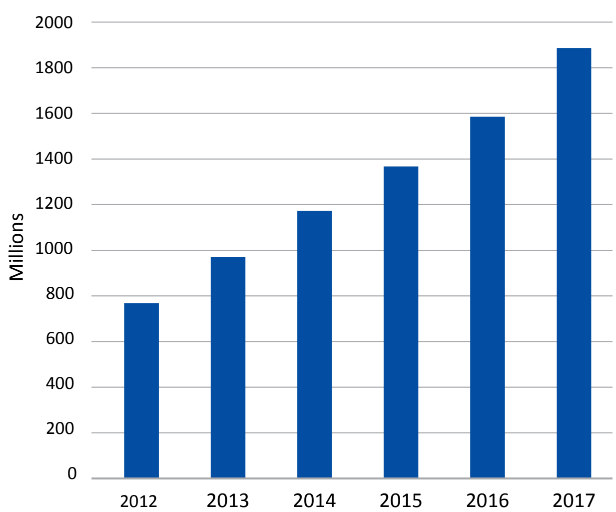
Financial Highlights	Change%	**2017**	2016
Financial Performance (Rs. '000)			
Interest Income	19%	1,885,042	1,584,186
Interest Expenses	30%	1,043,019	803,426
Net Interest Income	8%	842,023	780,761
Net Operating Income	16%	1,225,734	1,057,019
Operating Expenses	4%	472,069	455,251
Profit Before Taxation	22%	645,342	527,861
Taxation	42%	262,164	184,373
Profit After Taxation	12%	383,178	343,488
Financial Position (Rs. '000)			
Borrowings	-14%	5,748,369	6,701,272
Fixed Deposit Base	60%	2,708,767	1,691,677
Shareholders' funds	21%	2,005,392	1,655,054
Total Assets	1%	11,497,289	11,335,141

383 Mn

Net Profit

2017 : Recorded Net Profit of Rs. 383Mn, an increase of 12% over the previous year.

Interest Income

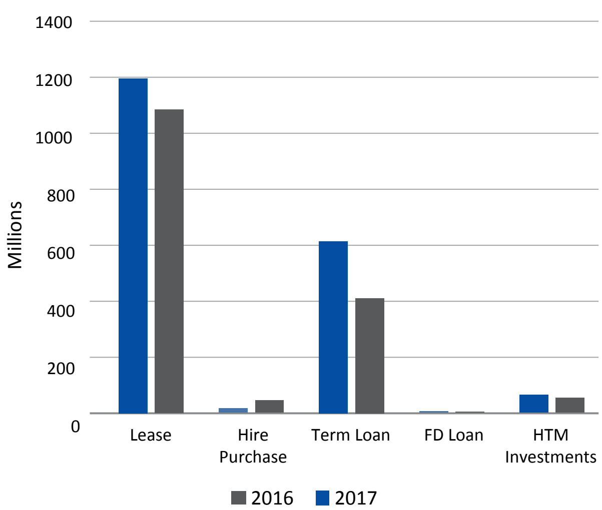


2.7Bn

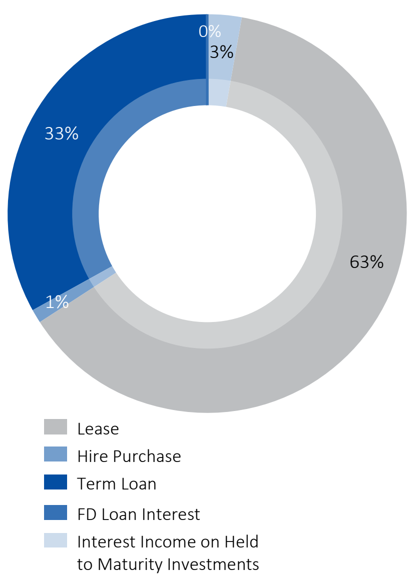
Fixed Deposit Base

2017 : 60% growth in Fixed Deposit Base, due to continuous improvement in customer reliability.

Interest Income 2016 - 2017

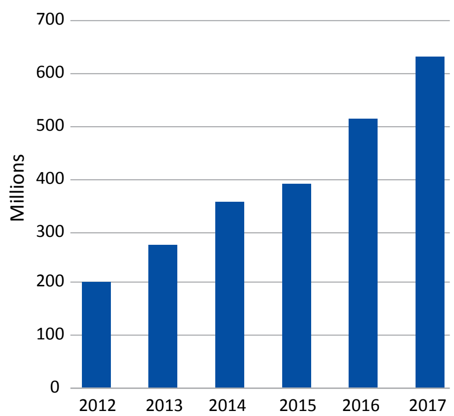


Interest Income Composition 2017

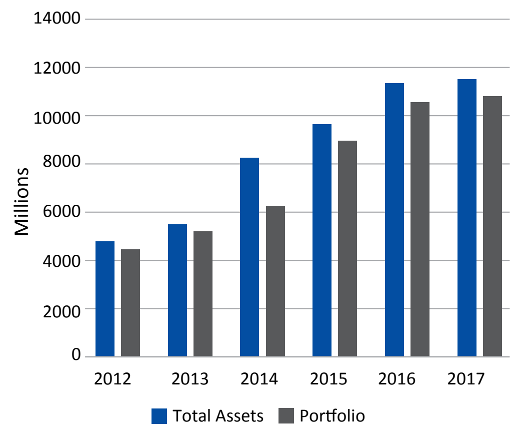


FINANCIAL REVIEW *(Contd.)*

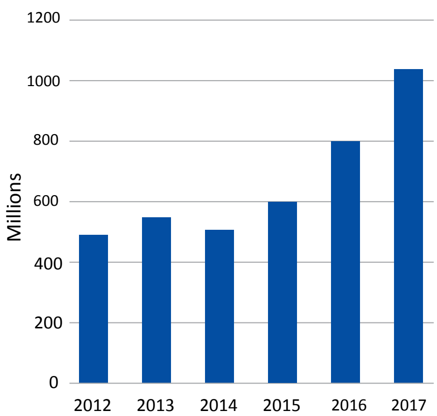
Profit Before Tax



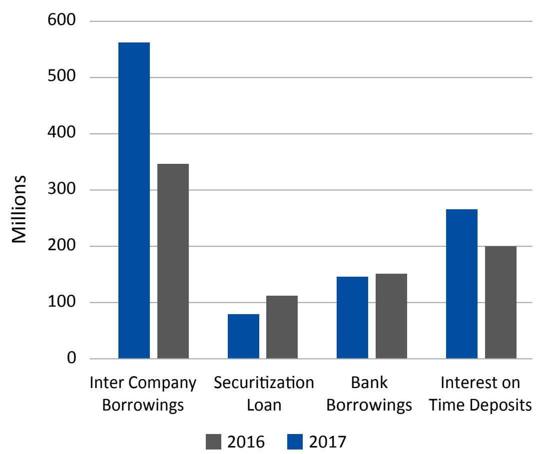
Total Asset vs Portfolio



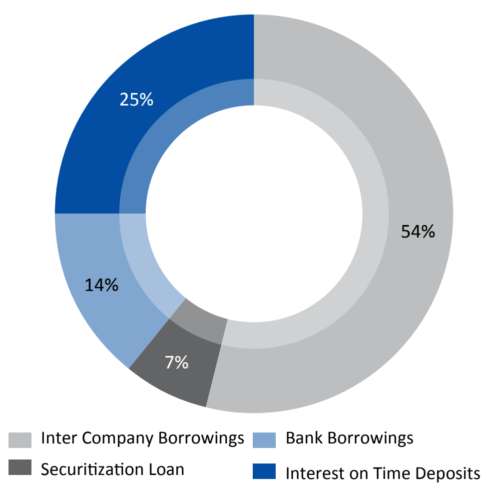
Interest Expenses 2017



Interest Expenses 2016 - 2017



Interest Expenses 2017



RISK MANAGEMENT

Introduction

Risk-taking is an inherent element of finance business and, indeed, profits are in part the reward for successful risk taking in business. The primary goals of risk management in AMW Capital Leasing & Finance PLC (AMWCL) are to ensure that the outcomes of risk-taking activities are consistent with the Company's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize shareholder returns.

On the other hand, excessive and poorly-managed risk can lead to losses and thus endanger the safety of AMWCL's depositors and shareholders. Accordingly, the Company places significant emphasis on the adequacy of the institution's management of risk. The Company considers that risks are warranted when they are understandable, measurable, controllable and within the Company's capacity to readily withstand adverse results. This Risk Management Framework enable managers of the Company to take risks knowingly, reduce risks where appropriate and strive to prepare for a future, which by its nature, cannot be predicted with absolute certainty.

The Board and Management of AMWCL have attached considerable importance to improve the ability to identify, measure, monitor and control the overall risks assumed. The Company tries to meet with internationally accepted risk management principles and best practices. While the types and degree of risks the Company is exposed to depend upon a number of factors, the risk management framework at AMWCL covers the most common risks namely: Strategic Risk, Credit Risk, Liquidity Risk, Interest Rate Risk, Market Risk, Operational Risk, Compliance Risk and Reputation Risk.

Risk Management Process and Framework

The Company's risk management framework provides the foundation for achieving the Company's goals while taking calculated and manageable risks. This framework is subject to constant evaluation to ensure that it meets the challenges and requirements of the changing market conditions including regulatory standards and industry best practices.

AMWCL's risk management framework consists of three key elements:

1) Risk Governance,
2) Risk Appetite, and
3) Risk Management Techniques.

1 Risk Governance

Effective risk management begins with effective risk governance. The Company has a sound risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team and a centralized risk management unit. Decision-making will be highly-centralized through a number of senior and executive management committees.

The Board of Directors

The Board of Directors of AMWCL has ultimate responsibility for the level of risk taken by the Company. The Board of Directors, either directly or through its committees, ensures that decision-making is aligned with the Company's strategies and risk appetite. The Board will receive monthly updates on the key risks of the Company - including performance of the portfolio against defined goals, which is also presented periodically to the Integrated Risk Management Committee (IRMC) and approves key risk policies, strategies, and risk appetite. The Group's Internal Audit Department reports independently to the Board (through the Board Audit Committee) on the effectiveness of the risk governance structure and risk management framework.

The Board approves the overall business strategies and significant policies of the Company, including those related to managing and taking risks, and will also ensure that senior management is fully capable of managing the activities of the Company. The Board of Directors is responsible for understanding the nature of the risks significant to the Company and for ensuring that management is taking steps necessary to identify, measure, monitor, report and control risks. The Board also provides clear guidance regarding the level of exposures acceptable to the Company and has the responsibility to ensure that senior management implements the procedures and controls necessary to comply with adopted policies.

Senior Management

Executive Management, and in particular Chief Executive Officer (CEO), Senior Corporate Management and Head of Risk Management, are responsible for risk management under the oversight of the Board. The Head of Risk Management, who oversees the risk management unit of the Company, reports to the CEO but also has direct access to the Integrated Risk Management Committee (IRMC) of the Board.

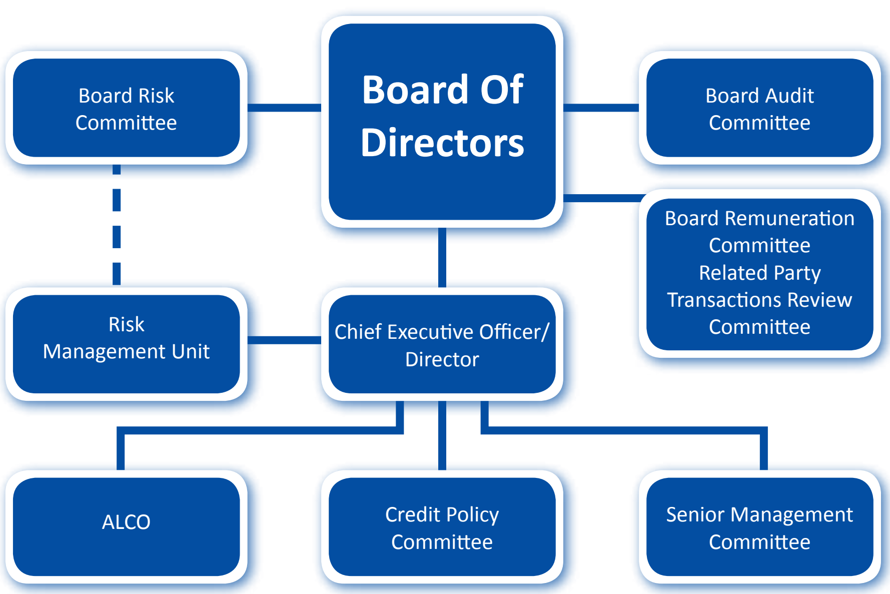
Senior management is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with laws and regulations on both a long-term and day-to-day basis. Accordingly, management will be fully involved in the business activities and possess sufficient knowledge of all major business lines to ensure that appropriate policies, controls, and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated. Senior management is also responsible for establishing and communicating a strong awareness of and need for effective internal controls and high ethical standards.

Adequate Policies, Procedures and Limits

The Board of Directors and Senior Management tailor risk management policies and procedures to manage the types of risks that arise from the business activities of the Company. The institution's policies and its more fully articulated procedures provide detailed guidance for the day-to-day implementation of broad business strategies, and generally include limits designed to shield the institution from excessive and imprudent risks.

Risk Governance Structure

The Company's Risk Governance Structure is as follows.



The Board

The Board of Directors will determine the risk appetite and risk limits of the Company. The Board monitors and manages the risks of the Company through the Board appointed Committees. The Board also will guide the management team in achieving goals.

Board Committees

Integrated Risk Management Committee

The Committee will be the apex body next to the Board overseeing the risk management of the Company. The committee consist of three Non-Executive Independent Directors, two Executive Directors including CEO, General Manager, Internal Auditor, DGM - Marketing, Senior Manager - Finance, Senior Manager - Treasury, and Head of Risk who supervise broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee works with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee. The scope of the Committee is given in the Risk Report by the Board of Directors from page 50 in this Annual Report.

2 Risk Appetite

AMWCL's risk appetite is articulated clearly for effective risk management and the Company's risk profile is managed in relation to that appetite. The Company's Risk Appetite Framework will consist of four components, and combines qualitative as well as quantitative terms of reference to guide the Company in determining the amount and types of risk it wishes to prudently undertake.

Strategic Principles

These provide qualitative benchmarks to guide the Company in its pursuit of the Governing Financial Objectives, and to gauge broad alignment between new initiatives and the Company's risk appetite. Strategic principles include:

- Placing emphasis on diversification, quality and sustainability of earnings,
- Focusing on core businesses by leveraging competitive advantages, and
- Making discipline, competition, growth and expansion

Risk Management Principles

Provide the qualitative foundation of the risk appetite framework. These principles include:

- Promotion of a robust risk culture,
- Accountability for risk by the business lines,
- Independent oversight exercised by Risk Management
- Avoidance of excessive risk concentrations, and
- Ensuring risks are clearly understood, measurable, and manageable.

Financial Objectives

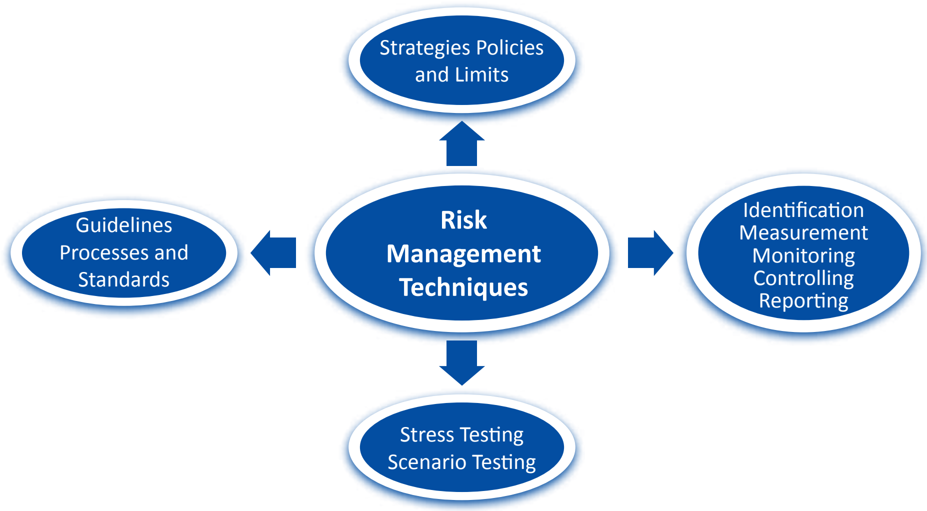
Focus on long-term shareholder value. These objectives include sustainable earnings growth, maintenance of adequate capital in relation to the AMWCL's risk profile, and availability of financial resources to meet financial obligations on a timely basis at reasonable prices.

Risk Appetite Measures

Risk appetite measures provide objective metrics that gauge risk and articulate the AMWCL's risk appetite. They provide a link between actual risk taking activities and the risk management principles, strategic principles and governing financial objectives described above. These measures include capital and earnings ratios, market and liquidity risk limits, credit and operational risk targets and credit quality.

3 Risk Management Techniques

Effective risk management includes techniques that are guided by the AMWCL's Risk Appetite Framework and integrated with the Company's strategies and business planning processes. Risk management techniques are regularly reviewed and updated to ensure consistency with risk-taking activities, and relevance to the business and financial strategies of the Company.



Strategies, Policies and Limits

Strategies

Company's Corporate Plan and annual budget will provide quantitative and qualitative guidance. This guidance is, in turn, used to set limits and guidelines on the types of risk taking activities the Company is prepared to assume in pursuit of its strategic and financial objectives.

Policies

Company's policies have been formulated to address types of risk or to the activities that are used to measure and control risk exposure. They are based on recommendations from risk management, audit, business lines, and senior executive management. Industry best practices and regulatory requirements are also factored into the policies. Policies are guided by the AMWCL's risk appetite, and set the limits and controls within which the Company can operate.

- Key risk policies are approved by the Board of Directors, either directly or through the Board - appointed Committees.

- Risk policies associated with business processes and stress testing are approved by IRMC.

Limits

The Company sets tolerance limits to control risk - taking activities within the tolerances established by the Board and senior management. Limits also establish accountability for key tasks in the risk-taking process and establish the level or conditions under which transactions may be approved or executed.

Guidelines, Processes and Standards

AMWCL's Board and senior management tailor risk management policies and procedures to the types of risks that arise from the Company's business activities. The Company has policies and procedures that address AMWCL's significant activities and risks. The management ensures that they are modified when necessary to respond to significant changes in the Company's business activities or business conditions. The Company ensures that its policies, procedures, and limits are adequate, and they address the following:

- policies, procedures, and limits provide for adequate identification, measurement, monitoring, and control of the risks posed by its significant activities.
- policies, procedures, and limits are consistent with management's experience level, Company's stated goals and objectives, and the overall financial strength of the Company.
- policies clearly delineate accountability and lines of authority across the AMWCL's activities.
- policies provide for the review of business activities new to the Company to ensure that the infrastructures necessary to identify, monitor, and control risks associated with business activities are in place before the activity is initiated.

Guidelines

Are the directives provided to implement policies as set out above. Generally, they describe the facility types, aggregate facility exposures and conditions under which the Company is prepared to do business. Guidelines ensure the company has the appropriate knowledge of clients, products, and markets, and that it fully understands the risks associated with the business the company undertakes. Guidelines will be changed from time to time, due to market or other circumstances. Risk taking outside of guidelines usually requires approval of the Company's Credit Committee, CEO, GM and Head of Risk.

Processes

Are the activities associated with identifying, evaluating, documenting, reporting and controlling risk.

Standards

Define the breadth and quality of information required to make a decision, and the expectations in terms of quality of analysis and presentation. Processes and standards are developed on wide basis, and documented in a series of policies, manuals and handbooks under the purview of IRMC. Key processes cover the review and approval of new products and changes to existing standard and product lines.

Identification Measurement, Monitoring, Controlling and Reporting

The Company has established a mechanism that supervises overall risk management of the Company. The overall risk management function is independent from those who take or accept risk on behalf of the Company. Where individuals responsible for overall risk management function are involved in day-to-day operations, then sufficient checks and balances will be established to ensure that risk management is not compromised. Overall risk management function provides an oversight of the management of risks inherent in the Company's activities. The function is tasked to:

- identify current and emerging risks;
- develop risk assessment and measurement systems;
- establish policies, practices and other control mechanisms to manage risks;
- develop risk tolerance limits for Senior Management and Board approval;
- report results of risk monitoring to Senior Management and the Board.

Identification

In order to properly manage risks, the Company recognizes and understands risks that may arise from both existing and new business initiatives. Risk identification is a process that is understood at both the transaction and portfolio levels.

