

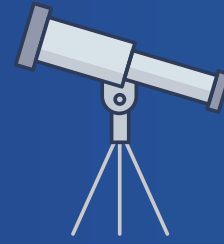


2021
ANNUAL
REPORT



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VISION

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

MISSION

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

Corporate Values

⌘ Respect

We have the utmost respect for everyone we interact with and for the environment in which we operate. We humbly recognize that ideas can come from anywhere, and are open to listen and change our mind. We are able to admit to mistakes and are willing to learn from them.

⌘ Integrity

We will always do the right thing and demonstrate consistency between our actions and our words. We ensure honesty and fairness in all that we do. We think about the long term and build enduring relationships.

⌘ Collaboration

We actively build trusted partnerships with all the constituencies of our business-including customers, principals, partners, communities and colleagues. We harness the strengths of individuals and teams and we have an unyielding desire to win together. We work collaboratively and we hold ourselves and each other accountable.

⌘ Excellence

We have a passion to achieve extraordinary results by delighting our customers. We believe good enough, is not good enough. We aspire to the highest global standards of service excellence. We celebrate our successes but remain relentless in constantly improving.

Milestones

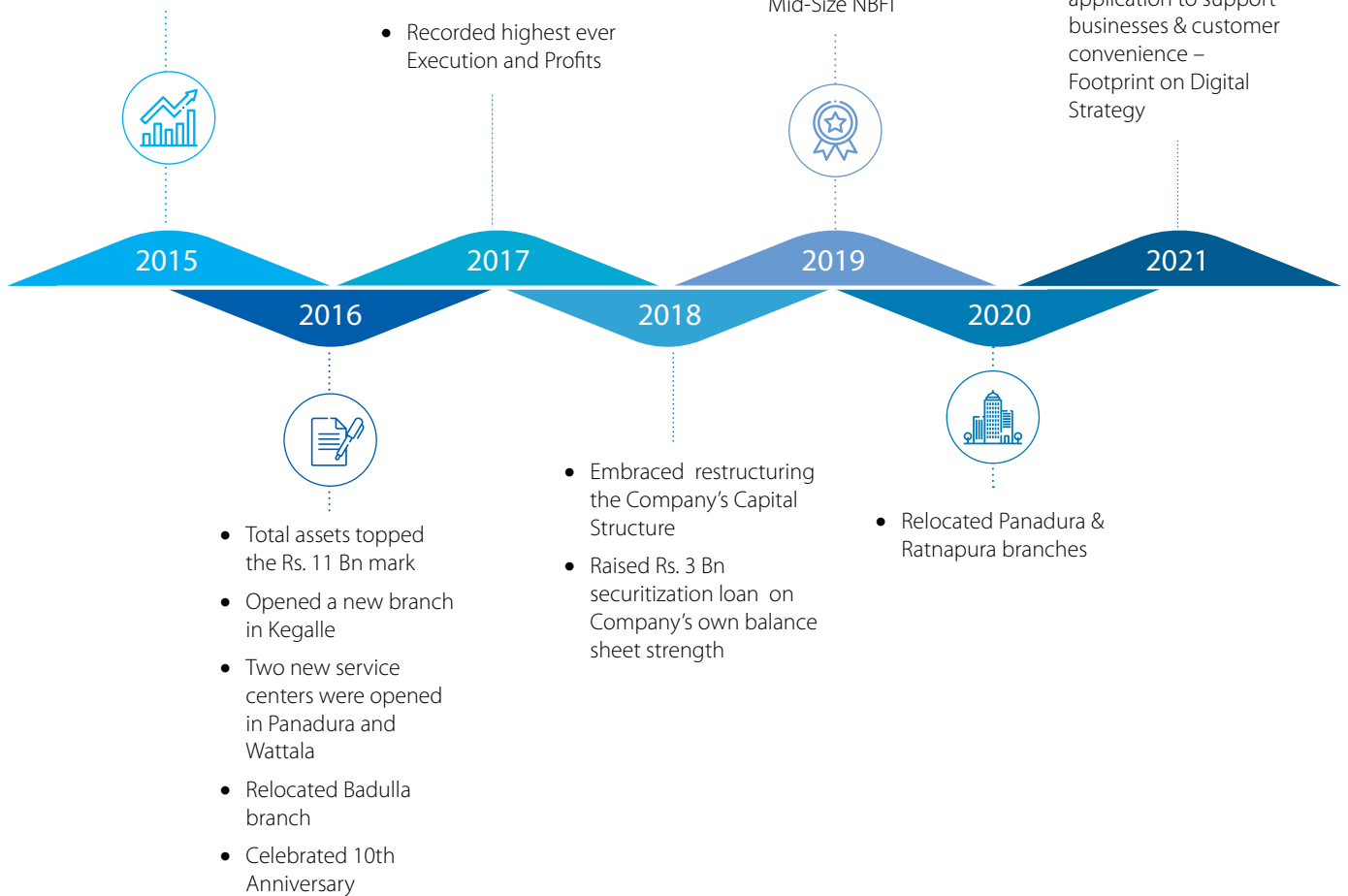


- Total assets surpassed the Rs. 9 Bn mark
- Opened two new service centres in Kaduwela and Mount Lavinia
- Recorded highest ever execution and profits
- Fitch Ratings Lanka Ltd upgraded the Company rating from BB- to BBB+ (four notches up)
- Total Fixed Deposit surpassed Rs. 2 Bn at the end of 2015

- Fitch Ratings revised rating from BBB- to A
- Introduction of Lean Management. First batch of Lean Management "Yellow Belts" graduated.
- Introduced data analytics to business planning.
- Development of Digital application to support businesses & customer convenience – Footprint on Digital Strategy

- Best Capitalized Mid-Size NBF1

- Recorded highest ever Execution and Profits



Chairman's Review



Trevine Fernandopulle
Chairman

“ AMWCL staff delivered an excellent performance, managing collections, recoveries, and impairment while being supportive of customer needs and challenges through proactive restructuring.

As a result of these actions the situation was managed very well despite the difficulties and adversities they were confronted with.”

I am pleased to place before you the Annual Report and Audited Financial Statements of AMW Capital Leasing and Finance PLC for the year ended 31st December 2021. The world's earnest hope to see the end of the pandemic come 2021 proved futile as the Delta variant of COVID-19 continued to create havoc through 2021. Health and economic crises precipitated during the year under review presented unprecedented challenges for the Company. Notwithstanding your Company sustained its performance with equanimity and fortitude, seizing opportunities wherever possible while ensuring the health and safety of all its stakeholders.