Measurement

Risk Management Unit develops and maintains an appropriate suite of risk management techniques to support the operations of the business activities. The risk sections explain the application of these techniques. Risk measurement techniques include the use of models and stress testing. The Company uses reports for a range of purposes including risk exposures, credit risk ratings and parameters, and regulatory capital. The use of quantitative risk methodologies and models is balanced by a strong governance framework and includes the application of sound and experienced judgment.

Regular Monitoring

Ensures that business activities are within approved limits or guidelines, and are aligned with the Company's strategies and risk appetite. Breaches, if any, of these limits or guidelines are reported to senior management, policy committees, and/or the Board depending on the limit or guideline.

The Company has an effective Management Information System (MIS) to monitor risk levels and facilitate timely review of risk positions and exceptions. The monitoring reports are at least on monthly basis. Timely, accurate, and informative reports are distributed to appropriate individuals to ensure action, when needed.

The Company identifies and measures all material risk exposures. Consequently, risk monitoring activities are supported by information systems that provide senior managers and Directors with timely reports on the financial condition, operating performance, and risk exposure of the Company, as well as with regular and sufficiently detailed reports for line managers engaged in the day-to-day management of the Company's activities.

Company has risk monitoring and management information systems in place that provide Directors and senior management with a clear understanding of the Company's risk exposures.

In order to ensure effective measurement and monitoring of risk and management information systems, the following will be in place:

- AMWCL's risk monitoring practices and reports address all of its material risks.
- key assumptions, data sources, and procedures used in measuring and monitoring risks are appropriate and adequately documented and tested for reliability on an on-going basis.
- reports and other forms of communication are consistent with the AMWCL's activities, structured to monitor exposures and in compliance with established limits, goals and objectives.
- reports generated to management and Directors are accurate and timely and contain sufficient information for decision-makers to identify any adverse trends and to evaluate adequately the level of risk faced by the institution.

Risk Control

After measuring risk, the Company establishes and communicates risk limits through policies, standards, and procedures that define responsibility and authority. These limits serve as means to control exposure to various risks associated with the AMWCL's business activities. The Company also has a process to authorize and document exceptions or changes to risk limits when warranted.

Internal Control

The Company identifies that its internal control structure is critical to the safe and sound functioning of the Company and in particular to its risk management system. Establishing and maintaining an effective system of controls, including the enforcement of official lines of authority and the appropriate separation of duties such as credit, back-office and operations is one of management's more important responsibilities.

Indeed, Company identifies that segregating duties is a fundamental and essential element of a sound risk management and internal control system. Failure to implement and maintain an adequate separation of duties can constitute an unsafe and unsound practice and possibly lead to serious losses or otherwise compromise the financial integrity of the institution. Serious lapses or deficiencies in internal controls, including inadequate segregation of duties, may warrant supervisory action, including formal enforcement action.

The Company makes sure that properly structured system of internal controls promotes effective operations and reliable financial & regulatory reporting, safeguards assets, and helps to ensure compliance with relevant laws, regulations, and institutional policies. The adherence to the Internal Controls are regularly tested by the internal auditor who reports directly to the Board Audit Committee. The results of audits or reviews, whether conducted by an internal auditor or by other personnel, are documented, as should management's responses to them.

The Company ensures that;

- its internal controls and internal audit appropriate to the type and level of risks posed by the nature and scope of AMWCL's activities.
- the organizational structure establishes clear lines of authority and responsibility for monitoring adherence to policies, procedures, and limits.
- reporting lines provide sufficient independence of the control areas from the business lines and adequate separation of duties throughout the institution such as those relating to evaluation of credit approval, monitoring and back-office activities.
- financial, operational, and regulatory reports are reliable, accurate and timely; wherever applicable, exceptions are noted and promptly investigated.
- adequate procedures for ensuring compliance with applicable laws and regulations are in place.
- Internal audit and other control review practices provide for independence and objectivity.
- Internal controls and information systems are adequately tested and reviewed; the coverage, procedures, findings, and responses to audits and review tests are adequately documented; management's actions to address material weaknesses are objectively verified and reviewed.
- AMWCL's audit committee or Board of Directors review the effectiveness of internal audits and other control review activities on a regular basis.

Risk Reports

Aggregate measures of risk across products and businesses are used to ensure compliance with policies, limits, and guidelines. They also provide a clear statement of the amounts, types, and sensitivities of the various risks in the Company's portfolio. Senior Management and the Board use these information to understand the Company's risk profile and the performance of the portfolios.

Stress Testing and Scenario Testing

The Company uses programs and models that estimates the potential impact on income and capital as a result of significant changes in market conditions, credit environment, liquidity demands, or other risk factors. The programs and results are integrated into management decision-making processes for capital, funding, revenue management, market risk limits, and credit risk strategy. Stress testing will also integrated with both the strategic and financial planning processes. The development, approval and on-going review of the Company's stress testing programs are subject to formalized policy, and are under the oversight of the IRMC.

Risk Management Culture

The Company's effective risk management requires a strong, robust, and pervasive risk management culture. The heads of the departments are accountable for the risks in their respective departments.

Business units work in partnership with Head of Risk to ensure that risks arising from their business are thoroughly evaluated and appropriately addressed. Risk education programs, and documented policies and procedures are jointly available to staff in the business lines. Decision-making on risk issues is highly centralized. The membership of senior management committees responsible for the review, approval and monitoring of transactions and the related risk exposures, includes CEO, General Manager, Heads of the Departments and Head of Risk. The flow of information and transactions to these committees keeps senior and executive management well informed of the risks the Company faces, and ensures that transactions and risks are aligned with the Company's risk appetite framework.

Risks and their management

Strategic Risk

Board of Directors and senior management oversight is an integral part of our strategic risk management program. The Board of Directors retains the overall responsibility for strategic risk management of the company. It is chiefly responsible for setting corporate strategy and reviewing management performance in implementing the Company's strategic plan. In turn, senior management ensures that there is an effective strategic risk management process by transforming the strategic direction given by the Board through policy.

Strategic risk arises from an institution's inability to implement appropriate business plans, strategies, decision making, resource allocation and its inability to adapt to changes in its business environment. At AMWCL, Strategic Risk is managed by critically reviewing the strategic goals in the Company's well-defined Corporate Planning and Budgeting Process and aligning those with Vision and Mission statements to set a clear strategic direction. Further, robust strategic risk mitigation measures and techniques to enhance the achievement of strategic objectives have been implemented. These include engaging qualified Board and senior management, formulation of strategic and operational plans, high quality of personnel and proper training, comprehensive risk management systems and adequate access to information.

Credit Risk

Credit risk is the likelihood that a debtor or financial instrument issuer is unwilling or unable to pay interest or repay the principal according to the terms specified in a credit agreement resulting in economic loss to the company.

Credit Risk Management

The Company has a well-structured credit risk management process that involves assessing, quantifying, monitoring, pricing and mitigating credit risk exposures in line with the established policy framework which had been approved by the Board of Directors.

The Board is responsible for approving credit risk strategy and significant policies relating to credit risk and its management which is based on the overall business strategy. The Board is also responsible for approving the overall lending authority structure, and explicitly delegating credit sanctioning authority to senior management and the credit committee as well as setting credit limits with any one customer or within a single segment. With the setting up of the risk management function, the Company has moved into a more standardized lending structure where the risk management function is responsible for agreeing and formalization of lending policies/guidelines. Additionally, the credit approving authorities other than the Chief Executive Officer is independent of business units thereby segregation of business volumes from the approving authorities is achieved. The primary lending authority is assigned to the loan originating function if the specific transaction conforms to pre-defined standardized lending criteria with the independent risk management function responsible for the sign-off for any exceptions from the lending standards on the individual transactions.

The front office proposes new transactions, and the approving authority examines the risk and makes a granting/rejection decision or might issue recommendations for altering the proposed transaction until it complies with risk standards. This is commonly done by using credit risk mitigants such as down-payments, collateral and third party guarantees. As with the industry norms the primary component in credit risk is on assets risk, which is mitigated through third party valuations, inspection of asset by the facility originators and putting restrictions on the maximum Loan To Value (LTV) ratios. Post-sanction monitoring is done through collection reports to analyze the performance of the collection staff as well as draw inferences of different segments, asset classes which are useful in the lending process.

Over the years the Company was primarily focused on finance leases for AMW brand vehicles (Maruti, Suzuki, Nissan) for personal use which was comparatively low risk, with the Company acquiring and developing required skills and aptitudes in this segment. However, with the changes in economic variables impacting the growth of the company, it has decided to shift its target market more towards non-AMW brand vehicles and the commercial segment and into hire purchase and auto loans while striving to increase the market share of AMW brand vehicles. While this strategy gives a diversification benefit, it also creates risks in its portfolio with the new target market being more sensitive to macroeconomic variables which needs to be understood and analyzed for more proactive risk management. The credit policies are aligned with the future strategic direction and clear lending guidelines are implemented for the credit selection of the non-AMW brand and commercial segments.

Our credit portfolio is primarily made up of finance leases with over 61% based on the product class with cars dominating with over 74% exposure based on the asset class, which could be classified as low risk.

Product-wise exposure (Rs. 'million)

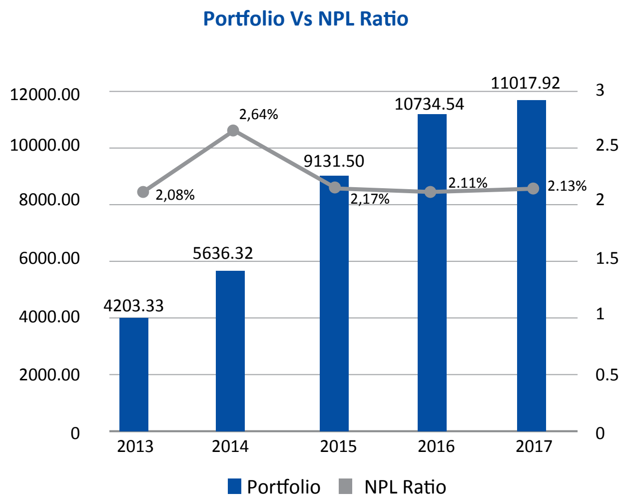
Product	As at 31 Dec 2017		As at 31 Dec 2016	
	Exposure Rs. Mn	%	Exposure Rs. Mn	%
Finance Leasing	6,731.99	61.26%	7,608.32	70.88%
Hire Purchase	74.40	0.68%	155.79	1.45%
Auto Loans	4,183.33	38.07%	2,970.44	27.67%
Total	10,989.73	100.00%	10,734.55	100.00%

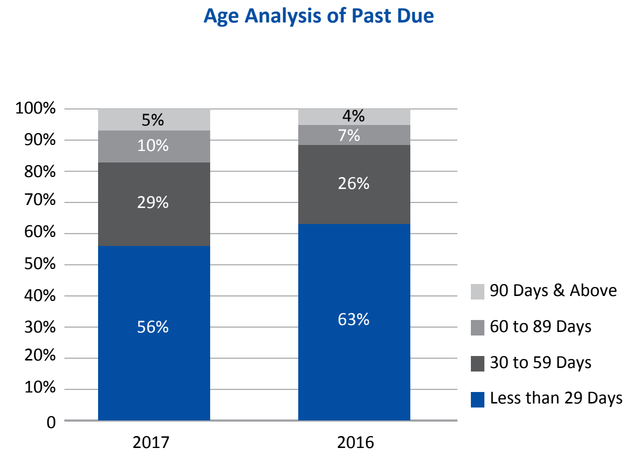
Exposure based on asset class as at Dec 31, 2017

Asset	Exposure (LKR 'Million)	%
Motor cars	8,158.97	74.24%
Two wheelers	1,246.82	11.35%
Three wheelers	213.02	1.94%
Dual purpose vehicles	868.42	7.90%
Commercial vehicles	392.65	3.57%
Working capital loans	11.32	0.10%
Equipment	67.21	0.61%
Agricultural tractors	31.33	0.29%
Total	10,989.73	100.00%

Portfolio Quality

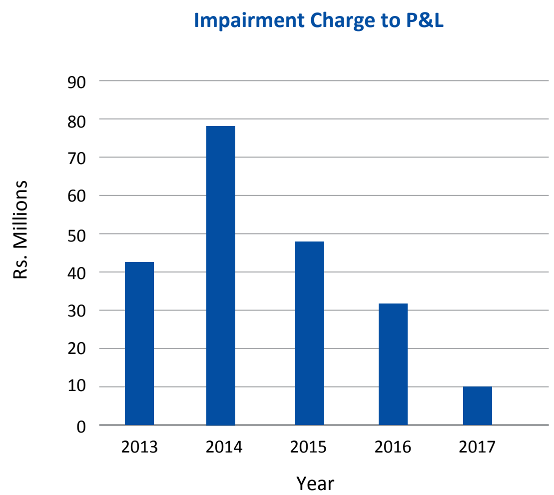
Despite an expansion in the lending portfolio, our NPL ratio was kept at a comparatively low level of 2.13% as at December 2017, as compared to the industry average of over 6.31%. The asset quality of the lending portfolio is one of the best among the peer companies. The Company's loans and advances are secured either by vehicles, machinery or deposits.





Impairment

For accounting purposes, the Company uses collective and individual impairment method and take account Probability of Default (PD) and Loss Given Default (LGD). Allowances are assessed collectively for losses on leases, auto loans and hire purchase facilities with similar characteristics. Individually significant leases, auto loans and hire purchase accommodations are assessed on individual basis.



Capital Adequacy

The Company is well-capitalized and capital adequacy ratios of Tier I and II stood at 18.37% as at 31st December 2017.

(Rs. '000)	2017	2016
Total Risk Weighted Assets (Rs. Mn.)	10,911.86	10,678.83
Capital (Rs. Mn.)	2,005.39	1,655.05
Capital Adequacy Ratio - Tier-I	18.37%	15.49%
Capital Adequacy Ratio - Total	18.37%	15.49%

Asset Liability Management (ALM)

The goal of ALM is to provide measures of the exposure to mismatch risk, and to maintain it within bounds, while optimizing the risk-return profile of the balance sheet. The ALCO which is the implementation arm of ALM comprises the CEO and the heads of divisions.

Mismatch Risk

In common with the finance industry practice the structural position of AMWCL consists of primarily lending for longer maturities at fixed rates while the funding is primarily made up of short term floating rate liabilities linked to an index and fixed rate long term borrowings. The mismatch between maturities and interest rate will generate both liquidity risk and interest rate risk. If loans are under-funded, there will be positive gaps, or deficits, at future dates. These deficits generate both liquidity risk and interest rate risk since there is a limitation of knowing at which rate the funds that balance the loans will be raised. If there is excess funding, there is no liquidity risk, since liquidity was raised in advance, but there is interest rate risk, since we do not know at which rate those excess funds will be lent at future dates.

The mismatch is primarily mitigated through parental funding, strong bank relationships and customer deposits. Major portion of Company's borrowings are long-term funding.

Liquidity Risk

Liquidity is the ability to raise cash sufficient to finance lending opportunities and face deposit withdrawals at a reasonable cost in a reasonable time frame. Liquidity risk is the risk of not being able to raise liquidity or of raising liquidity at a high cost at short notice.

Liquidity Risk Management

Liquidity management is done through liquidity gaps including static and dynamic liquidity gaps which are completed by stress tests on liquidity, for assessing what would happen under an extreme crisis situation with liquidity shortage. We control liquidity risk by spreading over time the required amounts of funding and avoiding unexpected important needs for raising additional funds. The Board is updated on the liquidity gaps for making sure that raising funds will be within acceptable boundaries.

Liquidity management is aimed at target time profile of gaps after raising new resources, which complies with liquidity gap limits. Further, diversification of the funding sources with different maturities enables better management of liquidity risks and its impact on the operations of the Company. Currently the main funding sources of the Company are the parental funding, bank borrowings and public deposits. To reduce dependence on parental and bank funding a fully-fledged deposit drive was undertaken with more proactive asset and liability management to take advantage of market liquidity and interest rates for better liquidity management. ALCO would decide on the composition of the funding sources (type, tenure and interest rates) on the management of the funding side of the balance sheet.

Interest Rate Risk

Structural interest rate risk arises from customers wanting certainty in interest payments and therefore asks for long term fixed rate loans which are funded by short and long-term floating rate borrowings through banks and depositors. In such a situation, changes in the yield curve and also non-parallel shifts in the yield curve will impact the Net Interest Income (NII) with high volatility thereby impacting the stability of earnings of the Company.

Interest Rate Risk Management

Interest rate risk is managed through interest rate gaps which measures the sensitivity of NII to a shift in the yield curve. We keep interest rate gaps open when we have a mismatch risk for taking

Static Maturity Gap Analysis as at December 31, 2017 (LKR 'Thousands)

	01 month	01 - 03 months	03 months 01 year	1 -3 years	03 - 05 years	05 years and over	Total
ASSETS							
Financial Assets							
Cash and Bank	139,657						139,657
Other Financial Assets	640	57,872	3,644	4,394	2,500	-	69,050
Rentals Receivable on Lease and Hire Purchase Assets	522,883	573,354	2,370,447	4,180,489	912,919	3,218	8,563,311
Loans and Advances	256,089	318,051	1,302,870	2,601,439	1,193,280	6,308	5,678,038
Financial Investments - Available for Sale						80	80
Financial Investments - Held-to-Maturity	3,360	-	402,337	133,894	59,475	-	599,066
Total Undiscounted Financial Assets	922,629	949,277	4,079,299	6,920,216	2,168,174	9,607	15,049,201
Financial Liabilities							
Bank Overdraft	54,323	-	-	-	-	-	54,323
Trade and Other payables	519,799	43,417	-	20,152	-	71	583,439
Time Deposits	245,160	560,891	1,321,737	477,368	295,768	-	2,900,924
Amounts due to Related Parties		1,407,323					1,407,323
Interest Bearing Borrowings	1,123,611	382,718	1,187,272	1,447,210	377,735		4,518,546
Total Undiscounted Financial Liabilities	1,942,893	2,394,350	2,509,009	1,944,730	673,503	71	9,464,555
GAP	(1,020,264)	(1,445,073)	1,570,290	4,975,486	1,494,671	9,536	5,584,646
Cumulative GAP	(1,020,264)	(2,465,337)	(895,047)	4,080,438	5,575,110	5,584,646	

advantage of beneficial variations of interest rates. We try to minimize the NII volatility by setting limits on interest rate gaps and also being conscious of the tenure premiums in the market rates in pricing our lending products.

Interest Rate Sensitivity Gaps as at 31 December 2017 (LKR 'Thousands)

	Less than 7 days	8- 30 days	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total
Interest Sensitive Assets	195,175	282,238	599,484	1,212,707	1,754,792	7,185,039	11,229,435
Interest Sensitive Liabilities	223,615	2,690,274	876,468	676,216	1,637,147	2,407,738	8,511,459
Gap	(28,441)	(2,408,036)	(276,983)	536,490	117,645	4,777,301	2,717,976
Cumulative gap	(28,441)	(2,436,477)	(2,713,460)	(2,176,970)	(2,059,325)	2,717,976	

The Company's short-term negative interest rate gap of Rs. 2.0 Bn is within the manageable level.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Both the Board of Directors and senior management are responsible for establishing a strong internal control culture in which control activities are an integral part of the regular activities of the Company. Controls that are an integral part of the regular activities enable quick responses to changing conditions and avoid unnecessary costs.

Operational risk management

We have in place adequate internal audit coverage to verify that operating policies and procedures have been implemented effectively. The Board (either directly or indirectly through its audit committee) ensures that the scope and frequency of the audit program is appropriate to the risk exposures. Internal Audit periodically validates that the Company's operational risk management framework is being implemented effectively across the Company. Further, with the setting up of the risk management function more focus will be given to operational risk management needs of the company in addition to the current operational risk management process. By implementing Business Continuity Plan (BCP) including Disaster Recovery Plans will ensure that the critical operations of the Company will function with minimal disruptions thereby reducing operational risk incidences. The core information system performance has stabilized during the year under consideration with the user requirements fulfilled and the IT system is assessed on an on-going basis to ensure that it would be a business enabler without hindering the operations of the Company. Internal Audit conducts periodic reviews to evaluate the accuracy and reliability of the system and any modification to the system is carried out in a structured manner to ensure that the modifications are in line with the user requirements in addition to ensuring that the required controls are not compromised.

CORPORATE GOVERNANCE

Corporate Governance encompasses the rules, practices and processes by which the Board of Directors ensure accountability, fairness and transparency in a company's relationship with its stakeholders.

AMW Capital Leasing and Finance PLC (AMWCL) is committed to maintaining highest standards of good governance, which we believe are essential for sustaining success and creating value for our stakeholders.

It follows the Code of Best Practice and the regulatory requirements of the Central Bank of Sri Lanka (CBSL), the Listing Rules of the Colombo Stock Exchange (CSE) and the Companies Act No.7 of 2007.

The tabulation below details the extent to which the Company strives to ensure good corporate governance.