Macroeconomic Overview

The COVID-19 pandemic and its negative consequences witnessed in 2020 persisted well into 2021. Although certain changes for the better were seen in the latter half of 2021, such as the economy opening up, relaxation of restrictions on mobility, tourism recovery and factories and businesses once again gearing up, we also witnessed global commodity prices rising sharply in the fourth quarter of the year – leading to significant increases in cost of manufacturing due to increased production and shipping costs. As a result, the significant economic growth expected in 2021 did not materialize for the country. It is still too early to estimate how things will turn out in terms of global recovery in 2022 as we are now in the midst of war between Russia and Ukraine and sanctions against Russia, which is having significant increases in the prices of oil, base metals, and serious disruptions to the supply chain and also impacting adversely on Sri Lanka's tourism and tea industry. This is exacerbated by the downgrading of the country by the Rating agencies on the back of the orderly default and restructuring of the sovereign bonds and bi-lateral loans the Central Bank is proposing. The country has approached the International Monetary Fund (IMF) and the World Bank for assistance in the process in which India is also a party to the negotiations. The freefall of the Rupee due its depreciation against the Dollar and the high interest rates that now prevail to control rising inflation are likely to be major challenges for growth in the economy in 2022 and beyond which will adversely impact on business growth.

During the year under review, we experienced the reduction in interest rates on several occasions well into single digits and continued monetary easing coupled with Central Bank of Sri Lanka's debt moratorium to focused industries, SME sector and to employees who were directly affected, which facilitated businesses to survive during this unprecedented period. As a result, some level of growth in the industry was seen. We benefited from low oil prices through the first half of 2021, however this was short lived as we now see a significant upward movement of oil prices.

The key macroeconomic downsides characterizing the economy are the debt burden and the debt servicing challenges in the light of the country rating downgrade by the Rating Agencies. I am optimistic that the authorities will devise a sustainable approach to restructure the sovereign debt in a way that the country's economy can grow without delay. Dwindling foreign reserves and a volatile foreign exchange rate and the large fiscal deficit and the high interest rates could further weigh down prospects for economic revival. However, the high-level discussions the authorities are progressing with the IMF together with the actions taken to dismantle subsidies and allowing the market to determine prices will result in some pain, which is inevitable but can be considered a step in the right direction.

Company Performance

During the year under review, AMWCL dealt with the challenges adeptly, given the difficulties faced. We were able to make good progress on collections, through the untiring efforts of all our staff resulting in NPL ratios being kept in check. Although the debt moratorium and debt restructuring continue into this year, only by 31st March 2022 will the actual repayment versus default be seen. Due to the strong risk management and controls in place we are hopeful we can manage the defaults within the parameters set. However, AMWCL has made a management overlay in respect of provisions to take into account the difficult economic factors to accommodate any increase in impairment. The Company will continue to work with customers to restructure loans during this difficult period to ease their financial burden.

The Company has recorded a Net profit after tax amounting Rs. 363 million (2020 – Rs. 288 million) while maintaining a healthy interest margin of 9.88% (2020 – 10.48%) despite the reduction in interest rates in 2021. Improvements in NPLs during the year under review has significantly contributed to record a satisfactory profitability. NPL ratio as at 31st December 2021 recorded 7.66% (2020 - 8.48%) against the industry average of 10.81% as at 31st December 2021.

AMWCL is confident of managing the situation, although the ban on vehicle imports continues to hamper growth. The Company continues to focus on its core business of vehicle financing of various car brands including Nissan, Suzuki and Renault, and across all other brands and asset classes. We provide a valuable service for the registered vehicle market by improving access to transport. Sri Lanka's expanding expressway and highways networks require good quality transportation and we are hopeful that the government will rethink the vehicle import ban at the appropriate time. AMWCL staff delivered an excellent performance, managing collections, recoveries and impairment while being supportive of customer needs and challenges through proactive restructuring. As a result of these actions the situation was managed very well despite the difficulties and adversities they were confronted with.

Key Ratios

Since September 2021 a greater level of normalcy was seen in the general environment as curfews and lockdowns were eased, which had a positive impact on bringing down NPLs as well. The Company's key capital adequacy ratios remained well above the Regulatory Tier 1 and Tier 2 ratios of 7% and 11% by recording 30.66% for both thereby maintaining our position as one of the best capitalized NBFIs in the market.

Return on Equity

The Company has been able to maintain a reasonable return on equity.

Challenges

Risk and Governance controls were tightened to mitigate risks. Every industry has been impacted as a result of the pandemic. The commercial vehicle

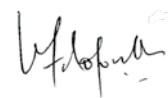
market and the fleet vehicle market have been impacted further due to the import ban. At the same time, retail market prices of vehicles have increased significantly, which helped recovery of dues as some customers were able to sell their vehicles and repay their debts reducing the provision for impairment losses.

Sustainable Outlook

AMWCL adopts a sustainable approach to its business by ensuring stable financial performance while minimizing its carbon footprint through responsible consumption of paper, electricity and water. Initially the Company focused on financing electric vehicles to green its footprint, but new Government regulations made it difficult to go ahead with this goal as the imports of electric vehicles were discouraged. We remain hopeful that we can get back into the financing of electric and battery-operated vehicles in the near future. All AMWCL Board meetings are conducted in a paperless environment reflecting the sustainable intent of the organization.

Acknowledgements

I would like to thank my colleagues on the Board for their support and guidance during this very challenging year. Our staff needs to be commended for how they managed the various challenges throughout the year to help the Company achieve their profitability targets in a challenging environment. The teams were ably led by our dynamic CEO, Mr. Chamath Munasinghe, whose leadership enabled us to steer the Company through these unprecedented challenges. I would also like to thank the officials of the Central Bank of Sri Lanka for their guidance and support and all our customers, business partners and other stakeholders for their loyalty. We are hopeful that we are well positioned to face any challenges and shall continue with our untiring efforts to achieve the goals we have set ourselves.



Trevine Fernandopulle
Chairman
30 March 2022

CEO's Review



Chamath Munasinghe
Director/CEO

“AMWCL has been successful in dispelling the dark clouds of uncertainty since the pandemic began, by building a robust operation that supports employees, customers and business partners – offering them solid ground amidst a rapidly evolving situation.”

The year under review posed a fresh set of challenges which were tackled admirably by AMW Capital Leasing & Finance (AMWCL) PLC. Although the obstacles during the previous year seemed daunting at the time, the challenges in 2021 were perhaps even more so – as the year saw the COVID-19 Delta variant rearing its head in Sri Lanka, leading to almost five-months of lockdowns and closures, which impacted the overall economy. The resultant travel restrictions hampered sales, new business development and collections, nevertheless the Company remained connected with its customer base across various platforms.

The continuation of the import restrictions on vehicles was the single-biggest obstacle for a leasing Company like AMWCL for which vehicle leasing comprises its core activity. However, as an agile organization, the Company leveraged on the trend of significant price increases of registered vehicles - making a paradigm shift to financing registered vehicles, which helped sustain profitability, strongly supported by an effective collections system, stringent cost controls and an extraordinary effort by the entire team.

The health and safety of employees remained the foremost concern for the Company through the year. Strict health and hygiene protocols were followed to keep employees and customers safe in the workplace and out in the field. Overall, the Company continued the 'work from home' transition smoothly, adapting to the advisories of health authorities. As of now about 98% of employees have received both doses of the COVID-19 vaccine.

Despite the prolonged lockdowns in 2021, the Company remained agile and achieved its targets by sustaining its business model. One of the key strategies in our arsenal during the year under review was to leverage on data and analytics to analyze and evaluate how events unfolding during the year were impacting various aspects of the Company's performance.

Powered by digital strategy

Real time analytics and real time dashboards were harnessed for greater insights, which reflect the extent of AMWCL's commitment to use technology to enhance efficiencies and gain deeper insights into the market, customer mindsets and functioning of the various departments. Heightening efficiency and agility in times of crises makes it easier to face up to the emerging challenges. Automation of processes to improve customer turnaround time and create efficiencies was an ongoing initiative to further complement existing customer care services. Developing apps such as recovery app to optimize efficiency and establishment of call centre strengthened these strategies.

Lean management philosophy is being inculcated across the Company, to create a 'Kaizen' culture within the organization.

A substantial proportion of marketing and sales activities was moved on to the digital platform after witnessing the rapid adoption of ecommerce and digital apps by customers as a result of travel restrictions. The Company's digital presence helped AMWCL gain traction in terms of sales and brand building goals in 2021.

In a significant development, the marketing strategy was regionalized for two main reasons. The first is because different regions in the country have different dynamics and different demographics. As a result, a one-size-fits-all marketing strategy was tweaked to factor in regional customer needs etc. Marketing strategies were customized by region to suit their particular ethos.

Even though traditional marketing activities with both the existing and prospective customers were limited, some regional events were held which resulted in garnering new business and widening the customer base.

Despite the slew of challenges faced in 2021, AMWCL grew its portfolio while recording steady growth in new

business month on month not seen in the last four years from its core business of vehicle financing. AMWCL's prudent financial management during the year helped steer the Company to profitability. The management and the leadership team have been proactively responding to changes taking place in the industry and responding with appropriate shifts where needed. The Company took advantage of the low interest regime and had clear funding strategies in place.

During the year, the Company guided customers to restructure their loan facilities, reorganize their cash flows and even waived default interest where necessary to help them accelerate business recovery. The collections and recovery strategy were one of the main contributing factors to the Company's strong performance. Our employees acted with warmth and empathy, contacting customers to check on their health and well-being on a personal note beyond a transactional relationship.

Financial Performance

The growth in the total assets of the industry was about 6.2% while loans and advances grew by about 8.89%. The Company surpassed the industry growth numbers by achieving higher assets and loan and portfolio growth.

The Company's NPL ratio was quite healthy compared to the industry as a result of a more efficient and streamlined collections process. One of the key pillars of the Company's strong NPL ratio has been monitoring its portfolio in-depth to track portfolio behavior, to understand the intricacies and to respond to them speedily. When there is a marked shift in portfolio behavior, strategies are aligned accordingly.

The Company's approach was not merely to recover pending dues but also to understand and evaluate customers' challenges and reschedule loans where possible so as to alleviate financial burden. By providing them with solutions, AMWCL was able to strengthen customer relationships.

One of the avenues for new business was secured by leveraging on Group synergies and partnering with one of the Group companies - Orient Insurance. The Company expects to strengthen this partnership further.

Supporting our teams

Times of extraordinary crises require exceptional commitment from the entire team to steer the ship to safe harbour. AMWCL employees demonstrated their loyalty and commitment to ensure that the Company met its goals in 2021. As for AMWCL, the health and safety of employees and their families was a number one priority since the outbreak of the pandemic. Our employees were encouraged to be vaccinated by sharing information from credible health authorities like the World Health Organization and local health and government authorities.

Training efforts were sustained via virtual platforms. I would like to congratulate the first batch of lean management 'yellow belts' who graduated during the year.

In addition, AMWCL carries out townhall meetings to bring all the employees together virtually once every quarter during which they are kept abreast of local and global developments and of the Company performance. This has helped dispel worry and uncertainty which has characterized the general mood since the outbreak of the pandemic. Keeping employees abreast of internal achievements and external economic environmental changes gives them far greater confidence in the stability of the organization and their career prospects.

Despite travel restrictions and restrictions in large gatherings, the Company continued to hold employee recognition events virtually. Award schemes for employees who demonstrate the Company values best and branch recognition awards were held accordingly.

CEO's Review

Future Outlook

AMWCL has been successful in dispelling the dark clouds of uncertainty since the pandemic began by building a robust operation that supports employees, customers and business partners – offering them solid ground amidst a rapidly evolving situation.

Sri Lanka is facing its own set of challenges in terms of dwindling Dollar reserves and widening balance of payments and so on, which would get worse before it gets better. Nevertheless, as a Company we are strategizing accordingly and preparing to face challenges by driving technology and product innovation to do things differently. AMWCL remains positive and optimistic that we can leverage on the gains made this year to consolidate success for our stakeholders with each passing year.

Appreciation

I am thankful to the Chairman and the Board of Directors for their guidance through the year. The Corporate Management and the rest of the team have made immense contributions to the strong performance of the Company

in 2021. I would also like to thank the Board of Directors and Management teams of Associated Motorways (Pvt) Ltd., our Parent Company for their ongoing support. The Governor of the Central Bank of Sri Lanka, the Director and the officials of the Non-Bank Supervision Division provided valuable support.