Corporate Governance Principle		Level of Compliance
(In accordance with the Corporate Governance Direction No.3 of 2008 and amendments thereto applicable to Finance Companies Licensed under the Finance Business Act No.42 of 2011 issued by the Central Bank of Sri Lanka)		
2. The Responsibilities of the Board of Directors		
2.1	The Board of Directors shall strengthen the safety and soundness of the finance company by –	
a)	Approving and overseeing the finance company's strategic objectives and corporate values and ensuring such values are communicated throughout the company.	**Complied with** The Company's strategic objectives and corporate values are regularly overseen by the Board and have been communicated throughout the Company.
b)	Approving the overall business strategy of the finance company including the overall risk policy and risk management procedures and mechanisms with measurable goals for at least 3 yrs.	**Complied with** The Company's Business Strategic Plan was approved by the Board for three years covering the period from 2017 – 2018. Further, the overall risk policy and risk managerial procedures and mechanisms reviewed and recommended by the Integrated Risk Management Committee (IRMC) and approved by the Board.
c)	Identifying Risks and ensuring implementation of appropriate systems to manage risks prudently.	**Complied with** The Board has appointed the Integrated Risk Management Committee (IRMC) which is tasked with identifying and managing the overall risk of the Company. IRMC meets every other month or earlier if required and submits a report at the Board meetings for their review and further action required.
d)	Approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers.	**Complied with** The Board approved Communication Policy which covers all stakeholders is in place and reviewed, as and when required.
e)	Reviewing the adequacy and integrity of the company's internal control systems and management information system.	**Complied with** The adequacy and integrity of the Company's internal control systems and management information systems are reviewed by the Board through the Audit Committee. The Audit Committee reports are submitted to the Board for further action.
f)	Identifying and designating key management personnel, who are in a position to- (i) influence policy (ii) direct activities (iii) exercise control over business activities operations and risk management	**Complied with** Identification and designation of Key Management Personnel (KMP) is in place. Board members including the CEO and functional heads have been identified and designated as KMPs.
g)	Defining the areas of authority and key responsibility for the Board and for key management personnel.	**Complied with** Articles 95 - 103 of the Articles of Association defines the powers and duties of the Board of Directors and the areas of authority and key responsibilities of other Key Management Personnel are enumerated in their job.
h)	Ensuring that there is appropriate oversight of the affairs of the company by key management personnel (which is consistent with the finance company's policy).	**Complied with** Performance of the company is regularly discussed at Board Level and operational reviews at management level.

i)	Periodically assessing the effectiveness of its governance practices including – (i) The selection, nomination and election of directors and appointment of key management personnel; (ii) The management of conflicts of interests and (iii) The determination of weakness and implementation of changes where necessary	**Complied with** CBSL approval is sought prior to appointment of Directors. Directors are selected and nominated to the Board according to skills and experience in order to bring about an objective judgment on issues of strategy, performance and resources. Election of Directors is effected in accordance with the requirements of the directions issued by CBSL and Companies Act in force. The Directors declare their interest wherever applicable and refrain from partaking in such decision. Effectiveness of this process is ascertained by their contribution at Board Meeting in their respective fields. Self-Assessment of Directors is carried out annually. KMP also declare their interest annually.
j)	Ensuring that the company has an appropriate succession plan for key management personnel.	**Complied with** A documented succession plan is in place for all key management personnel.
k)	Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	**Complied with** Key management personnel are invited by the Board Members during Board, Board Sub-committees and other management committee meetings when the need arises to take part in discussions on the respective areas of responsibility.
l)	Understanding the regulatory environment.	**Complied with** All Directions from Regulatory Authorities are circulated to the Board and all key management personnel. Contents are noted and where applicable appropriate decisions taken. A compliance report is tabled at monthly Board Meetings. All weekly, monthly and annual submissions are made to CBSL and other statutory authorities.
m)	Exercising due diligence in the hiring and oversight of external auditors	In accordance with Group Policy. Re-appointment is at the AGM of the Company.
2.2	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve functions and responsibilities of the Chairman and the CEO in line with requirements of this Direction.	**Complied with** The Board has appointed the Chairman and Chief Executive Officer (CEO). The roles of Chairman and Chief Executive Officer (CEO) are separated from inception as required by the Rule 7 (1) of the CBSL Direction.
2.3	There shall be a procedure determined by the Board to enable Directors, upon reasonable request to seek independent professional advice in appropriate circumstances, at the company's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.	**Complied with** The Board Directors in performance of their duties are permitted to obtain independent professional advice from third parties whenever deemed necessary at the Company's expense if considered appropriate.
2.4	A director shall abstain from voting on any Board Resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested and he shall not be counted in the quorum for the relevant agenda item at the Board Meeting.	All Directors exercise their independent and objective judgment on issues of strategy, policy, resources and standards of conduct. The Board is conscious of its obligation to ensure that Directors avoid conflicts of interest between their duty to the Company and their own interests. The Board has adopted a procedure to ensure that conflicts of interests of Directors are disclosed to the Board and also Board members are required to disclose all transactions with the Company. All related party transactions (if any) are disclosed in the Financial Reports Section of the Annual Report.

2.5	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the company is firmly under its authority.	**Complied with** The Board has put in place systems and controls to facilitate the effective discharge of Board functions. Pre-set agendas for all meetings ensure the direction and control of the Company is firmly under Board control and authority. The agenda of the monthly Board Meetings includes reports on the performance and on compliance with relevant regulations. This ensures full compliance and optimum performance of the Company.
2.6	The Board shall, if it considers that the company is likely to be unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Department of Supervision of Non-Bank Financial Institutions of the situation of the company prior to taking any decision or action.	The Board is aware of the need to inform the Director of Non-Bank Supervision Division and no such situation has arisen during the year.
2.7	The Board shall include in the company's Annual Report, an Annual Corporate Governance Report complying with this Direction.	This report serves the said requirement.
2.8	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually and maintain records of such assessments.	**Complied with** The Directors carry out a self-evaluation annually. This information is available to the Board and records are kept.
3. Meetings of the Board		
3.1	The Board Shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board consent through the circulation of written or electronic resolutions shall be avoided as far as possible.	**Complied with** The Board meets regularly at monthly intervals, at which the Company's performance is monitored on a regular basis, business strategies are planned, current market conditions are reviewed. In the alternative, all other operational requirements which needs the approval of the Board on an urgent basis are passed by Circular Resolution as and when required.
3.2	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board Meetings where such matters and proposals relate to the promotion of business and the management of risks of the company.	• Agenda – The Agenda items include regular reports which facilitate and monitor performance and compliance with regulatory authorities. Non-routine issues which require Board attention are specifically mentioned as separate items. All Directors were given equal opportunity to include matters/proposals in the agenda.
3.3	Notice of at least 7 days shall be given of a regular Board Meeting to provide all Directors an opportunity to attend. For all other Board Meetings, reasonable notice shall be given.	**Complied with** Date convenient to all directors is decided at the previous meeting and meetings are convened electronically giving due notice
3.4	A Director who has not attended at least two thirds of the meetings in the period of 12 months immediately preceding or has not attended immediately preceding three consecutive meetings held, shall cease to be a Director. Provided that participation at the Directors meetings through an alternate director shall however, be acceptable as attendance.	**Complied with** Mr. Avijit Majumdar, Non-Executive Director who has not attended immediately preceding three consecutive meetings held during the year under review has resigned from the Board.

3.5	The Board shall appoint a Company Secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	**Complied with** Ms. Hiruni Serasinghe resigned as the Company Secretary on 03 June 2017 and was succeeded by Mrs. Ruvini E Weerasinghe as Company Secretary on 04 June 2017. Mrs. Ruvini E Weerasinghe is an Attorney-at-Law and registered as Company Secretary with the Registrar General of Companies. She is responsible for supporting and advising the Chairman and the Board on all Board procedures and compliance with applicable rules and regulations.
3.6	If the Chairman has delegated to the Company Secretary the function of preparing the agenda for a Board Meeting, the Company Secretary shall be responsible for carrying out such function.	**Complied** Board Meetings are conducted based on formal agenda, covering the main responsibilities of the Board. This function is delegated to the Company Secretary. The Board receives a standard set of documents which are timely, accurate, relevant and comprehensive. The Board may call for additional information or clarify any issues with any member of the Executive Committee.
3.7	All Directors shall have access to the advice and services of the Company Secretary with a view to ensuring that Board Procedures and all applicable laws, directions, rules and regulations are followed.	**Complied with** The Board approved policy on the Board's relationship with the Company Secretary provides that all Directors shall have access to the advice / services of the Company Secretary.
3.8	The Company Secretary shall maintain the minutes of Board Meetings and such minutes shall be opened for inspection at any reasonable time, on reasonable notice by any director.	**Complied with** The minutes of the Board Meetings are maintained by the Company Secretary. Minutes are approved at the subsequent Board Meeting. Minutes are open for inspection by any Director.
3.9	Minutes of Board Meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of the Board Meeting shall clearly contain or refer to the following: (a) A summary of data and information used by the Board in its deliberations. (b) The matters considered by the Board. (c) The fact finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence. (d) The explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations. (e) The Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and (f) The decisions and Board resolutions	**Complied with** Company Secretary maintains detailed minutes of all Board Meetings to satisfy all requirements under this direction.

4. Composition of the Board		
4.1	The number of directors on the Board shall not be less than 5 and not more than 13.	As at end of financial year, the Board of AMWCL comprised of six Directors of whom three Directors are Independent Non-Executive Directors. (Mr. A D Lakhani was appointed as an Executive Director with effect from 23 August 2017, Mr. J D N Kekulawala was appointed as Independent Non-Executive Director with effect from 27 October 2017 and Mr. R Kassaby was appointed as a Non-Executive Director with effect from 28 November 2017 and is included in the above computation).
4.2	The total period of service of a director other than a director who holds the position of Chief Executive Officer or Executive Director shall not exceed nine years. The total period in office of a Non-Executive Director shall be inclusive of the total period of service served by such Director up to the date of this direction.	None of the Non-Executive Directors have completed 9 years of service as at end of the financial year.
4.3	Subject to the transitional period, an employee of a finance company may be appointed, elected or nominated as a director of a finance company (hereinafter referred to as an "Executive Director") provided that the number of Executive Directors shall not exceed on half of the number of directors of the Board. In such an event, one of the Executive directors shall be the Chief Executive Officer of the company.	The Board comprised of 2 Executive Directors (including the CEO) and 4 Non-Executive Directors (of whom 3 are independent).

4.4	Subject to the transitional period the number of Independent Non-Executive Directors of the Board shall be at least one fourth of the total number of directors. A Non-Executive Director shall not be considered independent if such a director	At end of financial year under review, the Board had 3 Independent Non-Executive Directors, thereby complying with this requirement.
	a) Has shares exceeding 2% of the paid up capital of the company or 10% of the paid up capital of another finance company; b) Has or had during the period of two years immediately preceding his appointment as a director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet; c) Has been employed by the finance company during the two year period immediately preceding the appointment as a director; d) Has a relative who is a Director or Chief Executive Officer or a Key Management Personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company; e) Represents a shareholder, debtor, or such other similar stakeholder of the finance company; f) Is an employee or a director or has a shareholding of 10% or more of the paid up capital in a company or business organization; (i) Which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company or; (ii) In which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the finance company or; (iii) In which any of the other directors of the finance company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company.	The Directors or their families or connected parties do not hold any shares in the Company.
4.5	In the event an Alternate Director is appointed to represent an Independent Non-Executive Director, the person so appointed shall also meet the criteria that apply to the Independent Non-Executive Director.	No Alternate Directors appointed.
4.6	Non-Executive Directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	The Directors including Non-Executive Independent Directors are eminent persons with knowledge, expertise and experience to bring an independent judgment and scrutinize the decisions taken by the Board on all issues of strategy, performance, resources and business conduct. Their detailed profiles are given on Pages 6 to 7.

4.7	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless at least one half of the number of Directors that constitute the quorum at such meeting are Non-Executive Directors.	As per Article 109 of the Articles of Association, this requirement is complied with.
4.8	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the name of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the Annual Corporate Governance Report which shall be an integral part of its Annual Report.	The Directorate for the year under review: Mr. T S A Fernandopulle : appointed as Chairman - w.e.f: 08.05.17 (Independent Non-Executive Director) Mr. B P Morris - Director/CEO (Executive Director) Mr. A M Patrick (Independent Non-Executive Director) Mr. J D N Kekulawala (Independent Non-Executive Director) - appointed w.e.f: 27.10.17 Mr. A D Lakhani (Executive Director) - appointed w.e.f: 23.08.17 Mr. R Kassaby (Non-Executive Director) - appointed w.e.f: 28.11.17 Mr. N S Welikala (Independent Non-Executive Director) - retired w.e.f: 07.05.17 Mrs. D C Yatawaka (Executive Director) - vacated w.e.f : 28.03.17 Mr. S M Faulkner (Non-Executive Director) - resigned w.e.f : 13.06.17 Mr. K A Wijewickrama (Executive Director) - resigned w.e.f : 24.08.17 Mr. A Majumdar (Non-Executive Director) - resigned w.e.f : 30.08.17 Mr. S A B Rajapaksa (Non-Executive Director) - resigned w.e.f : 07.12.17
4.9	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the ordinary succession of appointments to the Board.	Although the Company has not formed a specified Nomination Committee, all new appointments of Directors involve a process of test to ascertain whether their combined knowledge and experience match the strategic demands facing the Company.
4.10	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Article 94 of the Company's Articles of Association provides that Directors appointed shall be subject to election by shareholders at the first AGM.
4.11	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	Changes in directorate are informed to the relevant authorities and also given in the Annual Report. The following Directors have resigned during the year under review: Mr. N S Welikala - retired w.e.f : 07.05.17 Mrs. D C Yatawaka - vacated w.e.f : 28.03.17 Mr. S M Faulkner - resigned w.e.f : 13.06.17 Mr. K A Wijewickrama - resigned w.e.f : 24.08.17 Mr. A Majumdar - resigned w.e.f : 30.08.17 Mr. S A B Rajapaksa - resigned w.e.f : 07.12.17
5. Criteria to assess the fitness and propriety of Directors		
5.1	Subject to the transitional provisions contained herein, a person over 70 years shall not serve as a Director of a finance company.	**Complied with** All Directors are below the age of 70 years as at 31 December 2017 Mr. N S Welikala stepped down as a Director at the beginning of May, as he reached the age of 70 during the financial year ended 31 December 2017.

5.2	A director of a finance company shall not hold office as a Director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of Sri Lanka Accounting and Auditing Standards Act No 15 of 1955.	**Complied with** No Director holds directorships of more than 20 companies/ entities/institutions inclusive of subsidiaries or associate companies or any other equivalent position in more than 10 companies that are classified as Specialized Business Entities.
6. The Management Functions Delegated by the Board		
6.1	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such a delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Company's Articles empowers the Board to delegate its powers to committees upon such terms and conditions as the Board may deem fit. All delegators are made in a manner that it would not hinder the Boards ability to discharge its functions.
6.2	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Specific tasks delegated are reviewed by Audit/Risk Committees and thereafter approved by the Board.
7. The Chairman and the Chief Executive Officer		
7.1	The roles of Chairman and Chief Executive Officer shall be separated and shall not be performed by one and the same person.	**Complied with** Roles of Chairman and CEO are separate and held by two individuals appointed by the Board
7.2	The Chairman shall be a Non-Executive Director. In the case where the Chairman is not an Independent Non-Executive Director, the Board shall designate and Independent Non-Executive Director as a Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the company's Annual Report.	**Complied with** The Chairman is an Independent Non-Executive Director.
7.3	The Board shall disclose in its Corporate Governance Report, which forms an integral part of the Annual Report, the names of the Chairman and the Chief Executive Officer and the nature of any relationship (including financial, business, family or other material/relevant relationships if any between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	**Complied with** The Company as a practice discloses relationships in the Corporate Governance Report. There is no financial, business, family or other relationships with related parties between Chairman, Chief Executive Office and any other member of the Board. The Directors or their families or connected parties do not hold any shares in the Company.
7.4	The Chairman shall: (a) Provide leadership to the Board; (b) Ensure that the Board works effectively and discharges its responsibilities; and (c) Ensure that all key issues are discussed by the Board in a timely manner.	**Complied with** The Board approved list of functions and responsibilities of Chairman includes providing leadership to the Board and ensuring the effective discharge of board functions. All key and appropriate issues are discussed by the Board in a timely manner.
7.5	The Chairman shall be primarily responsible for the preparation of the Agenda for each Board meeting.	**Complied with** The Company Secretary draws up an agenda approved by the Chairman prior to circulation to the Board.
7.6	The Chairman shall ensure that all Directors are informed adequately and in a timely manner of the issues arising at each Board Meeting.	**Complied with** The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings through the submission of the Agenda and the Company Secretary ensures the timely dissemination of Board Papers to all Directors to ensure sufficient preparation for meetings.

7.7	The Chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the company.	**Complied with** Active participation is encouraged, reports on performance along with Financials, Audit and Risk Reports are presented at each Board Meeting to encourage a cross section of opinions and for sound decision making.
7.8	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relationship between Executive and Non-Executive Directors.	**Complied with** Executive and Non-Executive Directors work together with the best interest of the Company. Non-Executive Directors participate in Board Subcommittees to provide further opportunities for active participation.
7.9	Subject to the transitional provisions contained herein, the Chairman shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	**Complied with** The Chairman is an Independent Non-Executive Director and does not engage in activities involving direct supervision of key management personnel or any other executive duties.
7.10	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	**Complied with** The Board approved Policy of Communication satisfies the requirement under this Direction. Effective Communication is maintained at the Annual General Meeting of the Company and periodic submissions to Colombo Stock Exchange also contributes towards complying with this Direction.
7.11	The Chief Executive Officer should function as the apex executive-in-charge of the day-to-day operations and business.	**Complied with** The CEO is responsible for the day-to-day operations and business of the Company with the support of the Executive Directors and members of the Corporate Management.
8. Board appointed Committees		
8.1	Every finance company shall have at least the two Board committees set out in paragraph 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a Secretary to arrange its meetings, maintain minutes, record and carry out such other secretarial functions under the supervision of the Chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee at the Annual General Meeting of the company.	**Complied with** The Company has established and Audit Committee and an Integrated Risk Management Committee. Reports of such committees are presented to the Board at each Board Meeting. A report from both committees for the year under review will be included in the Annual Report of the company.