Our employees have been an exceptional source of inspiration and support to navigate through a tough year successfully. My sincere appreciation and gratitude is extended to them and their families.

I wish to thank our customers for their unstinted loyalty and trust placed on AMWCL.

We look forward to delivering an even more inspirational performance.



Chamath Munasinghe

Director/CEO
30 March 2022

Board of Directors



Trevine Fernandopulle

Chairman

Mr. Trevine Fernandopulle has over 30 years of work experience at HSBC (Local and Overseas), 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 is the Deputy Chairman/Director of Union Bank of Colombo PLC and is a Director of Dutch Lanka Trailer Manufacturers Ltd, Continental Insurance Lanka Ltd and Enterprise Ceylon Capital (Pvt) Ltd.

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 the Chairman of the Board of Trustees of The Joseph Frazer Memorial Hospital. Mr. Fernandopulle was a Past President of 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.



Chamath Munasinghe

Director/CEO

Mr. Chamath Munasinghe has over 25 years of experience in the banking sector with over 10 years in senior leadership roles. He counts for diverse expertise in the areas of Branch Banking, Consumer Financing, Credit, Operations, Corporate Real Estate and Security & Facilities Management.

Mr. Munasinghe is well known for pioneering lean concepts and driving transformational strategies with the objective of facilitating business growth complimented by operational efficiencies and automation during his tenure at Nations Trust Bank.

Mr. Munasinghe holds a Master of Business Administration from Edith Cowan University of Australia and is a Certified Management Accountant (Australia). He is also a Fellow Member of the Chartered Institute of Management Accountants UK and a Chartered Global Management Accountant.

Mr. Munasinghe held the position of Senior Vice President/Head of Operations at Nations Trust Bank PLC.



Nihal Kekulawala

Independent Non-Executive Director

Mr. Nihal Kekulawala counts over thirty years in the banking profession and was appointed as a Director in October 2017. He has held senior positions at Hatton National Bank PLC and played a strategic role in the diversification of HNB from Commercial Banking to Investment Banking, venture capital, stock brokering and life/general insurance.

Mr. Kekulawala served as the lead consultant and was responsible for setting up a Commercial Banking Operation in the Solomon Islands. He functioned as the inaugural CEO of the bank. He presently serves on the Boards of several public companies.

Mr. Kekulawala is a Fellow of the Institute of Chartered Accountants UK and Sri Lanka, Fellow of the Chartered Institute of Bankers in England and has an MBA from the University of Manchester.

Board of Directors



Bernd Erich Schwendtke

Non-Executive Director

Mr. Bernd Schwendtke began his working career in 1994 in Germany and has acquired a wide range of experience in the automotive sector, financial services, fleet management, logistics, and diversified trading industries in various multinational companies.

Mr. Schwendtke was the Senior Managing Director at Al Futtaim Automotive, United Arab Emirates and the Senior Managing Director and Group Chief Financial Officer at Abdul Latif Jameel Saudi Arabia and held Chief Financial Officer and Finance Director positions in various Mercedes-Benz entities in South Africa, Australia, Singapore, UK and Germany.

Mr. Schwendtke holds a Master's degree from the University of Würzburg, Germany.



Ankur Basantilal Mundra

Non-Executive Director

Mr. Ankur Mundra is currently holding the position of Head of Finance of the Al Futtaim Motors in UAE, a leading automotive Company in UAE. Until 2021, he was working as Head of Finance of the Al Futtaim Finance PVJSC, a Finance Company regulated by the Central Bank of the UAE and is responsible for Finance Division of all finance, rental and leasing business of Al Futtaim Group in UAE.

Mr. Mundra has worked in the Finance Industry for more than 15 years with broad experience in Finance, Treasury, and Regulatory Structuring for Al Futtaim Finance in UAE. Prior to joining the Al Futtaim Group, Mr. Mundra was working as Finance Manager for a Retail Industry.

Mr. Mundra is a Chartered Accountant from the Institute of Chartered Accountants of India and a Bachelor of Science from Ajmer University, India.



Peter Andrew Mackenzie

Non-Executive Director

Mr. Peter Mackenzie is currently holding the position of Managing Director at AMW Group of Companies.

Mr. Mackenzie's experience includes three decades in the automotive sector, with over 15 years' spent in the position of Senior Management. Prior to joining AMW Group, Mr. Mackenzie held the positions in several leading organizations including DaimlerChrysler and Harley Davidson Motor Company in Australia, Singapore and China.



Ruvini Eroshini Weerasinghe

Company Secretary

Ms. 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 as well. 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.

Ms. Weerasinghe holds an MBA from Cardiff Metropolitan University, UK.

Ms. Weerasinghe has over 26 years' experience in litigation and Notarial work, and over 21 years of experience in the Finance Leasing Industry.

Senior Management Team



Pramuditha Mendis

General Manager – Credit and Operations

Mr. Pramuditha Mendis has over 27 years of experience in the field of leasing/finance including 04 years of overseas exposure of working for one of the leading leasing establishments in the world. After graduating, Mr. Mendis commenced his leasing career as a Credit/Marketing Executive at Lanka ORIX Leasing Company Ltd (LOLC) and worked there for 11 years holding several Executive and Managerial positions.

Mr. Mendis joined Saudi ORIX Leasing Company (SOLC) in KSA (an investment of ORIX Corporation, Japan) after resigning from LOLC and worked there for 04 years getting exposed to many new business practices including corporate credit. He held the position of Senior Manager – Credit & Marketing at SOLC when he resigned to join AMW Capital Leasing and Finance PLC (AMWCL) in 2009. Mr. Mendis currently serves as the General Manager – Credit & Operations of AMWCL and he is also the Chairman of Credit Policy Committee.

Mr. Mendis has also served as a Director of Leasing Association of Sri Lanka (LASL) and as the Chief Executive Officer at Summit Finance PLC (now known as Prime Finance PLC). Mr. Mendis is a fellow member and had been a resource person at Sri Lanka Institute of Credit Management (SLICM).



Sanjaya Thenuwara

General Manager – Marketing

Mr. Sanjaya Thenuwara the General Manager-Marketing, counts over 25 years' experience in the field of Leasing. He started his career as a Management Trainee at Mercantile Investments Ltd & thereafter worked at Central Finance & Mercantile Leasing Limited, before moving into Lanka Orix Finance Company PLC in 2003.