8.2	Audit Committee a) The Chairman of the committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	**Complied with** The Chairman of the Audit Committee is Mr. A M Patrick who is an Independent Non-Executive Director. He is a Fellow Member of the Chartered Institute of Management Accountants (UK). His Qualifications and experience is disclosed on Page 6 of this Annual Report.
	b) The Board members appointed to the committee shall be Non-Executive Directors.	**Complied with** All members of the Audit Committee are Non-Executive Directors.
	c) The Committee shall make recommendations on matters in connection with:	**Complied with** The Audit Committee meets on a regular basis and reviews the monthly, quarterly and annual financials of the Company prior to recommending same to the Board. The Audit Committee makes the following recommendations to the Board regarding:
	(i) The appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) The implementation of the CBSL guidelines issued to the auditors from time to time; (iii) The application of the relevant accounting standards; and (iv) The service period, audit fee and any resignation or dismissal of the Auditor, provided that the engagement of an Audit Partner shall not exceed five years, and that the particular Audit Partner is not re-engaged for the audit before the expiry of three years from the date of completion of the previous term.	(i) The Appointment of External Auditor for audit services provided in compliance with the relevant statutes. (ii) The implementation of the Central Bank Guidelines issued to Auditors from time to time. (iii) The application of the relevant accounting standards and (iv) The service period, audit fee and any resignation or dismissal of the Auditor. The engagement of the Audit Partner does not exceed 5 yrs.
	d) The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	The Board is responsible for the External Auditor's independence, objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements. The Board has the primary responsibility for making a recommendation on the appointment, re-appointment or removal of the External Auditor in line with professional standards and regulatory requirements.

	e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the External Auditors independence or objectivity in relation to the provision of non-audit services, the committee shall consider: (i) Whether the skills and experience of the Auditor make it a suitable provider of the non-audit services; (ii) Whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and (iii) Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the Auditor, pose any threat to the objectivity and/or independence of the External Auditor.	**Complied with** The Board approved policy for provision of Non-Audit Services by the External Auditor is in place. The Policy provides the framework to ensure that the External Auditors are able to maintain objectivity and independence and are suitable to perform the required non-audit services.
	f) The Committee shall before the audit commences discuss and finalize with the External Auditors the nature and scope of the audit including: (i) An assessment of the finance company's compliance with the Directions issued under the Act and the management's internal controls over financial reporting. (ii) The preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) The co-ordination between Auditors where more than one auditor is involved.	**Complied with** The engagement of External Auditors and the nature and scope of the audit is discussed by the Committee.
	g) The Committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its Annual Report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) Major judgmental areas; (ii) Any changes in accounting policies and practices; (iii) Significant adjustments arising from the audit; (iv) The going concern assumption; and (v) The compliance with relevant accounting standards and other legal requirements.	**Complied with** The Committee has reviewed the financial information of the quarterly financials and annual audited accounts, prior to any disclosure requirements.

	h) The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters that the Auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel if necessary.	**Complied with** The Committee met the External Auditors in relation to the audit in the absence of the Executive Management on 15 February 2017 and 24 November 2017.
	i) The Committee shall review the External Auditor's Management Letter and the management response thereto.	**Complied with** The Committee reviewed the External Auditor's management letter for the financial year ended 31 December 2017 and the management responses thereto.
	j) The Committee shall take the following steps with regard to the internal audit function of the finance company.	
	(i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work.	The Committee has considered the scope of the internal audit function, necessary authority and resources allocated to carry out its work.
	(ii) Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department.	The Committee ensures that a sound system of internal control is maintained in the following manner: • An internal audit programme is prepared covering all operations. • Internal and External Audit Reports are reviewed by management on a timely basis and control weaknesses are corrected.
	(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	Complied as per Group Policy.
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	
	(v) Ensure that the committee is apprised of resignations of senior staff members of the Internal Audit Department including the Chief Internal Auditor and any outsourced service providers and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning.	**Complied with** During the year Mr. S Wickremasinghe, Group Internal Auditor resigned w.e.f : 03.04.17 and Mr. J T P Perera was appointed as the Group Internal Auditor w.e.f : 01.08.17.
	(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	**Complied with** Internal Audit reports directly to the Board Audit Committee and hence they are Independent and the audits are performed with impartiality and professional due care.
	k) The Committee shall consider the major findings of internal investigations and management's responses thereto;	The Committee considers the major findings of the Internal Audit Department and the management responses thereto.
	l) The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the External Auditors without the Executive Directors being present.	The meetings of the committee are held as required including meeting of External Auditors without the Executive Directors.

	m) The Committee shall have: (i) Explicit authority to investigate into any matter within its terms of reference; (ii) The resources which it needs to do so; (iii) Full access to information; and (iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	The required authority and resources are available to the Committee and are expressly provided in the Terms of Reference of the Audit Committee.
	n) The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Regular meetings are held by the Committee and an Agenda for discussion is given with due notice. Proper minutes are recorded and the Chairman of the Audit Committee gives a Report to the Board for further action and recommendation.
	o) The Board shall, in the Annual Report, disclose in an informative way (i) Details of the activities of the audit committee (ii) The number of audit committee meetings held in the year; and (iii) Details of attendance of each individual member at such meetings.	During financial year ended 31 December 2017, the Committee held 07 meetings and an Audit Report on the issues discussed at each meeting was presented to the Board.
	p) The Secretary to the Committee (either the Company Secretary or the Head of the Internal Audit function) shall record and keep detailed minutes of the committee meetings.	The Company Secretary serves as the Secretary to the Audit Committee.
	q) The Committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the External Auditor.	**Complied with** A Board approved whistle-blower code is in place.
8.3 Integrated Risk Management Committee		
	a) This Committee shall consist of at least one Non-Executive Director, CEO and Key Management Personnel supervising broad risk categories i.e. credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	The Integrated Risk Management Committee comprises of : Mr. T S A Fernandopulle - appointed as Chairman w.e.f : 08.05.17 Mr. N S Welikala - retired w.e.f : 07.05.17 Mr. A M Patrick Mr. B P Morris Mr. J D N Kekulawala - appointed w.e.f : 27.10.17 Mr. A D Lakhani - appointed w.e.f : 23.08.17 Mr. S A B Rajapaksa - resigned w.e.f : 07.12.17 Mrs. D C Yatawaka - vacated w.e.f : 28.03.17 Mr. D P V Mendis - resigned w.e.f : 15.01.17 Mrs. D I Brohier - resigned w.e.f : 03.05.17 Mr. N Tillekeratne - appointed w.e.f : 20.03.17 Mrs. D Tillekeratne Mr. H N N K Perera Mr. S Fernando Mr. S U Thenuwara Mr. S Wickremasinghe - resigned w.e.f : 03.04.17 Mr. J T P Perera - appointed w.e.f : 01.08.17 Mr. P R M Perera - appointed w.e.f : 22.06.17 Mrs. R E Weerasinghe Matters discussed at IRMC level are referred to the Board for further action and recommendations.

	b) The Committee shall assess all risks, i.e. credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	Appropriate risk indicators and management information are presented at each committee meeting. The committee reviews the risk assumed by the company and monitors those risk factors.
	c) The Committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee	Specific risks and limits are identified by relevant committees such as ALCO, Fixed Deposits, Credit, Recoveries. The Committee reviews the minutes of the ALCO and Credit Policy Committee on a regular basis
	d) The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	The IRMC determines the risk tolerance levels and set risk limits where necessary. These are updated based on the strategic objectives, changes in regulatory environment and competition.
	e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	06 meetings were held for the financial year ended 31 December 2017.
	f) The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	The Committee takes collective decisions when managing the specific risk.
	g) The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Approved Committee Minutes and a Report consisting the risk inherent to the Company are tabled at the subsequent Board Meeting seeking the Board's views and specific direction.
	h) The Committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls, and approved policies on all areas of business operations. A dedicated Compliance Officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	The Compliance Officer reports to the Audit and Risk Committees on the compliance of regulatory requirement and internal controls.

9. Related Party Transactions		
9.1	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction No.1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction No.2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.	
9.2	The Board shall take necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person and particularly with the following categories of persons who shall be considered as “related parties” for the purpose of this Direction. a) A subsidiary of the finance company; b) Any associate company of the finance company; c) A director of the finance company; d) A key management personnel of the finance company; e) A relative of a director or a key management personnel of the finance company; f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company; g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest.	**Complied with** During the year under review, the Board appointed the Related Party Transactions Review Committee to ensure that the Company does not engage in related party transactions as stipulated in this Direction and to enable Directors to avoid conflict of Interest that may arise from any transactions with the Company.
9.3	The transactions with a related party that are covered in this Direction shall be the following: a) Granting accommodation, b) Creating liabilities to the finance company in the form of deposits, borrowings and investments. c) Providing financial or non-financial services to the finance company or obtaining those services from the finance company, d) Creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party.	**Complied with** Board approved process is in place to identify the related party transactions and the newly-appointed Related Party Transactions Review Committee will ensure that all transactions with related parties are on arm’s length basis.

9.4	The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, “more favourable treatment” shall mean: a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the finance company’s regulatory capital, as determined by the Board. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company’s share capital and debt instruments with a remaining maturity of years or more. b) Charging of a lower rate of interest than the finance company’s best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty. c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties. d) Providing or obtaining services to or from a related party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	**Complied with** Monitoring of such transactions will be strengthened for extracting the data and reporting such transactions and to ensure that company does not engage in transactions with related parties that are deemed as “more favourable treatment”. All transactions are carried out as per regulated terms and conditions.
10. Disclosures		
10.1	The Board shall ensure that (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	The financial statements are prepared in accordance with the new Sri Lanka Accounting Standards (SLFRSs / LKASs) and the formats prescribed by the regulators. Audited financial statements are disclosed in the annual report, quarterly (unaudited) financial statements are sent to the CSE and posted on the CSE website. Such statements are published in the newspapers as required.

10.2	The Board shall ensure that at least the following disclosures are made in the Annual Report:	
	a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Reference – Report of the Board of Directors on the Affairs of the Company (in this Annual Report)
	b) A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	Reference – Directors' Statement on Internal Controls over financial reporting.
	c) The External Auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31st 2010.	E & Y certification given on the effectiveness of the internal controls over financial reporting.
	d) Details of directors, including names, transactions with the finance company.	Reference – Notes to the Financial Statements on Related Party Transactions (in this Annual Report)
	e) Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after January 1, 2010.	Reference – Notes to the Financial Statements on Related Party Transactions (in this Annual Report)
	f) Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	No accommodation has granted to of related parties during the period.
	g) The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Aggregate value of remuneration paid to key management personnel is Rs.49,429,497.53 Deposits made - Rs. 500,505.39 Accommodation Granted - Nil
	h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.	Reference - Report of the Board of Directors on the Affairs of the Company.
	i) A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	No such situation has arisen.
	j) The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the Annual Corporate Governance reports published after January 1,2011.	E & Y certification given on the effectiveness of the internal controls over financial reporting.

Sec.	Rules of the Colombo Stock Exchange	Level of Compliance
(Disclosures pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.c and 7.10.6c of S7 of the Rules).		
7.10	**Corporate Governance** Statement confirming that at the date of the annual report that the company is in compliance with these rules.	The Company is in compliance with the Listing Rules of the Colombo Stock Exchange, as explained below.
7.10.1	**Non-Executive Directors** The Board of Directors of a listed entity shall include at least two Non-Executive Directors; or such number of Non-Executive Directors equivalent to one third of the total number of directors whichever is higher.	As at 31 December 2017 the Board comprised 6 Directors of whom 4 were Non-Executive Directors.
7.10.2	**Independent Directors** Where the constitution of the Board of Directors includes only two Non-Executive Directors in terms of 7.10.1, both such Non-Executive Directors shall be independent. In all other instances two or 1/3rd of the Non-Executive Directors appointed to the Board, whichever is higher shall be independent. The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	As at 31 December 2017, the Board comprised 3 Independent Directors from whom signed declaration of independence were obtained.
7.10.3	**Directors Disclosures** Annual determination as to the independence or non-independence of each Non-Executive Director.	The Board has determined the independent/non-independent status based on the criteria set out by the CSE.
7.10.4	**Remuneration Committee** Shall comprise of a minimum of two Independent Non-Executive Directors of or Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	The Members of the Committee are independent Non-Executive Directors. The Committee Members are as follows: 1) Mr. A M Patrick - Independent Non-Executive Director (Chairman) 2) Mr. N S Welikala - Independent Non-Executive Director - retired w.e.f:07.05.17 3) Mr. T S A Fernandopulle - Independent Non-Executive Director 4) Mr. J D N Kekulawala - Independent Non-Executive Director
7.10.6	**Audit Committee** Shall comprise of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	As at 31 December 2017, the Committee comprised 3 Independent Non-Executive Directors.

Meetings

The number of meetings of the Board, Board appointed sub-committees and individual attendance by members for the Financial Year Ended 31 December 2017 are given below.

Names	Directorship Status	Number of Meetings
Number of meetings held		11
Mr. T S A Fernandopulle	Chairman (Independent Non-Executive Director)	11
Mr. B P Morris	Director/CEO	11
Mr. S A B Rajapaksa (resigned w.e.f: 07.12.17)	Non-Executive Director	09
Mr. A Majumdar (resigned w.e.f: 30.08.17)	Non-Executive Director	02
Mr. S M Faulkner (resigned w.e.f: 13.06.17)	Non-Executive Director	05
Mr. N S Welikala (retired w.e.f: 07.05.17)	Independent Non-Executive Director	04
Mr. A M Patrick	Independent Non-Executive Director	11
Mr. J D N Kekulawala (appointed w.e.f: 27.10.17)	Independent Non-Executive Director	03
Mrs. D C Yatawaka (vacated w.e.f: 28.03.17)	Director	02
Mr. K A Wijewickrama (resigned w.e.f: 24.08.17)	Director	07
Mr. A D Lakhani (appointed w.e.f: 23.08.17)	Director	03
Mr. R Kassaby (appointed w.e.f: 28.11.17)	Non-Executive Director	01

Audit Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		07
Mr. A M Patrick	Chairman	07
Mr. N S Welikala (retired w.e.f: 07.05.17)	Member	02
Mr. S A B Rajapaksa (resigned w.e.f: 07.12.17)	Member	06
Mr. T S A Fernandopulle	Member	07
Mr. J D N Kekulawala (appointed w.e.f: 27.10.17)	Member	01

Integrated Risk Management Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		06
Mr. T S A Fernandopulle	Chairman	06
Mr. N S Welikala (retired w.e.f: 07.05.17)	Member	02
Mr. A M Patrick	Member	05
Mr. B P Morris	Member	06
Mr. S A B Rajapaksa (resigned w.e.f: 07.12.17)	Member	05
Mr. J D N Kekulawala (appointed w.e.f: 27.10.17)	Member	01
Mrs. D C Yatawaka (vacated w.e.f: 28.03.17)	Member	01
Mr. A D Lakhani (appointed w.e.f: 23.08.17)	Member	03
Mr. S Fernando	Member	06
Mr. D P V Mendis (resigned w.e.f: 15.01.17)	Member	-
Mr. N Tillekeratne (appointed w.e.f: 20.03.17)	Member	05
Mrs. D I Brohier (Resigned w.e.f: 03.05.17)	Member	02
Mrs. D Tillekeratne	Member	03
Mr. H N N K Perera	Member	06
Mr. S Wickramasinghe (resigned w.e.f: 03.03.17)	Member	02
Mr. J T P Perera (appointed w.e.f: 01.08.17)	Member	02
Mr. S U Thenuwara	Member	05
Mr. P R M Perera (appointed w.e.f: 22.06.17)	Member	03
Mrs. R E Weerasinghe	Member	06

Related Party Transactions Review Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		04
Mr. A M Patrick	Chairman	04
Mr. N S Welikala (retired w.e.f: 07.05.17)	Member	01
Mr. T S A Fernandopulle (appointed w.e.f: 25.04.17)	Member	03
Mr. S A B Rajapaksa (resigned w.e.f: 07.12.17)	Member	03
Ms. D C Yatawaka (vacated w.e.f: 28.03.17)	Member	01
Mr. J D N Kekulawala (appointed w.e.f: 27.10.17)	Member	01

REPORT OF THE DIRECTORS

The Directors are pleased to present their Report for the Financial Year Ended 31 December 2017 together with the Audited Statement of Financial Position and the Statement of Comprehensive Income for the period under review.

Review of the Period

The Chairman's Message along with the Director/CEO's Message highlights the Company's performance during the period under review.

Financial Statements

The Financial Statements prepared in compliance with the requirements of Section 151 of the Companies Act No.7 of 2007 are given on pages 55 to 90 in this Annual Report.

Independent Auditors Report

The Auditors Report on the Financial Statements is given on page 54 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements are given on pages 59 to 65.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for Financial Statements is given on page 53.

Stated Capital

The Stated Capital of the Company on 31 December 2017 was Rs. 200,000,000/- and was unchanged during the period.

Statutory Payments

All known statutory payments have been made by the Company.

Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements.

Going Concern

The Board is satisfied that the Company will continue its operations in the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the Financial Statements.

Re-election of Directors

Messrs. A D Lakhani, Mr. J D N Kekulawala and Mr. R Kassaby were appointed as Executive Director, Independent Non-Executive Director and Non-Executive Director respectively to the Board since the last Annual General Meeting.

In accordance with the Articles of Association Mr. A M Patrick retires, and being eligible offers himself for re-election.

Directors' Interests

The Directors' Interest in Contracts of the Company have been included in the Notes to the Financial Statements.

Directors' Remuneration

Details of the remuneration received by the Directors are set out in Note 24 to the Financial Statements on page 76.

Auditors

Messrs. Ernst & Young have expressed their willingness to continue in office as Auditors of the Company for the year ending 31 December 2018. A resolution pertaining to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Mrs. Ruvini E Weerasinghe
COMPANY SECRETARY
30 March 2018

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility

In line with the Finance Companies Direction No. 03 of 2008, Section 10(2) (b), the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at AMW Capital Leasing and Finance PLC ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board. The Board is of the view that the system of Internal Control over Financial Reporting in place, is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company and continue to review & update every year. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

Key features of the process adopted in applying and reviewing the design and effectiveness of the internal control over financial reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of Internal Controls with respect to financial reporting include the following:

- Various Committees are established by the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the Internal Control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit Department are submitted to the Board Audit Committee for review at their periodic meetings.

- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the Management; and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of the same. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Further details of the activities undertaken by the Board Audit Committee of the Company are set out in the Board Audit Committee Report on pages 49.

- Company adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2012. The processes initially applied to adopt the aforementioned accounting standards were further strengthened during the years 2013, 2014, 2015, 2016 and 2017 based on the feedback received from the External Auditors, Internal Audit Department, regulators and the Board Audit Committee.

- The comments made by the External Auditors in connection with internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2017 in connection with the internal control system over financial reporting will be dealt with in the future.

Confirmation

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the statement by External Auditors

The External Auditors, Messrs Ernst & Young, have reviewed the above Directors' Statement on Internal Control Over Financial Reporting included in the Annual Report of the Company for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review and design and effectiveness of the Internal Control over financial reporting by the Company.

By order of the Board

Angelo M.Patrick
Chairman-Audit Committee

Brandon Morris
Director/CEO

Anil Lakhani
Director

30 March 2018
Colombo

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee currently comprises of three Independent Non-Executive Directors, Mr. Angelo Patrick as Chairman, Mr. Trevine Fernandopulle and Mr. Nihal Kekulawala.

The AMW Company Secretary functions as the Secretary to the Committee.

Mr. Nihal Welikala who joined the Board and the Audit Committee in April 2011 left the Board in May 2017 on reaching the age of 70. He was replaced by Mr. Nihal Kekulawala who is a much respected Banker with wide experience and would add great value to the Committee. Mr. Samantha Rajapaksa who is a member of the Committee left in December 2017.

The Objectives of the Committee were defined by the Board as:

1. To ensure effective, accurate and timely Financial Reporting and generation of management control information.

2. Management of Internal Controls.

3. Ensure the effective utilization of resources and report on conflict of interests.

4. Assessing independence of External Auditors and monitor the External Audit function.

5. Ensure compliance with the Finance Business Act and the attendant Directions, Rules, Determinations, Notices and Guidelines issued by the Central Bank of Sri Lanka.

The Internal Audit functions are carried out by the Internal Audit Division of the Parent Company. They report directly to the Audit Committee. The Director/CEO of the Company along with an Executive Director who is also the AMW Finance Director, the General Manager, the Senior Accountant, the Head of Risk and the Group Internal Auditor attend the Audit Committee meetings by invitation. The Group IT Head and the support staff are present as and when required to discuss the IT issues. An Audit plan for the current year is presented by the Group Internal Auditor to the Committee during the 4th Quarter of last year for approval. The Committee meets once in two months. Quarterly Internal Audit reports were presented to the Committee by the Group Internal Auditor as per the format of presentation approved by the Committee. This included a report on Compliance with the Regulatory framework, Compliance with Accounting Standards and Reports on Internal controls on the Operational & Business processes and transactions. In addition to the above, the Quarterly Internal Audit reports also include a Balance Sheet audit. A choice of major Branches is selected during the year for review of the Operational and Business procedures. All audit reports from the Internal Audit Division are tabled along with management responses. The Committee also monitors the submission of the mandatory reports to the Regulator. Positions and movements in Non-Performance Loans and Arrears are brought to the attention of the Board by the Committee.

A report on the proceedings, findings and recommendations of the Audit Committee is made to the Board of Directors after each meeting.

The Committee met with External Auditors without the presence of the management of the Company and is satisfied with their independence based on the work carried out by them and the fees paid to them for Audit and Non-audit services.

The Committee is satisfied that the Control Environment is adequate to support the Business Process. The Management regularly evaluates the Business Process to ensure that it meets the needs of the market. Any changes brought about in the process will necessitate a review of the Control Environment.

The Committee met on 07 occasions during the financial year and the attendance at the meetings was:

Mr. A M Patrick	07
Mr. N S Welikala	02
Mr. T S A Fernandopulle	07
Mr. S A B Rajapaksa	06
Mr. J D N Kekulawala	01

Angelo M. Patrick
Chairman - Audit Committee
30 March 2018

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Board appointed Integrated Risk Management Committee as at the end of the year comprised of the following members.

Mr. Trevine Fernandopulle
Independent Non-Executive Director

Mr. Angelo Maharaja Patrick
Independent Non-Executive Director

Mr. Nihal Kekulawala
Independent Non-Executive Director

Mr. Brandon Morris
Director/CEO

Mr. Anil Dalsukhlal Lakhani
Director

Mr. Naresh Tillekeratne
General Manager - Credit & Operations

Mr. Sujith Fernando
Head of Risk & Compliance

Mr. Pujitha Perera
Group Internal Auditor

Ms. Dimuthu Tillekeratne
Senior Accountant

Mr. Neluka Perera
Senior Manager – Treasury

Mrs. Ruvini Weerasinghe
Head of Legal

Mr. Sanjaya Thenuwara
DGM Marketing

Mr. Rajitha Perera
Manager – Internal Audit

Charter of the Committee

The IRMC was established by the Board of Directors in compliance with the Section 8 (3) of the Direction No.03 of 2008 on Corporate Governance for Finance Companies in Sri Lanka issued by the Central Bank of Sri Lanka.