Mr. Thenuwara worked at LOLC for 11 years in the capacity of Regional Manager & Chief Manager City Branch. He holds a Diploma in Marketing from SLIM & an MBA from University of Wales Institute Cardiff, also he served as a Director of Leasing Association of Sri Lanka (LASL) for a period of 03 years until 2020.



Shanuka Jayarathna

General Manager - Finance

Mr. Shanuka Jayarathna is a seasoned Finance professional counting over 18 years of experience in Financial Services Sector, specializes in Strategic Finance, Treasury Management, Information Systems and Internal Control Systems. He started the career at Deloitte Sri Lanka as a Student Accountant and worked 3 years, before moving into the mercantile sector. Mr. Jayarathna joined AMWCL in the year 2020 as the General Manager - Finance. Prior to joining AMWCL, he served as the Chief Financial Officer at Continental Insurance Lanka Limited.

Mr. Jayarathna is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and holds a MBA from the University of Colombo. He holds a B.Sc. Accountancy and Financial Management degree from the University of Sri Jayewardenepura.



Himala Wijayatunga*Head of Risk*

Mr. Himala Wijayatunga counts over fifteen years of experience in Risk Management, Financial Management and Strategic Management, including ten years of experience in financial risk management. He is a Certified Financial Risk Manager of GARP USA and is an Associate Member (ACA) of the Institute of Chartered Accountants of Sri Lanka. Mr. Wijayatunga possesses MBA from the Postgraduate Institute of Management (PIM) and obtained his B.Sc. Business Administration degree from the University of Sri Jayewardenepura. Further, he earned a Diploma in Bank Integrated Risk Management (DBRIM) with a merit pass.

Before joining AMWCL, Mr. Wijayatunga led the Risk Management Division of Merchant Bank of Sri Lanka and Finance PLC (MBSL). Prior to that, he had worked at R.R Donnelley & Sons, a Fortune 500 Company listed on New York Security Exchange. He had started his career at a well-known diversified conglomerate.



Rochelle Silva*Head of Compliance*

Ms. Rochelle Silva has over 14 years of experience in the manufacturing sector and banking & finance sector, including investment banking. She has worked in various senior management roles at Asian Paints Lanka Ltd, Union Bank of Colombo PLC, NWS Management Services (Pvt) Ltd and Bansei Securities Capital (Pvt) Ltd. Ms. Silva possesses experience in Compliance in various sectors such as banking, investment management, margin trading and unit trust management. Prior to joining AMWCL, she served as the Head of Risk and Compliance at National Asset Management Limited which is a pioneer Unit Trust Management Company in Sri Lanka.

Ms. Silva holds a MBA from Postgraduate Institute of Management of the University of Sri Jayewardenepura (PIM). She is an associate member of the Chartered Institute of Management Accountants (CIMA-UK) and a Chartered Global Management Accountant. She also holds associate membership of Chartered Institute of Marketing (CIM-UK) and the Institute of Bankers of Sri Lanka (IBSL).



Lasantha Perera*Head of IT*

Mr. Lasantha Perera, the Head of IT, counts 19 years of experience in IT field in diverse industries such as Banking, Apparel, Automotive and Financials Services. He is an expertise in Software Engineering, Management Information Systems, Systems Administration and Database Management. Mr. Perera started his career from Lankaclear (Pvt) Ltd – The National Cheque Clearing House, then Esquel Group – China and Associated Motorways (Pvt) Ltd.

Mr. Perera holds a Master of Business Administration (MBA) degree from University of Sri Jayewardenepura, BSc Degree of IT from the British Computer Society – UK, the Chartered Institute for IT, and the Diploma and Higher National Diploma from National Institute of Business Management. Further, he is a professional member of the British Computer Society (MBCS).

Senior Management Team



Subani De Silva

Head of Fixed Deposits

Ms. Subani De Silva, the Head of Fixed Deposits, counts over 17 years of experience in diverse industries such as IT, Hospitality and Financial Services.

Ms. Silva's professional career has seen her gain 11 years of experience in financial services.

She started her career as a Business Development Executive at ABC Computers Pvt Ltd followed by a successful move to the hospitality sector and the more recently the financial services sector by joining Multi Finance PLC as a Senior Deposit Executive.

Ms. De Silva joined AMWCL in the year 2013 as a Senior executive - Deposit Operation and was promoted to Assistant Manager in 2017.

She holds a Master of Business Administration from London Metropolitan University of England and a Higher Diploma in Business Management - CIMA UK and a Higher Diploma in Computer Studies at IDM.



Sujeewa Sooriyaarachchi

Head of Recoveries

Mr. Sujeewa Sooriyaarachchi is heading the Recovery and Administration Departments of AMWCL.

Mr. Sooriyaarachchi was an award winning officer in the grade of Inspector in the Department of Sri Lanka Police, with over 25 years of experience in recovery and administrative management in the fields of Trading, Leasing and Manufacturing industries.



Chinthaka De Alwis

Head of Operations

Mr. Chinthaka De Alwis is currently holding the post of Head of Operations at AMWCL and he has been with the Company since its inception. He has over 29 years of experience in the Non-banking financial sector. He was the Head of Division, Compliance, at People's Leasing Limited (PLC) for a period of 2 and a half years and he possesses 11 years' experience at Lanka Orix Leasing Company (LOLC) attached to Finance, Micro Finance, Corporate Finance and Internal Audit Divisions. Mr. De Alwis holds an MBA from Solent University, Southampton UK.



Manindra Wickramanayaka

Manager - Legal

Ms. Manindra Wickramanayaka is an Attorney-at-Law of Supreme Court of Sri Lanka. She holds a Degree of Master of Laws in International Business and Commercial Law from University of West London and Degree of Bachelor of Laws (Hons) from University of Peradeniya.

She started her career as an apprentice from Gunawardena & Ranasinghe Associates and prior to joining AMW Capital Leasing and Finance PLC, she held the position of Assistant Manager-Legal at Asia Asset Finance PLC.



Hasini Pathiranage

HR Business Partner

Ms. Hasini Pathiranage counts over 14 years of experience in Insurance & Financial Services industry including extensive exposure in a leading finance entity in Sri Lanka. She is an experienced HR professional with hands on experience in overall HR Operations, Learning & Development and Strategic HR with HR generalist experience covering all aspects of HR. She has engaged in Branch Operations & Business Development prior to her career in HR at Citizens Development Business Finance PLC. Ms. Pathiranage holds a Professional Qualification in HRM from the Chartered Institute of Personnel Management and served as the Senior Deputy Manager – HR at CDB Finance PLC prior joining AMWCL.