The Charter of the IRMC approved by the Board, sets out the membership, source of authority, duties and responsibilities of the IRMC. The functions of the IRMC in managing the risks of the Company have been discussed in detailed under the "Risk Management" from pages 17 to 26 of this Annual Report.

Committee Meetings and Methodology

The IRMC met 06 times during the year ended 31st December and its deliberations and conclusions were reported to the Board of Directors on a monthly basis. The IRMC assists the Board of Directors in performing its oversight function in relation to different types of risks faced by the Company in its business operations and ensure adequacy of effectiveness if the risk management framework of the Company.

The scope of review of the committee was based on the guidelines defined by the Central Bank for Finance Companies. In particular, risks flowing from the business plan and strategy, economic risks, credit, market, liquidity and interest rate mismatch risks and operational risks were reviewed by the committee.

Activities and Functions of the Committee

- Assess all risks, i.e. credit, market, liquidity, operational and strategic risks at least on a quarterly basis through appropriate risk indicators and management information.
- Review the adequacy and effectiveness of all management level committees to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- Take prompt corrective action to mitigate the effects of specific risks.
- Take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee.
- Submit a risk assessment report to the Board of Directors seeking Board's views, concurrence and /or specific directions.

In particular, the IRMC discussed, analysed and advised on the various macro and micro level risks which could impact the business and reviewed management actions to manage those risks.

Trevine Sylvester Anthony Fernandopulle
Chairman
Integrated Risk Management Committee

30 March 2018

REPORT OF THE REMUNERATION COMMITTEE

The Board approved Remuneration Committee was formed in February 2011 and currently comprises of three Independent Non-Executive Directors, Mr. Angelo Patrick as Chairman, Mr. Trevine Fernandopulle and Mr. Nihal Kekulawala.

Mr. Nihal Welikala and Samantha Rajapaksa who were members of the Remuneration Committee resigned in May and December 2017 respectively. Mr. Nihal Kekulawala was appointed as a member to the Remuneration Committee in December 2017.

The composition of the Committee meets the requirements set out in the Listing Rules of the Colombo Stock Exchange. The profiles of the members are set out on pages 6 to 7.

The Committee meets as often as necessary to make recommendations on compensation structures, bonus, increments and promotions. The Committee is also responsible for determining the remuneration policy relating to the Director/ CEO by evaluating the performance against set targets and goals for the year under review. The Committee reviews the market data presented to the Members to ensure salary structures were compatible with the market. The Committee also determines and agrees with the Board on the framework or broad policy for the remuneration of the senior management and other members of the management.

The Committee met during the year under review and the proceedings of the meetings were reported to the Board.

Angelo M. Patrick
Chairman - Remuneration Committee

30 March 2018

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee of the Company was formed on 29.02.2016.

The Board appointed Related Party Transactions Review Committee currently comprises of three Independent Non-Executive Directors, Mr. Angelo Patrick as Chairman, Mr. Trevine Fernandopulle and Mr. Nihal Kekulawala. Mr. Nihal Welikala who joined the Related Party Transactions Review Committee in February 2016 left the Committee in May 2017 on reaching the age of 70. Mrs. Dilani Yatawaka and Mr. Samantha Rajapaksa who were members of the Committee left in March and December 2017 respectively.

The AMW Company Secretary functions as the Secretary to the Committee.

The Committee met on 04 occasions during the financial year and the attendance at the meetings was:

Mr. Angelo Patrick	04
Mr. Nihal Welikala	01
Mr. Samantha Rajapaksa	03
Mrs. Dilani Yatawaka	01
Mr. Trevine Fernandopulle	03
Mr. Nihal Kekulawala	01

The purpose of the Committee as set out in its Charter is to provide an independent review and approval of all proposed Related Party Transactions.

The objectives of the Committee are:

1. Ensure the transparency and fairness to all Stakeholders of all transactions.
2. Ensure adherence of Related Party Transactions to the Accounting Standards, Code of Best Practices issued by the SEC and the Directions issued by the Central Bank.

The Committee reviewed possible related party transactions and communicated its comments/observations to the Board of Directors. There were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds set out in the Listing Rules of the Colombo Stock Exchange.

Details of other related party transactions entered into by the Company during the above period is disclosed in Note 30 to the Financial Statements on pages 78 to 79.

Declaration

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on Note 30 of this Annual Report.

Angelo M. Patrick
Chairman - Related Party Transactions Review Committee

30 March 2018

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements are prepared in conformity with generally accepted accounting principles and the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements reflect a true and fair view of the state of affairs of the Company as at 31st December 2014 and provide the information required by the Companies Act No. 7of 2007. The Financial Statements have been prepared on the going concern basis as the Board is satisfied that the Company will continue its operations in the foreseeable future.

The Board of Directors have instituted an effective and comprehensive system of internal checks, internal audits, and the whole system of financial and other controls required to carry on the business of the Company in an orderly manner, safeguard its assets and ensure as far as practicable the accuracy and reliability of the records. These controls are regularly reviewed.

The Company Auditors, Messrs. Ernst & Young, Chartered Accountants, carry out reviews and test checks the effectiveness of internal controls as they consider appropriate and necessary for providing their opinion on the Financial Statements.

The Board of Directors oversees the Management's responsibilities for financial reporting at their regular meetings.

By Order of the Board

Mrs. Ruvini E Weerasinghe
COMPANY SECRETARY

30 March 2018

INDEPENDENT AUDITORS' REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AMW CAPITAL LEASING AND FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of AMW Capital Leasing and Finance PLC, ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion :

- 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,
- the financial statements of the Company give a true and fair view of the financial position as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- the financial statements of the Company, comply with the requirements of Sections 151 of the Companies Act No. 07 of 2007.

Ernst & Young

30 March 2018
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2017 Rs.	2016 Rs.
ASSETS			
Cash and Bank	3	139,656,733	116,553,569
Other Financial Assets	4	69,050,060	59,688,203
Other Non-Financial Assets	5	13,696,999	11,931,324
Rentals Receivable on Lease and Hire Purchase Assets	6	6,624,785,785	7,593,019,922
Loans and Advances	7	4,179,474,841	2,965,897,522
Financial Investments - Available for Sale	8	80,400	80,400
Financial Investments - Held-to-Maturity	9	425,094,094	524,021,599
Property, Plant and Equipment	10	35,384,715	50,165,921
Intangible Assets	11	10,065,754	13,782,883
Total Assets		11,497,289,381	11,335,141,343
EQUITY AND LIABILITIES			
Liabilities			
Bank Overdraft	3	54,322,705	29,605,770
Trade and Other Payables	12	595,284,229	898,348,996
Time Deposits	13	2,708,767,163	1,691,677,269
Amounts due to Related Parties	14	1,407,323,388	2,644,546,958
Interest Bearing Borrowings	15	4,341,045,635	4,056,725,490
Provision for Income Tax	16	186,142,494	138,081,580
Deferred Tax Liability	17	177,054,254	201,281,178
Employee Benefit Obligation	18	21,957,287	19,820,106
Total Liabilities		9,491,897,155	9,680,087,347
Equity			
Stated Capital	19	200,000,000	200,000,000
Retained Profit		1,707,820,821	1,376,641,506
Statutory Reserve Fund	20	97,571,405	78,412,490
Total Equity		2,005,392,226	1,655,053,996
Total Equity and Liabilities		11,497,289,381	11,335,141,343

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Dimuthu Tillekeratne
Senior Accountant

The Board of Directors is responsible for these Financial Statements.
Signed for and on behalf of the Board by.

Brandon Morris
Director/CEO

Anil Lakhani
Director

Accounting Policies and Notes on pages 59 to 90 form an integral part of these Financial Statements.

30 March 2018
Colombo

STATEMENT OF TOTAL COMPREHENSIVE INCOME

As at 31 December

	Note	2017 Rs.	2016 Rs.
Interest Income	21	1,885,042,280	1,584,186,324
Less : Interest Expenses	22	(1,043,018,929)	(803,425,535)
Net Interest Income		842,023,351	780,760,789
Rental Income from Operating Leases		3,411,453	5,136,692
Other Operating Income	23	391,159,917	302,693,514
Total Operating Income		1,236,594,721	1,088,590,994
Provision for Impairment Losses		(10,860,226)	(31,571,971)
Net Operating Income		1,225,734,495	1,057,019,024
Less: Operating Expenses			
Administration Cost		(224,827,748)	(212,171,559)
Personnel Cost		(212,718,732)	(206,808,952)
Distribution Cost		(34,522,934)	(36,270,393)
Operating Profit before Value Added Tax (VAT) on Financial Services		753,665,081	601,768,119
Less: Value Added Tax on Financial Services		(108,322,695)	(73,907,339)
Profit Before Taxation	24	645,342,386	527,860,780
Taxation	25	(262,164,079)	(184,373,405)
Profit for the year		383,178,306	343,487,375
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Other Comprehensive Income net of tax			
Actuarial Gain/(Loss) on Employee Benefit Obligation		159,924	3,181,388
Total Comprehensive Income for the year net of tax		383,338,230	346,668,762
Earnings Per Share - Basic	26	19.16	17.17
Dividend Per Share	27	1.65	2.31

Accounting Policies and Notes on pages 59 to 90 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Note	Stated Capital Rs.	Retained Profit Rs.	Statutory Fund Reserve Rs.	Total Equity Rs.
Balance as at 01 January 2016		200,000,000	1,093,347,112	61,238,122	1,354,585,234
Profit for the year		-	343,487,375	-	343,487,375
Other Comprehensive Income net of tax		-	3,181,388	-	3,181,388
Dividend Paid	27	-	(46,200,000)	-	(46,200,000)
Transfers	20	-	(17,174,369)	17,174,369	-
Balance as at 31 December 2016		200,000,000	1,376,641,506	78,412,490	1,655,053,996
Profit for the year		-	383,178,306	-	383,178,306
Other Comprehensive Income net of tax		-	159,924	-	159,924
Dividend Paid	27	-	(33,000,000)	-	(33,000,000)
Transfers	20	-	(19,158,915)	19,158,915	-
Balance as at 31 December 2017		200,000,000	1,707,820,821	97,571,405	2,005,392,226

Accounting Policies and Notes on pages 59 to 90 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 Rs.	2016 Rs.
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Net Profit before Income Tax		645,342,386	527,860,780
Adjustments for :			
Interest Income on Held to Maturity Investments	21	(57,622,858)	(47,712,621)
Dividend Income	23	(200,000)	(65,000)
Retiring Gratuity - Charge for the year	18	6,244,111	5,679,182
Gain on disposal of Property, Plant and Equipment	23	(2,428,572)	(7,691,294)
Loss on disposal of Property, Plant and Equipment		-	-
Depreciation & Amortization	10 & 11	23,548,496	28,617,928
Operating Profit Before Changes in Working Capital		614,883,563	506,688,975
Increase / (Decrease) in Trade & Other Payables		(303,064,767)	161,749,155
(Increase) / Decrease in Other Financial Assets & Non-Financial Assets		(11,127,532)	6,710,612
(Increase) / Decrease in Inventories		-	-
Net Investment in Lease, Hire Purchase and Loans and Advances		(245,343,182)	(1,602,487,225)
Net Cash generated from / (used in) Operations		55,348,082	(927,338,484)
Gratuity Paid	18	(3,884,813)	(160,606)
Income Tax Paid	16	(196,796,405)	(25,547,735)
ESC Paid	16	(35,813,573)	(12,150,666)
WHT Paid	16	(5,782,305)	(4,931,788)
Net Cash generated from / (used in) Operating Activities		(186,929,014)	(970,129,279)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Dividends Received	23	200,000	65,000
Acquisition of Plant, Equipment and Intangible Assets	10 & 11	(5,050,159)	(21,579,434)
Sale Proceed from Disposal of Plant and Equipment		2,428,571	8,519,996
Net Investments made during the Year		98,927,504	(48,464,527)
Interest Received from Held to Maturity Investments	21	57,622,858	47,712,621
Net Cash generated from/(used in) Investing Activities		154,128,774	(13,746,344)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Dividends Paid	27	(33,000,000)	(46,200,000)
Loans Obtained	15	2,892,186,509	3,171,675,847
Loan Settlements made	15	(2,607,866,364)	(2,768,209,002)
Net Borrowing from Related Parties		(1,237,223,570)	1,874,966,290
Net Deposits from Customers		1,017,089,894	(1,138,979,659)
Net Cash generated from / (used in) Financing Activities		31,186,469	1,093,253,476
Net Increase / (Decrease) in Cash & Cash Equivalents		(1,613,771)	109,377,854
Cash & Cash Equivalents at the beginning of the year		86,947,799	(22,430,055)
Cash & Cash Equivalents at the end of the year	3	85,334,028	86,947,799

Accounting Policies and Notes on pages 59 to 90 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

1. CORPORATE INFORMATION

AMW Capital Leasing and Finance PLC (Previously known as "AMW Capital Leasing PLC") was incorporated on 23 February 2006 under the Companies Act No. 17 of 1982 and was re-registered under the New Companies Act No. 07 of 2007 on 27 June 2007. The new Registration Number of the Company is PB14PQ.

The registered office of the Company is located at No. 185, Union Place, Colombo 02 and principal place of business of the Company is located at No. 445, Bauddhaloka Mawatha, Colombo 08.

During the year, the principal activities of the Company were Granting Lease facilities, Hire Purchase facilities, Mortgage Loans and Acceptance of Deposits.

The Financial Statements for the year ended 31 December 2017 were authorised for issue by the Directors on 30 March 2018.

The immediate holding Company of AMW Capital Leasing and Finance PLC is Associated Motorways (Pvt) Ltd which is incorporated in Sri Lanka and ultimate parent Company is Al-Futtaim Engineering LLC, Dubai.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with the accounting policies described in Note 2.1.1 to Note 2.4.11. The Financial Statements of the Company have been prepared on an accrual basis and under the historical cost convention method unless stated otherwise.

2.1.1 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS & LKAS (hereafter "SLFRS") issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and the requirements of the Companies Act No. 7 of 2007.

2.1.2 Presentation of Financial Statements

The Company presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in the Note-32. Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

2.1.3 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

2.2.1 Going Concern

The Company's management has made an assessment of the Company's ability to continue as a Going Concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, 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 continue to be prepared on the Going Concern basis.

2.2.2 Impairment Losses on Loans and Receivable

The Company reviews its individually significant Loans and Receivables at each reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, Management 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, resulting in future changes to the allowance. Loans and Receivables that have been assessed individually and found not to be impaired, all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan and receivables portfolio (such as levels of arrears, probability of default, loss given ratio, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and receivables is disclosed in more detail in Note 6 & 7.

2.2.3 Employee Benefit Liabilities

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long–term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are given in Note 18.

2.3 EVENTS AFTER THE REPORTING PERIOD

All material events after the reporting period have been considered and appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its Financial Statements.

2.4.1 Foreign Currency Transactions

The Financial Statements are presented in Sri Lankan Rupees which is the Company's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction.

2.4.2 Recognition of Income and Expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining Property, Plant and Equipment in a state of efficiency has been charged to the Income Statement.

For the purpose of presentation of the Income Statement, the "function of expense method" has been adopted on the basis that it represents fairly the elements of Company's performance.

a) Interest Income and Interest Expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available for sale, interest income or expense is recorded using the EIR. EIR is the rate exactly discounts estimated future cash payment or receipt through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets and financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

b) Dividends

Revenue is recognised when the Company's right to receive the payment is established.

c) Rental income

Rental income arising from operating leases on motor vehicles is accounted for on a straight-line basis over the lease term.

d) Fee and Commission Income

Fee and commission income is recognized on an accrual basis.

e) Other Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of Plant and Equipment and other non-current assets, including investments, are accounted for in the Income Statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

2.4.3 Tax

a) Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date which is currently the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

b) Deferred Tax

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules that differ from those of the Financial Statements.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes related to the same taxable entity and the same taxation authority.

c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

d) Value Added Tax on Financial Services

Value Added Tax on Financial Services is calculated in accordance with the amended Value Added Tax Act No. 7 of 2003. The amount of Value Added Tax on Financial Services is charged in determining the profit for the year.

e) Withholding Tax on Dividends

Dividend distributed out of taxable profit of the local companies attracts a 10% deduction at source and is not available for set off against the tax liability of the Company. Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividends is recognised.

2.4.4 Property, Plant & Equipment

Cost

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation.

All other repair and maintenance costs are recognised in the Income Statement as incurred.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer Equipment	20%
Office Equipment	20%
Furniture & Fittings	20%
Motor Vehicles	20%
Motor Vehicles on Hire	20%
Fixtures	20%

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognized.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.4.5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognized.

Amortization

Amortization on Computer Software is calculated on a straight-line basis over the estimated useful life of 5 years.

2.4.6 Lease and Hire Purchase Receivables

Finance and Operating Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance Leases

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title are classified as finance leases. When the Company is the lessor under finance leases, the amounts due under the leases, after deduction of unearned income are included in Lease Receivables. The finance income receivable is recognized in "Interest Income "over the period of the leases so as to give a constant rate of return on the net investment in the leases.

Operating Leases

All other leases are classified as operating leases. When acting as lessor, the Company includes the assets subject to operating leases in "Property, Plant and Equipment" and accounts for them accordingly. Rentals receivable under operating leases are accounted for on a straight-line basis over the period of the leases.

Hire Purchase

Assets hired to customers under hire purchase agreements, which transfer all the risks and rewards incidental to ownership as well as the legal title at the end of such contractual period, are classified as hire purchase receivables. Such assets are accounted for in a similar manner as finance leases.

2.4.7 Financial Instruments

The Company recognizes Financial Assets or Financial Liabilities in its Statement of Financial Position when the Company becomes a party to the contractual provisions of the Instrument. Financial Assets and Financial Liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a Financial Asset or a Liability (other than Financial Assets and Financial Liabilities at fair value through profit or loss) are added or deducted from the fair value of the Financial Asset or Liability, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of Financial Assets and Financial liabilities at fair value through profit or loss are recognized immediately in the Income Statement. Financial Assets and Liabilities are offset and the net amount is presented when, and only when the Company has a legal right to offset the amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial Assets

a) Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and unquoted financial instrument.

b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the Income Statement.

Loans and Advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Interest income in the Income Statement. The losses arising from impairment are recognised in the Income Statement.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in Interest income in the Income Statement. The losses arising from impairment are recognised in the Income Statement.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Income Statement and removed from the available-for-sale reserve.

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

c) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

d) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Income Statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement;

Increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Financial liabilities

a) Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings at amortized cost, plus directly attributable transaction costs.

The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, time deposits, amounts due to related parties.

b) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognized in the Income Statement.

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

c) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.4.8 Impairment of non-financial assets

Impairment losses impairment on inventories and VAT Receivables are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

2.4.9 Cash and Bank Balances

Cash and Bank balances in the Statement of Financial Position comprise cash at banks and in hand. For the purpose of the statement cash flow, cash and cash equivalents consist of cash and bank balances as defined above, net of outstanding bank overdrafts.

2.4.10 Post-Employment Benefits

Employee Benefit Liability

The liability recognized in the Statement of Financial Position is the present value of the defined benefit obligation at the Reporting Date using the projected unit credit method. All actuarial gains and losses are recognized in the year they occur in the Statement of Comprehensive Income. The gratuity liability is not externally funded.

Defined Contribution Plan - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and Employees' Trust Fund respectively.

2.4.11 Provisions, Contingent Assets & Contingent Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

2.4.12 Standards Issued but not yet Effective

The following Sri Lanka Accounting Standards have been issued by The Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 December 2017.

SLFRS 15 – Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 1 January 2018. The impact on the implementation of the above Standard has not been quantified yet.

SLFRS 9 – Financial Instruments: Classification and Measurement

Introduction

SLFRS 9 – Financial Instruments, the standard that will replace LKAS 39 – Financial Instruments Recognition and Measurement for annual period on or after 1 January 2018, with early adoption permitted.

SLFRS 9 Implementation programme which has been set up by AMWCL to date primarily focuses on the GAP analysis with IAS 39, documenting Company accounting policy, developing the operating and system target operating models for the calculation of impairment. The Programme is currently steered by the Director Finance, Head of Finance, Head of Risk Management, General Manager Credit & Operations, Head of Recoveries and is monitored by the Audit Committee of the Company.

In addition, an impact assessment of the classification and measurement requirements was also performed by the Company which has been set out below. The Programme also aims at appointing an Impairment Review Committee whose primary responsibilities include review, challenge and sign off the assumptions used and the results of Impairment and provision of second-line assurance for each key step in the process. Committee will also have a defined governance framework to operate over the impairment process once it becomes effective.