Thayanthan Thiyagalingam

Head of Internal Audit

Mr. Thayanthan Thiyagalingam heads the Internal Audit Department of AMWCL. He holds a Master's degree in Financial Mathematics from the University of Colombo. He is also an associate member of the Chartered Institute of Management Accountants (UK).

He counts over 8 years experience of experience in the auditing field, covering both external and internal auditing. He started his career as an Audit Trainee at Ernst & Young, and prior to joining AMW Capital Leasing and Finance PLC, he held the position of Project Manager at KPMG.

Management Discussion and Analysis

OPERATING ENVIRONMENT

During the year under review, the Sri Lankan economy rebounded from the COVID-19 pandemic induced contraction in 2020. The real economy grew by 8.0%, y-o-y, in the first half of 2021 across the major sectors of the economy underpinned by policy stimuli provided by the government and the Central Bank of Sri Lanka, and the phasing out of the selective mobility restrictions in tandem with the nationwide vaccination programme and normalising global activity. The government continued the fiscal stimulus measures announced in late 2019 by way of the low tax regime among other direct financial support. The large scale debt moratoria provided to businesses and individuals were further extended during 2021. Due to the relaxed monetary policy support, market interest rates declined to historically low levels, thereby facilitating credit to businesses and individuals and supplementing investment needed to revive the economy.

Amidst limited foreign exchange inflows under pandemic conditions, speculative activity exerted further pressure on the domestic foreign exchange market, warranting intervention by the Central Bank to impose a mandatory conversion requirement on export proceeds, provide exchange rate guidance, and ultimately provide liquidity support for essential imports. Meanwhile, the performance of trade in services remained dwarfed by the prolonged setback in the tourism industry, which is expected to rebound fast as global travel activity resumes and vaccination against COVID-19 gathers pace. Workers' remittances, which remained resilient amidst the pandemic, moderated. Headline inflation, in the meantime, exceeded the upper bound of the target range of 4-6%, mainly due to continued high food prices, upward revisions to several administratively determined prices, and relaxation of price controls on selected imported commodities in tandem with the rising global commodity prices.

The subsequent up-tick of COVID-19 infections likely weakened the pace of recovery in the second half of 2021, although green shoots of recovery in the tourism sector augur well. Despite increased policy rates and price controls imposed by the government, inflationary pressure is expected to remain strong amid partial monetization of the fiscal deficit, currency depreciation, and rising global commodity prices.

Overall in the NBFIs sector, as at 31st December 2021, Total Assets increased by Rs.86 billion during the year mainly due to the growth in the loans and advances portfolio. The sector lending portfolio recorded a growth due to increase in other secured loans and pawning advances.

NBFI Industry

The Licensed Finance Companies (LFC) sector performance remained moderate during the nine months ended December 2021 with a marginal increase of total assets and credit portfolio. Total asset base of the sector increased by Rs. 8.48 bn (6.2%) during the nine months ended December 2021 and stood at Rs. 1,452.7 bn at end December 2021. Loans and advances portfolio, which represents a major part of total assets, marginally increased by Rs. 10.1bn (8.9%) during the nine months ended December 2021.

While the sector recorded an increase in deposits and capital, a decline in borrowings was observed during the nine months ended December 2021. Total borrowings of the sector showed a decline of Rs. 5.2 bn (1.7%). The deposit base of the sector stood at Rs. 783.9 bn, which increased by Rs. 35.4 bn (4.7%). Overall capital position improved notably with increased capital of Rs. 57.1bn (24.5%) due to enhanced minimum capital requirements and profits recorded by several large LFCs. Liquidity position of the sector remained satisfactory.

The sector recorded a PAT of Rs. 33.3 bn during the nine months ended

December 2021, compared with a PAT of Rs. 8.1 bn recorded during the corresponding period. Increased net interest income and non-interest income by Rs. 17.0 bn and Rs. 8.9 bn, respectively, and decreased provisioning by Rs.14.8bn, contributed to the increased profitability. While the industry recorded an overall increase in profits, 10 LFCs recorded losses during the period under consideration.

Asset quality of the sector marginally increased. Gross NPL ratio reduced to 10.8% by end December 2021 compared with the ratio of 13.9% by end December 2020, mainly due to decrease in NPLs by Rs. 23.7 bn (15.2%) and increase in loans and advances portfolio by Rs. 10.1 bn (8.9%). Net NPL ratio and provision coverage ratio stood at 2.5% and 67.3%, respectively, compared to the ratios of 4.2% and 58.9%, recorded at end December 2020. However, NPLs of the sector maybe higher since credit facilities under moratorium are not subject to classification and impairment.

As for Specialised Leasing Companies, Total assets of the sector stood at Rs. 35.6 bn by end December 2021, which increased marginally by Rs. 1.9 bn (5.8%) during the nine months ended December 2021. Loans and Advances stood at Rs. 34.1 bn, which increased by Rs. 1.0 bn (3.1%). Total capital stood at Rs. 14.3 bn by end December 2021, which decreased by Rs. 1.1 bn (7.1%). The sector recorded a PAT of Rs. 1.1 bn during the nine months ended December 2021, compared with a PAT of Rs. 0.4 bn during the corresponding period of 2020. Gross and Net NPL ratios stood at 18.5% and 8.4%, respectively, and provision coverage ratio at 54.5% by end December 2021, compared with the ratios of 13.6%, 5.3% and 61.3%, by end December 2020

Operational Review

The Company navigated the challenging year under review with agility and prudent financial management, adopting strategies that would enable

the Company to capitalize on emerging opportunities in its core business of vehicle leasing. The import restrictions on brand new vehicles persisted through the year, which saw the Company making a shift to financing registered vehicles in the market, prices of which rose significantly because of rising demand.

Although we had a very challenging year in 2021 the total product portfolio came down while bad debts also reduced in line with reasonable NPL ratios. This is a result of new strategies aligned to new market situations where we leveraged on strong customer relationship marketing for new and continued business to support them beyond extending finance. Moreover, considering the rise in prices of second-hand vehicles in the market, in case of bad debts the resale value of collateral will also be high. However, currently restrictions have been paced by the regulator on reclaiming vehicles, but it points to better collection and recovery numbers going ahead. A new product was launched during the year under review, Auto Smart Loan, which is useful for vehicle dealers to avail of working capital.