Classification and Measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The LKAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI) and amortized cost. SLFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortized cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistently. Equity instruments that are not held-for-trading may be irrevocably designated as FVOCI, with no subsequently reclassification of gains or losses to the Statement of Profit or Loss. The accounting for financial liabilities will largely be the same as the requirement of LKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the Statement of Profit or Loss, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Company is in the view that: The loans and receivables to other customers and securities purchased under resale agreements that are classified as loans and receivables under LKAS 39 are expected to be measured at amortized cost under SLFRS 9.

Impairment of Financial Assets

SLFRS 9 will also fundamentally change the loan loss impairment methodology.

The standard will replace LKAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach.

The Company will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Company is in the process of quantifying the potential impact on impairment by implementing SLFRS 9.

SLFRS 16 – Leases

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of Financial Statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2019. The impact on the implementation of the above Standard has not been quantified yet.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

3.	CASH AND BANK	2017 Rs.	2016 Rs.
	Cash in Hand	67,451,745	56,590,891
	Cash at Bank	72,204,988	59,962,678
		139,656,733	116,553,569
	Bank Overdraft	(54,322,705)	(29,605,770)
	Cash & Cash Equivalents	85,334,028	86,947,799

4.	OTHER FINANCIAL ASSETS	2017 Rs.	2016 Rs.
	VAT Receivable	8,381,220	9,983,478
	Insurance Receivable on Lease and Hire Purchase	24,991,858	17,203,750
	Insurance Receivable on Loans and Advances	9,702,176	5,143,726
	RMV charges receivable	963,344	2,184,146
	Staff Loans	1,514,400	1,563,000
	Refundable Deposits	14,197,000	14,197,000
	Operating Lease Rentals Receivable	93,437	53,664
	Miscellaneous Receivables	9,206,626	9,359,439
		69,050,060	59,688,203

5.	OTHER NON-FINANCIAL ASSETS	2017 Rs.	2016 Rs.
	VAT Recoverable	118,980	-
	Prepayment	13,578,019	11,931,324
		13,696,999	11,931,324
	Less: Provision for Other Financial Assets	-	-
		13,696,999	11,931,324

6. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS

6.1	Rentals Receivable on Lease Assets	2017 Rs.	2016 Rs.
	Receivable after five years		
	Rentals Receivable	3,218,494	26,418,283
	Unearned Income	(129,898)	(1,716,037)
		3,088,596	24,702,247
	Receivable from one to five years		
	Rentals Receivable	5,081,528,251	6,465,525,316
	Unearned Income	(875,932,151)	(1,241,294,938)
		4,205,596,100	5,224,230,379
	Receivable within one year		
	Rentals Receivable	3,210,484,799	3,199,265,778
	Unearned Income	(933,430,946)	(1,027,608,250)
		2,277,053,853	2,171,657,528
	Overdue Rental Receivable		
	Rentals Receivable	246,256,278	187,732,947
		246,256,278	187,732,947
	Total		
	Future Rentals Receivable	8,295,231,544	9,691,209,378
	Overdue Rentals Receivable	246,256,278	187,732,947
	Total Rentals Receivable	8,541,487,822	9,878,942,325
	Unearned Income	(1,809,492,995)	(2,270,619,224)
		6,731,994,827	7,608,323,101
	Less : Provision for Impairment Losses	(138,386,662)	(125,539,261)
	Balance as at 31 December	6,593,608,165	7,482,783,840

6. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS (Contd...)

6.2	Rentals Receivable on Hire Purchase Assets	2017 Rs.	2016 Rs.
	Receivable after five years		
	Rentals Receivable	-	-
	Unearned Income	-	-
		-	-
	Receivable from one to five years		
	Rentals Receivable	11,880,069	46,824,162
	Unearned Income	(1,781,679)	(5,479,854)
		10,098,390.04	41,344,308
	Receivable within one year		
	Rentals Receivable	25,664,282	82,619,169
	Unearned Income	(3,726,804)	(14,640,901)
		21,937,478	67,978,268
	Overdue Rental Receivable		
	Rentals Receivable	42,369,078	46,470,503
		42,369,078	46,470,503
	Total		
	Future Rentals Receivable	37,544,351	129,443,331
	Overdue Rentals Receivable	42,369,078	46,470,503
	Total Rentals Receivable	79,913,429	175,913,834
	Unearned Income	(5,508,483)	(20,120,755)
		74,404,946	155,793,079
	Less: Provision for Impairment Losses	(43,227,328)	(45,556,998)
	Balance as at 31 December	31,177,618	110,236,081
	Total Rentals Receivable on Lease Assets and Hire Purchase Assets		
	Future Rentals Receivable	8,332,775,895	9,820,652,708
	Overdue Rental Receivable	288,625,356	234,203,451
	Total Rentals Receivable	8,621,401,251	10,054,856,159
	Unearned Income	(1,815,001,478)	(2,290,739,979)
		6,806,399,773	7,764,116,180
	ess: Provision for Impairment losses (6.3)	(181,613,988)	(171,096,258)
	Balance as at 31 December	6,624,785,785	7,593,019,922

6.3	Provision for Impairment Losses	2017 Rs.	2016 Rs.
	Balance as at 01 January	171,096,258	158,707,401
	Provisions made during the year	10,517,730	12,388,858
	Reversals made during the year	-	-
	Balance as at 31 December	181,613,988	171,096,258

6.4 Capital Outstanding on Non-Performing Assets as at 31.12.2017 amounts to Rs. 175,882,890/- (As at 31.12.2016 amounts to Rs. 171,775,663/-).

6.5 Motor Vehicles and Equipment are held as collaterals against Lease and Hire Purchase Receivables.

7. LOANS AND ADVANCES

7.1	Instalments Receivable on Auto Loans	2017 Rs.	2016 Rs.
	Receivable after five years		
	Instalments Receivable	6,308,445	8,969,388
	Unearned Income	(445,400)	(644,742)
		5,863,045	8,324,646
	Receivable from one to five years		
	Instalments Receivable	3,794,718,718	2,609,168,817
	Unearned Income	(864,184,783)	(555,721,613)
		2,930,533,935	2,053,447,203
	Receivable within one year		
	Instalments Receivable	1,780,789,859	1,264,981,229
	Unearned Income	(630,371,119)	(415,931,612)
		1,150,418,740	849,049,617
	Overdue Rental Receivable		
	Instalments Receivable	96,515,391	59,614,143
		96,515,391	59,614,143
	Total		
	Instalments Receivable	5,581,817,022	3,883,119,433
	Overdue Instalments Receivable	96,515,391	59,614,143
	Total Instalments Receivable	5,678,332,413	3,942,733,576
	Unearned Income	(1,495,001,302)	(972,297,966)
		4,183,331,111	2,970,435,610
	Less: Provision for Impairment Losses (7.3)	(32,052,418)	(31,709,922)
	Balance as at 31 December	4,151,278,693	2,938,725,688
7.2	**Loans Against FD**	28,196,148	27,171,834
	Total Loans and Advances	4,179,474,841	2,965,897,522

7.3	Provision for Impairment Losses	2017 Rs.	2016 Rs.
	Balance as at 01 January	31,709,922	31,282,148
	Provisions made during the year	342,496	427,773
	Reversals made during the year	-	-
	Balance as at 31 December	32,052,418	31,709,922

7.4 Capital Outstanding on Non-Performing Assets as at 31.12.2017 amounts to Rs. 30,298,838/- (As at 31.12.2016 amounts to Rs. 28,712,316/-).

7.5 Motor Vehicles and Equipment are held as collaterals against Loans and Advances.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 December 2017

8.	FINANCIAL INVESTMENTS - AVAILABLE FOR SALE	2017 Rs.	2016 Rs.
	Unquoted Investments		
	Equities	80,400	80,400
		80,400	80,400

Unquoted Equity investment includes shares at Credit Information Bureau of Sri Lanka which is carried at cost. There is no market value for this investment.

9.	FINANCIAL INVESTMENTS - HELD-TO-MATURITY	2017 Rs.	2017 Rs.
	Quoted Investments		
	Government Debt Securities	60,833,743	59,890,389
	Treasury Bills Repurchases	364,260,351	464,131,210
		425,094,094	524,021,599

10.	PROPERTY, PLANT & EQUIPMENT **Cost**	As at 01.01.2017 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2017 Rs.
	Computer Equipment	43,509,157	779,300	-	44,288,457
	Office Equipment	25,005,811	1,609,975	-	26,615,786
	Furniture & Fittings	14,874,670	100,996	-	14,975,666
	Motor Vehicles	85,000	-	-	85,000
	Motor Vehicles on Hire	40,553,884		5,732,454	34,821,430
	Fixtures	24,199,769	976,252	-	25,176,021
		148,228,291	3,466,523	5,732,454	145,962,360

	Depreciation	As at 01.01.2017 Rs.	Charge for the year Rs.	On disposals Rs.	As at 31.12.2017 Rs.
	Computer Equipment	25,999,686	6,098,614	-	32,098,300
	Office Equipment	13,122,027	4,048,060	-	17,170,087
	Furniture & Fittings	8,588,556	2,399,836	-	10,988,392
	Motor Vehicles	85,000	-	-	85,000
	Motor Vehicles on Hire	38,508,307	1,662,503	5,732,455	34,438,355
	Fixtures	11,758,794	4,077,899	-	15,836,693
		98,062,370	18,286,913	5,732,455	110,616,828

	Capital Work In Progress	As at 01.01.2017 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2017 Rs.
	Capital Work In Progress	-	1,272,015	1,232,833	39,182
		-	1,272,015	1,232,833	39,182

	Written Down Value	2017 Rs.	2016 Rs.
	Computer Equipment	12,190,157	17,509,471
	Office Equipment	9,445,699	11,883,784
	Furniture & Fittings	3,987,274	6,286,114
	Motor Vehicles on Hire	383,075	2,045,577
	Fixtures	9,339,328	12,440,975
		35,345,533	50,165,921
	Capital Work In Progress	39,182	-
		35,384,715	50,165,921

10. PROPERTY, PLANT & EQUIPMENT (Contd...)

10.1 During the financial year, Company acquired Plant & Equipment to the aggregate value of Rs. 3,505,705/- (2016 - Rs. 18,356,770/-). Cash payments amounting to Rs. 3,505,705/- (2016 - Rs. 18,356,770/-) were made during the year for purchase of Plant & Equipment.

10.2 Operating lease assets are classified under Motor Vehicle on Hire. Rental receivable on operating lease assets are given below.

Rental receivable on Operating Leases,	2017 Rs.	2016 Rs.
Within one year	960,286	3,411,437
From 1 - 5 years	-	960,286
Total	960,286	4,371,723

11. INTANGIBLE ASSETS

	As at 01.01.2017 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2017 Rs.
Cost/Carrying Value				
Computer Software	71,776,206	1,544,454	-	73,320,660
	71,776,206	1,544,454	-	73,320,660

	As at 01.01.2017 Rs.	Amortization during the year Rs.	Disposals during the year Rs.	As at 31.12.2017 Rs.
Amortization				
Computer Software	57,993,323	5,261,583	-	63,254,906
	57,993,323	5,261,583	-	63,254,906

	2017 Rs.	2016 Rs.
Written Down Value		
Computer Software	10,065,754	13,782,883
	10,065,754	13,782,883

11.1 During the financial year, Company acquired Intangible Assets to the value of Rs. 1,544,454/- (2016 - Rs. 3,222,664/-). Cash Payments amounting to Rs. 1,544,454/- (2016 - Rs. 3,222,664/-) were made during the year for purchase of Intangible Assets.

12. TRADE & OTHER PAYABLES

		2017 Rs.	2016 Rs.
Trade Creditors	- Related (12.1)	158,618,403	395,779,903
	- Non-Related	99,553,875	106,627,790
Other Payables	- Related (12.2)	77,120,247	63,946,174
	- Non-Related	259,991,703	331,995,129
		595,284,229	898,348,996

12.1 Trade Creditors - Related Parties

	Relationship	2017 Rs.	2016 Rs.
Associated Motorways (Pvt) Ltd	Parent	158,618,403	395,779,903
		158,618,403	395,779,903

12.2 Other Payables - Related

	Relationship	2017 Rs.	2016 Rs.
Interest Payable - Associated Motorways (Pvt) Ltd	Parent	16,487,654	32,569,056
Other Payable - Associated Motorways (Pvt) Ltd	Parent	23,643,217	16,368,467
Other Payable - Orient Insurance Ltd	Other Related Party	1,640,691	2,420,423
Insurance Payable - Orient Insurance Ltd	Other Related Party	35,348,685	12,588,228
		77,120,247	63,946,174

13. TIME DEPOSITS

	2017 Rs.	2016 Rs.
Balance as at 01 January	1,638,243,415	2,745,781,248
Fixed Deposits during the year	1,808,021,515	881,359,093
Interest capitalized for renewals	56,730,898	33,635,283
Top up's (additions by customer to original deposit)	15,384,675	14,945,013
Withdrawals during the year	(924,325,276)	(2,037,477,222)
Balance as at 31 December	2,594,055,227	1,638,243,415
Interest Payable	114,711,936	53,433,854
Total	2,708,767,163	1,691,677,269

14. AMOUNT DUE TO RELATED PARTIES

	Relationship	2017 Rs.	2016 Rs.
Associated Motorways (Pvt) Ltd	Parent	1,407,323,388	2,644,546,958
		1,407,323,388	2,644,546,958

15. INTEREST BEARING BORROWINGS

	2017 Within One Year Rs.	2017 After One Year Rs.	2017 Total Rs.	2016 Total Rs.
Securitization Loan (15.1)	358,391,109	365,279,989	723,671,098	836,678,061
Term Loan (15.2)	275,404,971	25,000,000	300,404,971	1,100,769,745
Money Market Loan (15.3)	710,362,945	-	710,362,945	501,849,315
Inter Company Loan (15.4)	1,231,606,621	1,375,000,000	2,606,606,621	1,617,428,370
	2,575,765,646	1,765,279,989	4,341,045,635	4,056,725,490

15.1 Securitization Loan

	As at 01.01.2017 Rs.	Loans Obtained and Interest Charged Rs.	Repayment Rs.	As at 31.12.2017 Rs.	Term of the Loan	Interest Rate	Security Offered
Securitization 1500 M	95,883,488	4,201,637	100,085,125	-	40 months	IRR at 12.5%	Lease Portfolio
Securitization 750 M	740,794,573	71,656,731	88,780,206	723,671,098	48 months	IRR at 9.5%	Lease Portfolio and Corporate Guarantee from AMW
	836,678,061	75,858,368	188,865,330	723,671,098			

15.2 Term Loan

	As at 01.01.2017 Rs.	Loans Obtained and Interest Charged Rs.	Repayment Rs.	As at 31.12.2017 Rs.	Term of the Loan	Interest Rate	Security Offered
Sampath Term Loan 500 M	225,536,671	25,562,397	125,819,205	125,279,863	20 Quarters	AWPLR + 2.25%	Lease Portfolio and Corporate Guarantee from AMW
HSBC 1400M	875,233,073	47,441,779	747,549,745	175,125,108	8 Quarters	Fixed Interest Rate 9.60%	Lease Portfolio and Corporate Guarantee from AMW
	1,100,769,745	73,004,176	873,368,950	300,404,971			

15. INTEREST BEARING BORROWINGS (Contd...)

15.3 Money Market Loan

Money Market Loan	As at 01.01.2017 Rs.	Loans Obtained and Interest Charged Rs.	Repayment Rs.	As at 31.12.2017 Rs.	Term of the Loan	Interest Rate	Security Offered
DFCC	501,849,315	60,227,380	261,764,777	300,311,918	Short Term	Based on Money Market Rates	Corporate Guarantee from AMW
NDB	-	259,845,548	-	259,845,548			Corporate Guarantee from AMW
Commercial Bank	-	151,305,821	1,100,342	150,205,479			Corporate Guarantee from AMW
	501,849,315	471,378,749	262,865,119	710,362,945			

	As at 01.01.2017 Rs.	Loans Obtained and Interest Charged Rs.	Repayment Rs.	As at 31.12.2017 Rs.	Term of the Loan	Interest Rate	
AMW Term Loan 1000M	461,544,141	26,595,890	278,346,937	209,793,094	48 months	Fixed Interest Rate 8.25%	Lease Portfolio
AMW Term Loan 1000M	482,422,708	27,456,621	279,155,585	230,723,744	48 months	Fixed Interest Rate 8%	Lease Portfolio
AMW Term Loan 800M	673,461,521	53,895,890	457,972,936	269,384,475	48 months	Fixed Interest Rate 12%	Lease Portfolio
AMW Term Loan 2000M	-	2,163,996,815	267,291,507	1,896,705,308			
	1,617,428,370	2,271,945,216	1,282,766,965	2,606,606,621			

15.5 Unutilised Funding Facilities

Type of Facility	Rs.
Overdraft	125,000,000
Overdraft / Money Market Loan	250,000,000
AMW	1,940,422,990
Short Term Loan	200,000,000
	2,515,422,990

16. PROVISION FOR INCOME TAX	**2017 Rs.**	**2016 Rs.**
Balance as at 01 January	138,081,580	5,295,006
Provision for the year	285,244,314	175,532,754
Under/(Over) provision in respect of previous year	1,208,883	(115,990)
	424,534,777	180,711,769
Payments made during the year	(196,796,405)	(25,547,735)
Withholding Tax	(5,782,305)	(4,931,788)
ESC setoff against Income Tax	(35,813,573)	(12,150,666)
Balance as at 31 December	186,142,494	138,081,580

17. DEFERRED TAX LIABILITY	**2017 Rs.**	**2016 Rs.**
Balance as at 01 January	201,281,178	191,087,331
Provision/ (Reversal) made during the year	(24,289,117)	8,956,641
Charge/(Reversal) for the year through Statement of Other Comprehensive Income	62,193	1,237,206
Balance as at 31 December	177,054,254	201,281,178
The closing Deferred Tax Liability balance relates to the following		
Accelerated Depreciation for tax purposes	7,437,410	7,754,363
Future Rentals Receivable - Lease	175,764,885	199,076,445
Employee Benefit Obligation	(6,148,041)	(5,549,630)
	177,054,254	201,281,178

18. EMPLOYEE BENEFIT OBLIGATION	**2017 Rs.**	**2016 Rs.**
Balance as at 01 January	19,820,106	18,720,119
Current Service Cost	2,279,312	3,807,175
Interest for the Year	3,964,799	1,872,012
Benefits Paid	(3,884,813)	(160,606)
Actuarial (Gain)/Loss	(222,117)	(4,418,594)
Balance as at 31 December	21,957,287	19,820,106

The Employee Benefit Liability is based on the actuarial valuation carried out as at 31 December 2017 by Messrs. Actuarial & Management Consultants (Pvt) Ltd., actuaries. The principal assumptions used in determining the cost of employee benefits were:

	2017	**2016**
Discount rate	10%	11.5%
Future Salary Increment	8%	10%

A sensitivity was carried out as follows.

	2017		**2016**	
Effect on the present value of Defined Benefit Obligation	+1%	-1%	+1%	-1%
One percentage point change in the discount rate	(688,364)	734,551	(1,006,796)	1,117,441
One percentage point change in the salary escalation rate	788,404	(750,903)	1,162,191	(1,064,494)

Information about Maturity Profile of the Defined Benefit Obligation

Future Working Life Time	**As at 31.12.2017**	**As at 31.12.2016**
Within the next 12 months	4,731,899	2,913,314
Between 1-2 years	6,511,529	3,829,404
Between 2-5 years	7,351,239	6,098,860
Between 5-10 years	2,796,732	4,297,532
Beyond 10 years	565,888	2,680,995
Total	21,957,287	19,820,106
Average Future Working Life Time	3.4	
Average Past Service Years	3.26	

19.	STATED CAPITAL	2017	2016
	Number of Ordinary Shares issued and fully paid	20,000,000	20,000,000

		2017 Rs.	2016 Rs.
	Balance as at 01 January	200,000,000	200,000,000
	Balance as at 31 December	200,000,000	200,000,000

20.	STATUTORY RESERVE FUND	2017 Rs.	2016 Rs.
	Balance as at 01 January	78,412,490	61,238,122
	Transfers during the year	19,158,915	17,174,368
	Balance as at 31 December	97,571,405	78,412,490

The Company's Statutory Reserve Fund is maintained in accordance with Direction No. 9 of 1991 as amended by Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka.

21.	INTEREST INCOME	2017 Rs.	2016 Rs.
	Lease	1,195,335,333	1,083,786,505
	Hire Purchase	13,621,714	40,241,419
	Term Loan	614,145,849	410,258,646
	FD Loan Interest	4,316,526	2,187,133
	Interest Income on Held to Maturity Investments	57,622,858	47,712,621
		1,885,042,280	1,584,186,324

22.	INTEREST EXPENSES	2017 Rs.	2016 Rs.
	Inter Company Loan	271,945,217	131,603,539
	Inter Company Current Account	293,570,528	220,124,014
	Securitization Loan	75,858,369	107,774,095
	Bank Borrowings	144,758,552	147,463,518
	Interest on Time Deposits	256,886,263	196,460,369
		1,043,018,929	803,425,535

23.	OTHER OPERATING INCOME	2017 Rs.	2016 Rs.
	Overdue Interest Income	136,843,237	71,986,031
	Profit from Pre-Termination	147,569,369	118,543,822
	Dividend income	200,000	65,000
	Commission from Insurance	49,369,776	43,236,784
	Income from additional charges	38,550,390	38,917,612
	Bank Charges Claimed on cheque returns	920,871	935,699
	Rental Income - Inter Company	720,000	1,440,000
	Administration Income - Inter Company	2,610,000	2,700,000
	VAS Commission Income	2,741,760	11,226,866
	Miscellaneous Income	9,205,942	5,950,407
	Gain on Disposal of Property, Plant & Equipment	2,428,572	7,691,294
		391,159,917	302,693,514

24. PROFIT BEFORE TAXATION

is stated after charging :

	2017 Rs.	2016 Rs.
Staff Salaries	162,766,522	154,745,810
Defined Contribution Plan Cost - E.P.F & E.T.F	24,832,005	24,456,394
Directors' Emoluments	22,335,947	35,942,681
Auditors' Remuneration		
- Audit	1,300,075	1,216,100
- Non-Audit	851,878	506,980
Management Fee	1,222,440	1,222,440
Defined Benefit Plan - Expense	6,244,111	5,679,187
Provision for Impairment losses	10,860,226	31,571,971
Depreciation & Amortization	23,548,496	28,617,928

25. INCOME TAX

The major components of income tax expense for the years ended 31 December are as follows :

	2017 Rs.	2016 Rs.
Current Income Tax		
Current Income Tax Charge (25.1)	286,453,197	175,416,764
Deferred Income Tax		
Deferred Taxation Charge / Reversal (25.2)	(24,289,117)	8,956,641
Income tax expense reported in the Income Statement	262,164,080	184,373,405

25.1 A reconciliation between tax expense and the product of accounting profit

	2017 Rs.	2016 Rs.
Profit Before Tax	645,342,386	527,860,780
Aggregate Accounting Profit	645,342,386	527,860,780
Aggregated Disallowed Expenses	3,069,949,317	2,718,563,158
Aggregated Allowed Expenses	(2,696,562,011)	(2,619,521,246)
Adjusted Profit	1,018,729,692	626,902,692
Taxable Income	1,018,729,692	626,902,692
Income Tax at the rate of 28% on Taxable Income (2015 - 28%)	285,244,314	175,532,754
Under /(Over)provision in respect of previous year	1,208,883	(115,990)
Current tax on profit for the year	286,453,197	175,416,764
Deferred tax charge for the year	(24,289,117)	8,956,641
Tax expense for the year	262,164,080	184,373,405

At the effective Income Tax Rate of 34.9% (2015 - 40.8%)

25.2	Deferred Tax	2017 Rs.	2016 Rs.
	Income Statement		
	Deferred Tax arising from		
	Accelerated Depreciation for tax purposes	(316,953)	(1,330,987)
	Future Rental Receivable	(23,311,560)	11,458,428
	Employee Benefit Obligation	(660,604)	(1,170,800)
	Provision for Impairment	-	-
		(24,289,117)	8,956,641
	Other Comprehensive Income		
	Actuarial Gain/Loss on Employee Benefit Obligation	62,193	1,237,206
		62,193	1,237,206
		(24,226,924)	10,193,847

Deferred Tax has been computed using the current tax rate of 28%. (2016 - 28%)

26. BASIC EARNINGS PER SHARE

26.1 Basic Earnings Per Share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

26.2 The following reflects the Income & Share data used in the Basic Earnings Per Share computation.

		2017 Rs.	2016 Rs.
	Amounts Used as the Numerators:		
	Net Profit Attributable to Ordinary Shareholders	383,178,306	343,487,375
	Number of Ordinary Shares Used as Denominators for Basic Earnings per share		
	Weighted Average number of Ordinary Shares in issue		
	Applicable to Basic Earnings Per Share	20,000,000	20,000,000
26.3	Basic Earnings Per Share	19.16	17.17

27.	DIVIDEND PER SHARE	2017 Rs.	2016 Rs.
	Declared and Paid during the year	33,000,000	46,200,000
	Dividend Per Share	1.65	2.31

28. CAPITAL COMMITMENTS AND CONTINGENCIES

As of 31 December 2017, the Company had a contingent liability amounting to Rs.17,816,062/- on account of a possible Income Tax payable for the year of assessment 2014/2015, which is yet to be concluded.

29. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

30. RELATED PARTY DISCLOSURES

30.1 Transaction with Related Entities

	2017 Rs.	2016 Rs.
Associated Motorways (Pvt) Ltd - Parent		
Transactions during the period		
Management fees paid	1,224,480	1,224,480
Rent Paid	16,829,682	15,379,850
Interest Paid	565,515,745	351,727,553
Fees paid for repair services	430,402	301,709
Expense Reimbursements	6,030,234	14,206,500
Salary Reimbursements	6,198,930	6,122,400
Inter Company Loans Obtained and Interest Accrued	2,271,945,216	931,603,542
Loan Repayment	1,282,766,965	761,592,694
Inter Company Settlements for Vehicle	2,023,974,798	3,020,339,230
Promotional Expenses Paid	-	6,659,290
	6,174,916,452	5,109,157,247
Rental Income Received	14,435,683	1,440,000
Administration Income Received	2,610,000	2,700,000
Commission Received	1,903,211	11,226,866
	18,948,894	15,366,866

Amounts Due to	31.12.2017 Rs.	31.12.2016 Rs.
Trade Creditors	158,618,403	395,779,903
Loans Payable	2,606,606,621	1,617,428,370
Current Account with parent	1,407,323,388	2,644,546,958
Interest Payable	16,487,654	32,569,056
Other Payable	23,643,217	16,368,467
	4,212,679,283	4,706,692,755

Associated Motorways (Pvt) Ltd has given following corporate guarantees on behalf of AMW Capital Leasing & Finance PLC as at 31.12.2017.

(i) Hongkong and Shanghai Banking Corporation Limited an overdraft / money market loan facility amounting to Rs. 1600 mn.
(ii) Commercial Bank of Ceylon PLC an overdraft / short term / money market loan facility amounting to Rs. 200 mn.
(iii) Sampath Bank PLC an overdraft / short term loan (money) facility amounting to Rs. 625 mn.
(iv) DFCC Bank PLC a short term loan facility amounting to Rs. 500 mn.
(v) National Development Bank PLC a short term loan facility amounting to Rs. 250 mn.
(vi) Securitization loan facility amounting to Rs. 750 mn.

Orient Insurance Limited - Other Related Company **Transactions during the Year**	2017 Rs.	2016 Rs.
Vehicle Hire Charges	4,821,043	6,366,833
Insurance Commission Income	31,593,503	20,596,626
Insurance Premiums Paid on Fixed Assets Insured	948,749	582,388
Proceeds on Sale of Vehicles	2,428,568	-
VAS Commission	838,550	2,452,508
	40,630,413	29,998,355

Amounts Due to	31.12.2016 Rs.	31.12.2016 Rs.
Insurance Payable	35,348,685	12,588,228
	35,348,685	12,588,228
Fixed Deposit	223,346,570	217,201,096

30.2 Transactions with Key Management Personnel and Close Family Members of Key Management Personnel

Transactions with Key Management Personnel	2017 Rs.	2016 Rs.
Key Managerial Persons' Remuneration	22,335,947	35,942,681
Deposit Made	-	74,500,000
Deposits Withdrawn	11,572,348	(21,493,838)

Amounts due to Key Management Personnel	31.12.2017 Rs.	31.12.2016 Rs.
Fixed Deposits	-	87,390,457

Transactions with Close Family Members of the Key Management Personnel	2017 Rs.	2016 Rs.
Fixed Deposits Made	-	3,000,000
Fixed Deposits Withdrawn	8,527,253	(500,000)

Amounts due to Close Family Members of the Key Management Personnel	2017 Rs.	2016 Rs.
Fixed Deposit	-	3,025,890

30.3 Terms and Conditions of Transactions with Related Parties

Transactions with related parties have been conducted under normal commercial terms.

31. FINANCIAL REPORTING BY SEGMENT

For management purposes, the Company is organized into four operating segments as follows.

Finance Lease - Assets leased to customers, which transfer substantially all the risks and rewards associated with ownership other than legal title (absolute ownership).

Hire Purchase - Assets hired to customers under Hire Purchase agreements, which transfer all the risks and rewards incidental to ownership as well as the legal title at the end of such contractual period.

Term Loans - Loans given to individual and institutional customers.

Operating Lease - Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the leased term.

Unallocated - Operations that cannot be specifically identified into above classifications.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income Taxes are managed on a group basis and are not allocated to operating segments.

	Finance Lease		Hire Purchase		Term Loans		Operating Lease		Unallocated		Total	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Interest Income	1,195,335,333	1,083,786,505	13,621,714	40,241,419	618,462,375	412,445,778	-	-	57,622,858	47,712,621	1,885,042,280	1,584,186,324
Other Operating Income	197,861,404	134,366,435	14,528,871	16,033,814	111,493,592	79,982,914	-	-	67,276,050	72,310,351	391,159,917	302,693,514
Rental Income	-	-	-	-	-	-	3,411,453	5,136,692	-	-	3,411,453	5,136,692
Total Revenue	1,393,196,738	1,218,152,941	28,150,585	56,275,234	729,955,968	492,428,692	3,411,453	5,136,692	124,898,907	120,022,973	2,279,613,650	1,892,016,530
Unallocated Expenses											(1,634,271,265)	(1,364,155,750)
Profit Before Tax											645,342,385	527,860,780
Taxation											(262,164,079)	(184,373,405)
Profit After Tax											383,178,306	343,487,375
Segment Assets	6,627,653,418	7,509,799,401	31,602,283	111,662,523	4,198,879,193	2,976,184,974	476,511	2,131,651	-	-	10,858,611,406	10,599,778,550
Unallocated Assets	-	-	-	-	-	-	-	-	638,677,975	735,362,796	638,677,975	735,362,796
Total Assets	6,627,653,418	7,509,799,401	31,602,283	111,662,523	4,198,879,193	2,976,184,974	476,511	2,131,651	638,677,975	735,362,796	11,497,289,381	11,335,141,346
Segment Liabilities	5,816,547,553	6,898,849,089	30,383,743	111,676,790	3,435,192,782	2,509,387,288	383,926	67,761	-	-	9,282,508,003	9,519,980,928
Unallocated Liabilities	-	-	-	-	-	-	-	-	209,389,150	160,106,419	209,389,151	160,106,419
Total Liabilities	5,816,547,553	6,898,849,089	30,383,743	111,676,790	3,435,192,782	2,509,387,288	383,926	67,761	209,389,150	160,106,419	9,491,897,155	9,680,087,347

32. MATURITY OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Cash and Bank	139,656,733	-	139,656,733	116,553,569	-	116,553,569
Other Financial Assets	62,156,310	6,893,750	69,050,060	45,761,203	13,927,000	59,688,203
Other Non-Financial Assets	11,115,722	2,581,277	13,696,999	9,224,406	2,706,917	11,931,324
Rentals Receivable on Lease and Hire Purchase Assets	2,406,002,698	4,218,783,087	6,624,785,785	2,302,742,988	5,290,276,934	7,593,019,921
Loans and Advances	1,234,231,394	2,945,243,447	4,179,474,841	898,782,486	2,067,115,036	2,965,897,522
Financial Investments - Available for Sale	-	80,400	80,400	-	80,400	80,400
Financial Investments - Held-to-Maturity	404,162,094	20,932,000	425,094,094	464,131,210	59,890,389	524,021,599
Property, Plant & Equipment	-	35,384,715	35,384,715	-	50,165,921	50,165,921
Intangible Assets	-	10,065,754	10,065,754	-	13,782,883	13,782,883
As at 31 December	**4,257,324,951**	**7,239,964,430**	**11,497,289,381**	**3,837,195,862**	**7,497,945,480**	**11,335,141,343**
Liabilities						
Bank Overdraft	54,322,705	-	54,322,705	29,605,770	-	29,605,770
Trade & Other payables	595,284,229	-	595,284,229	898,348,996	-	898,348,996
Time Deposits	2,066,304,223	642,462,940	2,708,767,163	1,565,610,367	126,066,902	1,691,677,269
Amounts due to Related Parties	1,407,323,388	-	1,407,323,388	2,644,546,958	-	2,644,546,958
Interest Bearing Borrowings	2,575,765,646	1,765,279,989	4,341,045,635	2,452,558,490	1,604,167,000	4,056,725,490
Provision for Income Tax	186,142,494	-	186,142,494	138,081,580	-	138,081,580
Deferred Tax Liability	-	177,054,254	177,054,254	-	201,281,178	201,281,178
Employee Benefit Obligation	-	21,957,287	21,957,287	-	19,820,106	19,820,106
As at 31 December	6,885,142,685	2,606,754,470	9,491,897,154	7,728,752,161	1,951,335,187	9,680,087,347

33. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

		Carrying Amount Pledged		
Nature of Assets	Nature of Liability	2017 Rs.	2016 Rs.	Included Under
Rentals Receivables	Securitization Loan	1,298,419,205	1,069,490,160	Rentals Receivable on Lease and Hire Purchase Assets
Rentals Receivables	Short Term Loan	1,402,887,001	845,959,361	Rentals Receivable on Lease and Hire Purchase Assets
Rentals Receivables	Term Loan	4,445,505,396	3,288,109,088	Rentals Receivable on Lease and Hire Purchase Assets

34. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

Financial Assets	31 December 2017		31 December 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Rentals Receivable on Lease and Hire Purchase Assets	6,624,785,785	6,289,302,359	7,593,019,922	7,775,601,119
Loans and Advances	4,179,474,841	4,211,376,613	2,965,897,522	3,048,513,472
Financial Investments - Held-to-Maturity	425,094,094	429,039,115	524,021,599	523,833,193
Total Financial Assets	11,229,354,720	10,929,718,087	11,082,939,042	11,347,947,783
Financial Liabilities				
Time Deposits	2,708,767,163	2,593,827,503	1,691,677,269	1,698,951,928
Amounts due to Related Parties	1,407,323,388	1,407,323,388	2,644,546,958	2,596,984,108
Interest Bearing Borrowings	4,341,045,635	4,294,940,026	4,056,725,490	3,899,498,395
Total Financial Liabilities	8,457,136,187	8,296,090,917	8,392,949,718	8,195,434,432

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Fair value measurement hierarchy – financial assets and liabilities measured at amortised cost

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets measured at amortised cost						
Rentals Receivable on Lease and Hire Purchase Assets	-	6,289,302,359	-	-	7,775,601,119	-
Loans and Advances	-	4,211,376,613	-	-	3,048,513,472	-
Financial Investments - Held-to-Maturity	429,039,115	-	-	523,833,193	-	-
Financial liabilities measured at amortised cost						
Time Deposits	-	2,593,827,503	-	-	1,698,951,928	-
Amounts due to Related Parties	-	1,407,323,388	-	-	2,596,984,108	-
Interest Bearing Borrowings	-	4,294,940,026	-	-	3,899,498,395	-

34. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (Contd...)

Fair Value of Financial Assets and Liabilities not carried at Fair Value

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity it is assumed that the carrying amounts approximate their fair value.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Risk Management

Risk-taking is an inherent element of finance business and, indeed, profits are in part the reward for successful risk taking in business. The primary goal of risk management in the Company is to ensure that the outcome of risk-taking activities are consistent with the Company's strategies and risk appetite and that there is an appropriate balance between risk and reward in order to maximize shareholder returns. The Company is primarily exposed to credit risk, interest rate risk, liquidity risk and operational risk on its day-to-day business activities while being exposed to business and strategic risk on its strategic direction formulation and execution.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

35.1.1 Integrated Risk Management Committee

The Company has set up an Integrated Risk Management Committee (IRMC), appointed by the Board of Directors as per the CBSL Direction No.3 of 2008 on Corporate Governance with the broad objective of assessing all risks, including credit risks to the Company. The IRMC has the following objectives;

* Ensure that risk management policies are in place which are appropriate to the implementation of the business plan and that organizational structure and staffing support the implementation of those policies.

* Assess all risks, i.e., credit, market, liquidity, operational and strategic risks on a monthly basis through appropriate risk indicators and management information.

* Review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.

* Take prompt corrective action to mitigate the effects of specific risks.

* Take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee.

* Submit risk assessment report to the Board of Directors seeking the Board's views, concurrence and/or specific directions.

The IRMC comprises of the Independent Directors, Chief Executive Officer, Executive Directors, General Manager, Head of Risk Management, DGM Marketing, Group Internal Auditor, Senior Manager - Finance, Senior Manager - Treasury, Head of Legal and any other executives invited by the CEO or Chairman of IRMC.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the IRMC to ensure that procedures are compliant with the overall framework.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.1.2 Assets and Liability Committee (ALCO)

ALCO is chaired by the Chief Executive Officer and has representatives from Director - Finance, General Manager, Deputy General Manager - Marketing, Head of Deposits, Senior Manager - Finance, Senior Manager - Treasury and Head of Risk & Compliance. The Committee meets at least once a month to monitor and manage assets and liabilities of the Company and also the overall liquidity position. Decisions taken by ALCO are referred to IRMC for ratification.

35.1.3 Audit Committee

The Audit Committee is responsible for monitoring Risk Management Policies and procedures and for reviewing the adequacy of risk management framework.

35.2 Credit Risk

35.2.1 Overview

Credit risk is the likelihood that a customer or counterparty is unwilling or unable to pay interest or repay the principal according to the terms specified in a credit agreement resulting in a loss to the Company. Credit risk is managed through a properly defined credit procedure manual which considers target market norms, specific credit selection criteria (both financial and non-financial), concentration limits, delegation of approval authority, credit pricing, segregation of marketing and credit approval and administration and active portfolio monitoring.

35.2.2 Portfolio analysis: Product-wise

The lending portfolio is primarily made up of finance leasing with 61.26% of exposure, with hire purchase and auto loans being 0.68% and 38.07% respectively as at 31 December 2017.

35.2.2.1 Exposure based on Product class

Product	As at 31 Dec 2017		As at 31 Dec 2016	
	Exposure Rs. Mn	%	Exposure Rs. Mn	%
Finance Leasing	6,731.99	61.26%	7,608.32	70.88%
Hire Purchase	74.40	0.68%	155.79	1.45%
Auto Loans	4,183.33	38.07%	2,970.44	27.67%
Total	**10,989.73**	**100.00%**	**10,734.55**	**100.00%**

35.2.2.2 Portfolio Analysis: Exposure based on Asset type

The profile based on the asset class is monitored monthly to identify trends in the type of assets financed and the impact on the risk profile of the lending portfolio. Certain types of assets are more sensitive to general macroeconomic and business cycles in addition to borrower risk profile, and hence monitored to gauge to future impact on the risk profile and expectations of stress to the quality of the portfolio.

Product	As at 31 Dec 2017		As at 31 Dec 2016	
	Exposure Rs. Mn	%	Exposure Rs. Mn	%
Motor Cars	8,158.97	74.24%	8,360.83	77.89%
Two Wheelers	1,246.82	11.35%	786.65	7.33%
Three Wheelers	213.02	1.94%	317.58	2.96%
Dual Purpose vehicles	868.42	7.90%	769.55	7.17%
Commercial vehicles	392.65	3.57%	315.77	2.94%
Working capital Loans	11.32	0.10%	27.60	0.26%
Equipment	67.21	0.61%	122.79	1.14%
Agricultural Tractors	31.33	0.29%	33.78	0.31%
Total	**10,989.73**	**100.00%**	**10,734.55**	**100.00%**

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.2.3 Collections and recovery

The tables below shows the age analysis of the installments in arrears for all Financial Assets exposed to credit risk. The amounts presented are gross receivable amounts.