Digitalization & Automation

Since travel restrictions and work from home mode created the need for a new mode of communication with customers, AMWCL speedily adopted the digital platform while using savvy social media strategies such as Facebook optimization. As more consumers had already moved on to digital platforms to conduct their financial transactions and adopt e-commerce, the Company connected with customers via social media and was able to garner new customers. The inactive customers in our data base too were called personally by our staff to generate interest in AMWCL products and services. Customers were facilitated to pay rentals through the Company's wide branch network or via collection accounts with various banks. AMWCL has also entered into

an agreement with Cargills Bank and Cargills Food City, to make the Cargills network available for customers to make their payments to enhance customer convenience.

Considering the digital revolution in Sri Lanka during the pandemic, we also believe that maintaining a strong digital presence and finding solutions for our customers through digital means is the future. AMWCL is exploring robotic process automation to enhance efficiencies and has automated several repetitive processes. We believe an optimal synergy of digitalization and automation will enable a leaner, faster and more competent operation.

Work Culture

Learning and development forms a key component of our work culture and despite the pandemic all regulatory trainings were held in compliance with the regulator. In addition, other forms of training such as communication skills and customer care were also carried out through online platforms.

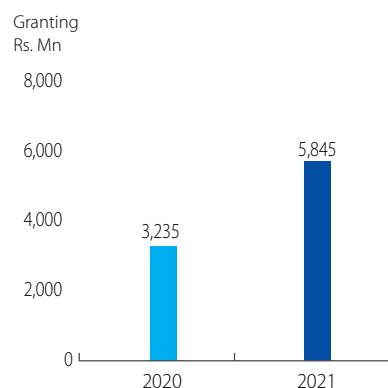
A significant development during the year under review was training staff in lean transformation and lean management (Kaizen approach), taking a step towards optimizing resources. The first batch of lean yellow belts were certified. AMWCL is committed to a continuous improvement culture and to embed this mindset across the organization.

The Company subscribed for a LinkedIn training programme which offers a library of about 10,000 or more training material for our staff free-of-charge. Continuous learning is valued and promoted across the organization and employees are expected to take full advantage of this training resource to enhance their skill sets.

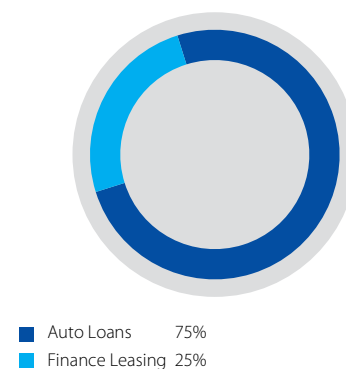
FINANCIAL REVIEW

During the year 2021, AMWCL achieved a Net Profit After Tax (PAT) amounting to Rs. 363.0 Mn, which while it reflects an increase of 26% over the previous year, was mainly resulted from lower income tax expense compared to the previous year. Profit before tax recorded as Rs.432.7 Mn with a drop of 7% from last year, still reasonable considering the extenuating circumstances further impacted by lower lending rates and depletion of higher yielding facilities. The Company's focus on improving the credit quality helped keep the NPLs at well below industry norms. Overall, the Company managed to record a good performance while supporting customers with waiving penalties for late payments, extending moratorium loans and contributing to support the SME sector which is the backbone of the economy.

Disbursements 2020 vs 2021

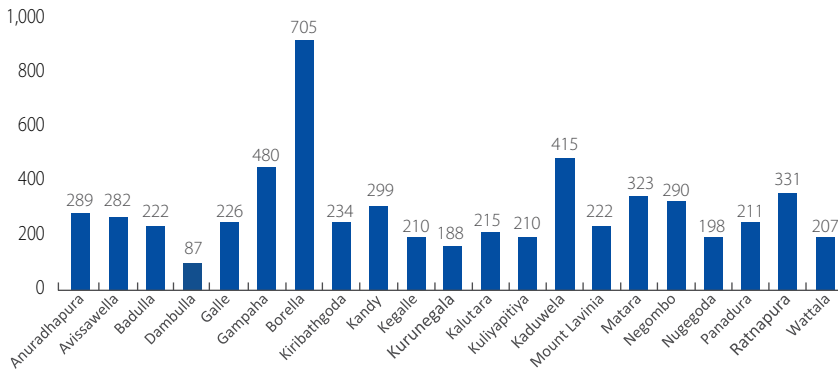


Exposure Based on Product Class - 2021

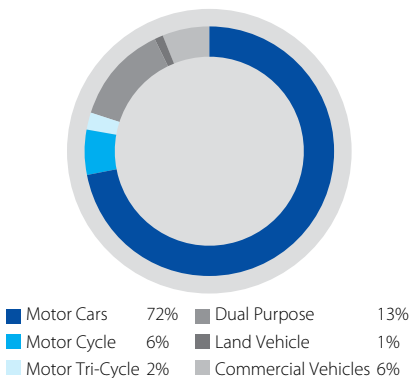


Management Discussion and Analysis

Branch-wise Executions - 2021 (Rs. Mn.)



Portfolio Asset Class - 2020



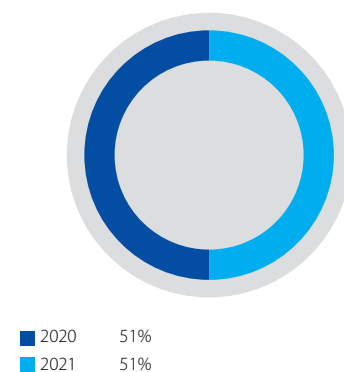
Funding

The Company's Assets and Liability Committee (ALCO) is empowered to decide the right composition (tenor, rate/ both fixed & variable and the quantum) of the various types of debt instruments required by the Company considering the funding requirement, liquidity gaps, interest rates gaps and anticipated market trends. Since the inception of the Company, the Parent had been a major source of funding. However, in line with the Company's strategy to be independent in funding, the reliance for funding from the Parent was reduced to 0.0% in 2021 from 2% in 2020. The Company's funding structure comprise of 30% of loans at variable interest rates linked to AWPLR. The

interest rate structure of the economy experienced a historically low level and showing a gradual increasing trend towards the end of the year. Out of total bank borrowings 43% was short term loans, therefore the Company could look forward to convert the short term loans to long term loans at fixed rate funding to lock at the optimum point in order to secure its interest spread over the next few years. With rates easing, deposits also became a more attractive source of funding. In 2021 deposits from the public increased slightly to Rs. 2.175 Bn from Rs. 2.09 Bn in 2020. The Company has also reduced liquidity and interest rate gaps during the year, bringing more stability to funding cost whilst mitigating the liquidity and interest rate risks.