35.2.3.1 Age analysis of past due based on product class (LKR 000)

As at 31 December 2017	Leases		Hire Purchase		Auto Loans		Total	
Arrears Bucket	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding
1 - 29 days	32,145	1,518,432	246	7,683	17,386	1,062,411	49,778	2,588,526
30 - 59 days	48,307	776,408	686	5,008	26,174	560,137	75,167	1,341,553
60 - 89 days	30,883	276,325	1,013	5,148	16,986	203,552	48,882	485,025
90 - 179 days	25,925	112,109	805	1,421	10,853	76,651	37,582	190,181
180 - 365 days	7,873	11,400	344	20	1,284	1,841	9,501	13,262
Over 365 days	54,687	7,704	27,663	1,645	23,496	2,744	105,847	12,093

As at 31 December 2016	Leases		Hire Purchase		Auto Loans		Total	
Arrears Bucket	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding
1 - 29 days	24,617	1,533,320	748	19,846	10,187	627,581	35,552	2,180,747
30 - 59 days	32,769	596,854	2,304	21,506	15,376	289,431	50,449	907,791
60 - 89 days	18,929	167,016	1,944	12,003	7,114	66,829	27,988	245,848
90 - 179 days	16,194	72,255	1,950	4,651	4,775	26,557	22,920	103,463
180 - 365 days	7,492	12,698	208	-	887	1,873	8,587	14,571
Over 365 days	41,721	10,932	28,704	5,219	20,915	4,684	91,340	20,834

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.2.3.2 Age analysis of past due based on Financial Assets (Rs. '000)

As at 31 December 2017	Not past due Rs.	Past due 1-29 days Rs.	30-59 days Rs.	60-89 days Rs.	90-179 days Rs.	180-365 days Rs.	Over 365 days Rs.	Total Rs.
ASSETS								
Cash and Bank (Excluding Cash in Hand)	72,205	-	-	-	-	-	-	72,205
Other Financial Assets	69,050	-	-	-	-	-	-	69,050
Rentals Receivable on Lease and Hire Purchase Assets	3,852,518	1,558,507	830,410	313,369	140,259	19,638	91,699	6,806,400
Less : Impairment Charges	-	-	-	-	-	-	-	(181,614)
Loans and Advances	2,208,012	1,079,797	586,311	220,538	87,504	3,125	26,240	4,211,527
Less : Impairment Charges	-	-	-	-	-	-	-	(32,052)
Financial Investments - Available for Sale	80	-	-	-	-	-	-	80
Financial Investments - Held-to-Maturity	425,094	-	-	-	-	-	-	425,094
	6,626,959	2,638,304	1,416,721	533,907	227,763	22,763	117,939	11,370,690

As at 31 December 2016	Not past due Rs.	Past due 1-29 days Rs.	30-59 days Rs.	60-89 days Rs.	90-179 days Rs.	180-365 days Rs.	Over 365 days Rs.	Total Rs.
ASSETS								
Cash and Bank (Excluding Cash in Hand)	59,963	-	-	-	-	-	-	59,963
Other Financial Assets	59,688	-	-	-	-	-	-	59,688
Rentals Receivable on Lease and Hire Purchase Assets	5,107,746	1,578,531	668,809	207,007	95,050	20,398	86,575	7,764,116
Less : Impairment Charges	-	-	-	-	-	-	-	(171,096)
Loans and Advances	1,921,398	637,768	304,807	73,943	31,333	2,760	25,599	2,997,607
Less : Impairment Charges	-	-	-	-	-	-	-	(31,710)
Financial Investments - Available for Sale	80	-	-	-	-	-	-	80
Financial Investments - Held-to-Maturity	524,022	-	-	-	-	-	-	524,022
	7,672,896	2,216,299	973,616	280,950	126,383	23,158	112,174	11,202,670

35.2.3.3 Non-Performing Portfolio

As at 31 Dec	2017 Rs. Mn	2016 Rs. Mn
Non-Performing Portfolio	235.00	228.00
Total Advances	11,047.00	10,789.00
Non-Performing %	2.13%	2.11%
Loan loss provisions	213.67	202.81

35.2.4 Impairment Assessment

For accounting purposes, the Company uses collective and individual impairment method and take account Probability of Default (PD) and Loss Given Default (LGD). Allowances are assessed collectively for losses on leases, auto loans and hire purchase facilities with similar characteristics. Individually significant leases, auto loans and hire purchase accommodations are assessed on individual basis.

Such provision for Impairment made at the end of reporting period, 31 December 2017 amounts to Rs. 213.67 Mn. (2016 - Rs. 202.81 Mn.)

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.2.5 Fair Value of Collateral and Credit Enhancements held

The Company endeavors to obtain adequate collateral to secure its credit facilities. The Company continuously monitor the quality of such collateral to mitigate credit losses. A reasonable margin of safety is maintained in collateral values to absorb fall in value of collateral. In general, Company has obtained cash deposits, machinery, equipment and vehicles as collateral.

The following table shows the Fair Value of Collateral and credit enhancements held by the Company as at 31st December 2017

	Maximum Exposure to Credit Risk (Rs.)	Net Exposure to Credit Risk (Rs.)
Cash and cash equivalents (excluding cash in hand)	139,656,733	72,204,988
Other financial assets	69,050,060	69,050,060
Loans and receivables	10,804,260,631	40,878,359
Financial investments - Available-for-sale	80,400	80,400
Financial investments - Held-to-maturity	425,094,094	425,094,094
	11,438,141,918	607,307,901

Carrying Value of Financial Assets as at 31 Dec	2017 Rs.	2016 Rs.
Other Financial Assets	69,050,060	59,688,203
Rentals Receivable on Lease and Hire Purchase Assets	6,624,785,785	7,593,019,922
Loans and Advances	4,179,474,841	2,965,897,522
Financial Investments - Available for Sale	80,400	80,400
Financial Investments - Held-to-Maturity	425,094,094	524,021,599
	11,298,485,180	11,142,707,646

The Company endeavors to obtain adequate collateral to secure its credit facilities. The Company continuously monitors the quality of such collateral to mitigate credit losses. A reasonable margin of safety is maintained in collateral values to absorb fall in value of collateral.

35.3 Liquidity Risk

35.3.1 Overview

Liquidity risk is the risk that the Company may not be able to generate sufficient cash flow at reasonable cost to meet expected and or unexpected claims. It arises in the functions of lending, trading and investment activities. It includes both the risk of unexpected increases in the cost of funding assets due to unanticipated funding requirements and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

To manage Liquidity Risk diversified funding sources have been arranged. Additionally future cash flows, funding requirement and liquidity is monitored on daily basis. The Company has a sound Contingency Funding Plan. There are committed lines of credit from Banks and Parent Company which could be drawn upon at short notice.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.3.1.1 Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities (Rs. '000)

As at 31 December 2017	Less than 1 Month Rs.	1 to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets							
Cash and Bank	139,657	-	-	-	-	-	139,657
Other Financial Assets	640	57,872	3,644	4,394	2,500	-	69,050
Rentals Receivable on Lease and Hire Purchase Assets	522,883	573,354	2,370,447	4,180,489	912,919	3,218	8,563,310
Loans and Advances	256,089	318,051	1,302,870	2,601,439	1,193,280	6,308	5,678,037
Financial Investments - Available for Sale	-	-	-	-	-	80	80
Financial Investments - Held-to-Maturity	3,360	-	402,337	133,894	59,475	-	599,066
Total Undiscounted Financial Assets	922,629	949,277	4,079,298	6,920,216	2,168,174	9,606	15,049,200
Financial Liabilities							
Bank Overdraft	54,323	-	-	-	-	-	54,323
Trade and Other Payables	519,799	43,417	-	20,152	-	71	583,439
Time Deposits	245,160	560,891	1,321,737	477,368	295,768	-	2,900,924
Amounts due to Related Parties	-	1,407,323	-	-	-	-	1,407,323
Interest Bearing Borrowings	1,123,611	382,718	1,187,272	1,447,210	377,735		4,518,546
Total Undiscounted Financial Liabilities	1,942,893	2,394,349	2,509,009	1,944,730	673,503	71	9,464,555
GAP	(1,020,264)	(1,445,072)	1,570,289	4,975,486	1,494,671	9,535	5,584,645
Cumulative GAP	(1,020,264)	(2,465,336)	(895,047)	4,080,439	5,575,110	5,584,645	

As at 31 December 2016	Less than 1 Month Rs.	1 to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets							
Cash and Bank	116,554	-	-	-	-	-	116,554
Other Financial Assets	303	44,230	1,229	11,527	2,400	-	59,688
Rentals Receivable on Lease and Hire Purchase Assets	528,487	578,564	2,409,037	4,701,661	1,810,689	26,418	10,054,856
Loans and Advances	183,154	235,185	928,085	1,827,079	787,433	8,969	3,969,905
Financial Investments - Available for Sale	-	80	-	-	-	-	80
Financial Investments - Held-to-Maturity	130,789	-	376,106	122,624	36,475	-	665,993
Total Undiscounted Financial Assets	959,286	858,060	3,714,456	6,662,891	2,636,997	35,388	14,867,077
Financial Liabilities							
Bank Overdraft	29,606	-	-	-	-	-	29,606
Trade and Other Payables	815,616	40,633	42,072	-	-	28	898,349
Time Deposits	172,692	447,565	794,969	298,878	149,101	-	1,863,206
Amounts due to Related Parties	-	2,644,547	-	-	-	-	2,644,547
Interest Bearing Borrowings	48,134	1,025,719	1,521,470	1,745,231	-	-	4,340,553
Total Undiscounted Financial Liabilities	1,066,048	4,158,464	2,358,511	2,044,110	149,101	28	9,776,261
GAP	(106,762)	(3,300,404)	1,355,946	4,618,781	2,487,896	35,360	5,090,816
Cumulative GAP	(106,762)	(3,407,166)	(2,051,220)	2,567,561	5,055,457	5,090,816	

The Asset and Liability Committee (ALCO) meet on a regular basis and discusses the liquidity profile of the operations and considers the dynamic liquidity impact based on the future funding requirements of the Company's operations.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)

35.4 Interest Rate Risk

35.4.1 Overview

Interest rate risk is the risk that changes in market interest rates might adversely affect the Company's financial condition. It is the risk of potential variability in earnings and capital value resulting from changes in market interest rates. The risk can be classified as:

- Repricing Risk
- Basis risk
- Yield curve risk

The Company continuously monitor the behaviour of interest rates to manage interest rate risk. The Company also manages the interest rate risk by having a balanced portfolio of fixed and variable rate borrowings. The Company also prepares static gap analysis and dynamic interest rate gap analysis on monthly basis to measure the risk.

The table below analyses the Company's interest rate risk exposure on its non-traded assets and liabilities. The assets and liabilities are included at carrying amount and categorized by the earlier of contractual re–pricing or residual maturity dates.

35.4.1.1 Interest Rate Sensitivity Gaps (LKR 'Thousands)

As at 31 December 2017	Less than 7 days Rs.	8 - 30 days Rs.	1 - 3 months Rs.	3 - 6 months Rs.	6 - 12 months Rs.	Over 1 year Rs.	Total Rs.
Sensitive Assets							
Rentals Receivable on Lease,							
Hire Purchase and Auto loan Assets	187,446	282,238	599,484	887,707	1,683,359	7,164,027	10,804,261
Financial Investments - Available for Sale	-	-	-	-	-	80	80
Financial Investments - Held-to-Maturity	7,729	-	-	325,000	71,433	20,932	425,094
Total Sensitive Assets	195,175	282,238	599,484	1,212,707	1,754,792	7,185,039	11,229,435
Sensitive Liabilities							
Bank Overdraft	54,323	-	-	-	-	-	54,323
Time Deposits	169,293	176,874	519,857	240,328	959,953	642,463	2,708,768
Amounts due to Related Parties	-	1,407,323	-	-	-	-	1,407,323
Interest Bearing Borrowings	-	1,106,076	356,611	435,888	677,195	1,765,275	4,341,045
Total Sensitive Liabilities	223,616	2,690,273	876,468	676,216	1,637,148	2,407,738	8,511,459
Gap	**(28,441)**	**(2,408,035)**	**(276,984)**	**536,491**	**117,644**	**4,777,301**	**2,717,976**
Cumulative Gap	**(28,441)**	**(2,436,476)**	**(2,713,460)**	**(2,176,969)**	**(2,059,325)**	**2,717,976**	

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

35.4.1.1 Interest Rate Sensitivity Gaps (LKR '0001) (Contd...)

As at 31 December 2016	Less than 7 days Rs.	8 - 30 days Rs.	1 - 3 months Rs.	3 - 6 months Rs.	6 - 12 months Rs.	Over 1 year Rs.	Total Rs.
Sensitive Assets							
Rentals Receivable on Lease,							
Hire Purchase and Auto loan Assets	134,827	256,512	536,700	785,010	1,493,820	7,352,049	10,558,917
Financial Investments - Available for Sale	-	-	80	-	-	-	80
Financial Investments - Held-to-Maturity	-	139,132	-	275,000	50,000	59,890	524,022
Total Sensitive Assets	134,827	395,644	536,780	1,060,010	1,543,820	7,411,939	11,083,020
Sensitive Liabilities							
Bank Overdraft	29,606	-	-	-	-	-	29,606
Time Deposits	46,851	121,096	426,742	289,287	442,955	364,747	1,691,677
Amounts due to Related Parties	-	2,644,547	-	-	-	-	2,644,547
Interest Bearing Borrowings	89,031	764,123	188,555	438,307	923,876	1,652,833	4,056,725
Total Sensitive Liabilities	165,488	3,529,766	615,297	727,594	1,366,831	2,017,580	8,422,556
Gap	**(30,661)**	**(3,134,122)**	**(78,516)**	**332,416**	**176,989**	**5,394,359**	**2,660,465**
Cumulative Gap	**(30,661)**	**(3,164,783)**	**(3,243,300)**	**(2,910,884)**	**(2,733,894)**	**2,660,465**	

Note : Fixed Interest Bearing Assets and Liabilities have also taken into consideration in arriving at the Interest Rate Sensitivity Gaps.

35.4.1.2 Income impact from change in interest rates within one month

(LKR '0001)	Increase in funding cost 2017		Increase in funding cost 2016	
	10 bps	25 bps	10 bps	25 bps
P&L impact (Monthly)	**(2,436)**	**(6,091)**	**(3,165)**	**(7,912)**

35.5 Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems, or from external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. Controls include effective segregation of duties, access, authorization and reconciliation procedures and assessment processes, such as the use of internal audit.

SHARE INFORMATION

Stock Exchange

The Ordinary Shares of the Company are listed on the Diri Savi Board of the Colombo Stock Exchange.

Ordinary Shares as at 31st December 2017 : 20,000,000

(Stated Capital of the Company solely represents voting ordinary shares.)

Distribution of Shareholders

There were 3 registered shareholders as at 31st December 2017, distributed as follows:

Distribution of shareholders	As at 31st December 2017				As at 31st December 2016			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Shares								
1 – 1000	1	0.01	1	0.01	1	0.01	1	0.01
Over 1,000,000	2	99.99	19,999,999	99.99	2	99.99	19,999,999	99.99
Total	3	100	20,000,000	100	3	100	20,000,000	100

Analysis of Shareholders

Resident/Non-Resident

Category	As at 31st December 2017				As at 31st December 2016			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	2	90	18,000,001	90	2	90	18,000,001	90
Non-Resident	1	10	1,999,999	10	1	10	1,999,999	10
Total	3	100	20,000,000	100	3	100	20,000,000	100

Shareholders	As at 31st December 2017		As at 31st December 2016	
	No. of Shares	%	No. of Shares	%
Associated Motorways (Private) Limited	18,000,000	90.00	18,000,000	90.00
Trading Enterprises Company LLC	1,999,999	9.99	1,999,999	9.99
A A De Silva	1	0.01	1	0.01

Shareholders	As at 31st December 2017		As at 31st December 2016	
	No. of Shares	%	No. of Shares	%
Public	2,000,000	10	2,000,000	10
Controlled Companies	18,000,000	90	18,000,000	90
Total	20,000,000	100	20,000,000	100

DIRECTORS' AND CEO'S SHARE HOLDING AS AT 31ST DECEMBER 2017

NIL

SHARE PRICES FOR THE YEAR

	31.12.2017 Rs.
Market price per share	
Highest	Rs. 22.40 *Not Traded
Lowest	Rs. 22.40 *Not Traded
As at end	Rs. 22.40 *Not Traded

KEY RATIOS

	31.12.2017	31.12.2016
Dividend Per Share (Rs.)	1.65	2.31
Dividend Payout Ratio	0.09	0.13
Net Asset Value Per Share (Rs.)	100.27	82.75

Corporate Information

DATE OF INCORPORATION : 23rd February 2006

DATE OF RE-REGISTRATION : 27th June 2007

COMPANY REGISTRATION NO : PB14PQ

IMPORTANT DATES :
- Formed as a Leasing Establishment in July 2006
- Obtained Finance Company Licence in November 2008
- Listed on the Diri Savi Board of the Colombo Stock Exchange w.e.f: 08th June 2011.

PRINCIPAL ACTIVITY : Hire Purchase
Leasing
Auto Loans
Operating Leases
Acceptance of Deposits

STATED CAPITAL : Rs.200,000,000/- (20,000,000 shares)

LEGAL FORM : Quoted on the Diri Savi Board of the CSE with Limited Liability

BOARD OF DIRECTORS : Mr. T S A Fernandopulle
-appointed as Chairman w.e.f: 08.05.17
Mr. B P Morris - Director/CEO
Mr. A M Patrick
Mr. J D N Kekulawala
- appointed w.e.f : 27.10.17
Mr. A D Lakhani
- appointed w.e.f : 23.08.17
Mr. R Kassaby
- appointed w.e.f : 28.11.17
Mr. N S Welikala
- retired w.e.f : 07.05.17
Mrs. D C Yatawaka
- vacated w.e.f : 28.03.17
Mr. S M Faulkner
- resigned w.e.f : 13.06.17
Mr. K A Wijewickrama
- resigned w.e.f : 24.08.17
Mr. A Majumdar
- resigned w.e.f : 30.08.17
Mr. S A B Rajapaksa
- resigned w.e.f : 07.12.17

COMPANY SECRETARY : Ms. Hiruni Serasinghe
- resigned w.e.f : 03.06.17

Mrs. Ruvini E Weerasinghe
- appointed w.e.f : 04.06.17

AUDITORS : M/s. Ernst & Young
Chartered Accountants

BANKERS : Bank of Ceylon
Commercial Bank of Ceylon PLC
Hongkong & Shanghai Banking Corporation PLC
Nations Trust Bank PLC
Peoples Bank
Sampath Bank PLC
DFCC Bank PLC
Pan Asia Banking Corporation PLC
National Development Bank PLC
Union Bank of Colombo PLC
Hatton National Bank PLC

REGISTERED OFFICE : No. 185, Union Place, Colombo 2

AUDIT COMMITTEE : The Audit Committee of the Company was formed on 10.02.2011 as a pre-requisite to Listing the Company on the CSE.
Mr. A M Patrick - Chairman
Mr. T S A Fernandopulle
Mr. N S Welikala
- retired w.e.f : 07.05.17
Mr. S A B Rajapaksa
- resigned w.e.f : 07.12.17
Mr. J D N Kekulawala
- appointed w.e.f : 27.10.17

INTEGRATED RISK MANAGEMENT COMMITTEE : The Integrated Risk Management Committee of the Company was formed on 02.08.2011.
Mr. T S A Fernandopulle
- appointed as Chairman w.e.f: 08.05.17
Mr. N S Welikala
- retired w.e.f : 07.05.17
Mr. A M Patrick
Mr. B P Morris
Mr. J D N Kekulawala
- appointed w.e.f : 27.10.17
Mr. S A B Rajapaksa
- resigned w.e.f : 07.12.17
Mrs. D C Yatawaka
- vacated w.e.f : 28.03.17
Mr. A D Lakhani
- appointed w.e.f : 23.08.17
Mr. D P V Mendis
- resigned w.e.f : 15.01.17
Mrs. D I Brohier
- resigned w.e.f : 03.05.17
Mr. N Tillekeratne
- appointed w.e.f : 20.03.17
Mrs. D Tillekeratne
Mr. H N N K Perera
Mr. S Fernando
Mr. S U Thenuwara
Mr. S Wickremasinghe
- resigned w.e.f : 03.04.17
Mr. J T P Perera
- appointed w.e.f : 01.08.17
Mr. P R M Perera
- appointed w.e.f : 22.06.17
Mrs. R E Weerasinghe

REMUNERATION COMMITTEE : The Remuneration Committee of the Company was formed on 10.02.2011
Mr. A M Patrick - Chairman
Mr. T S A Fernandopulle
Mr. J D N Kekulawala
- appointed w.e.f : 21.12.17
Mr. N S Welikala
- retired w.e.f : 07.05.17
Mr. S A B Rajapaksa
- resigned w.e.f : 07.12.17

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE : The Related Party Transactions Review Committee of the Company was formed on 29.02.2016
A M Patrick - Chairman
J D N Kekulawala
- appointed w.e.f : 27.10.17
T S A Fernandopulle
- appointed w.e.f : 25.04.17
N S Welikala
- resigned w.e.f : 07.05.17
Mrs. D C Yatawaka
- vacated w.e.f : 28.03.17
S A B Rajapaksa
- resigned w.e.f : 07.12.17

AMW Capital Leasing and Finance PLC
No. 185, Union Place, Colombo 2.
Tel: 011-2446476, 2446419, 2446374, 2446278
Fax: 011-2325557
Website : www.capitalleasing.lk