Insurance

Insurance Commission Income (Rs. Mn.)



Comprehensively insuring all the lease assets with financial interest to the Company is very important in case of an accident to recover the capital outstanding of the loan while offering our customer a peace of mind. Our Company deals with best insurance companies in the country to facilitate insurance requirements in order to enable our customers to obtain all related service 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 contributing a commission income of Rs. 50.7 Mn in year 2021. The total insurance commission income represented 14% of the total other operating income during 2021. 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.

Portfolio Quality

The Company is blessed with a management team who understand the underlying concept and the importance of credit management in lending business. The strong credit culture since the inception of the Company enabled the Company to maintain an extremely good quality portfolio. The NPA ratio, continued to show the improvements in first quarter of the year and then badly affected due to the travel restrictions imposed and highest NPL ratio recorded at the end of 3rd quarter. However subsequent to the lifting of travel restrictions, NPL ratio started to decrease and closed at 7.66% (gross) as at end December 2021, when

the industry average is around 10.81%. The asset quality of the Company contributed immensely towards the achievement of ROE of 11.56% when the industry average was 17.11%. Empowering Branch Managers through thoughtfully designed product-based credit parameters assisted the Company to speed up the credit underwriting and approval process, thereby accelerating the decision-making process to provide a better service to our customers.

Recovery

As a result of prudent financial management, the Company successfully retained its NPA ratio at 7.66% which reflects its efforts to ensure credit quality while focusing on sound risk policies. By engaging closely with customers and offering alternate payment mechanisms, recoveries were sustained. All these measures helped to protect portfolio quality of the Company.

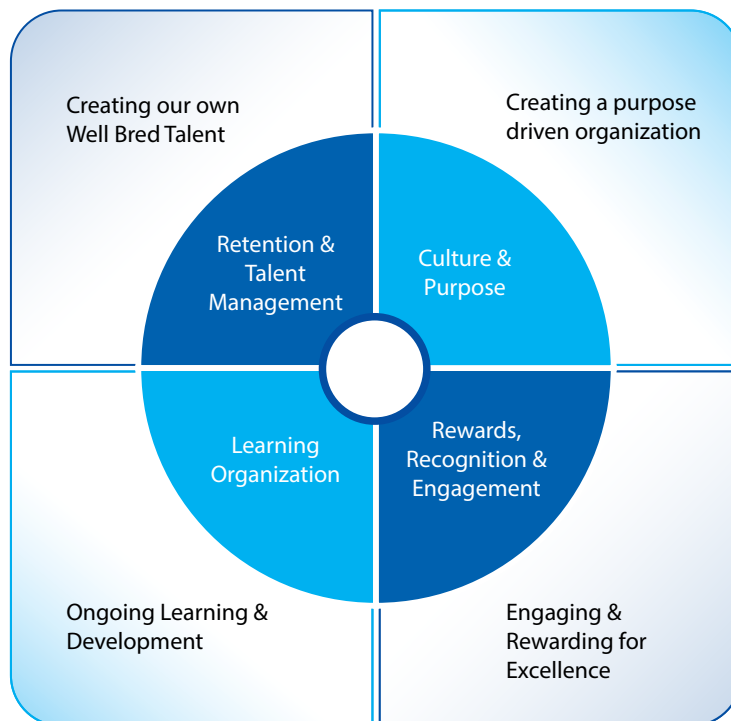
Human Resource Engagement

Our People

Human Capital has been our core strength and pillar of success during a year of uncertainty. Our people centric approach revolves tightly around our core values of Integrity, Excellence, Collaboration, and Empathy where Values are of true essence and meaning to our team of professionals. Our team consist of 201 dynamic, multi skilled professionals who are direct revenue generating staff and support staff thriving to deliver their best in ambiguous socio-economic conditions yet demonstrate true professionalism in delivering excellent service standards and exhilarating achievements in terms of Executions.

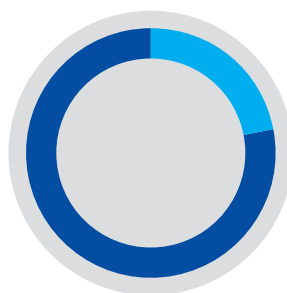
We promote internal mobility for career advancement opportunities that enables our staff to realize their true potential in a multinational environment and encourage internal talent to take up new challenges and new roles to advance their careers. This has enabled us to retain key talent within the organization while encouraging them to take up higher roles to complement their capabilities.

Our staff strength has been kept stagnant with only few heads adding upon every year keeping in mind that creating efficiencies across business is a core advantage we could capitalize up on in uncertain times. We encourage our employees to come up with new ideas for process efficiencies, cost savings etc giving them opportunities to excel by themselves in those proposed areas that would benefit our business. We embark on a journey of excellence through our valiant sailors in a methodical style towards reaching a paradigm shift. Our people strategy is based on:

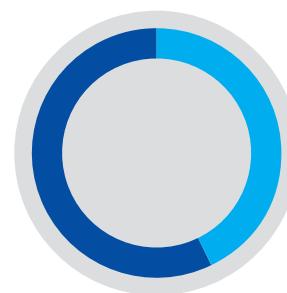


Team CL – Staff Composition

Gender Diversity



Staff Composition



Our staff strength for year ended 31 December 2021 was 201 where 57% of those employees are direct revenue generating staff attached to lending Sales, Fixed Deposit mobilizing and Recoveries. Rest of the 43% depicts support staff from various support divisions including Operations, Credit, Finance, HR, Risk and Compliance. Our leadership

team comprises of three strong female representations that portrays our keen focus towards achieving gender equality in all walks of our business.

Our People Agenda

2021 has been a year with a focus towards internal mobility, learning & development and engagement to ensure that we bring out the absolute best in our people.

Some of our key highlights for 2021 on people agenda were:

- ⌘ Internal Mobility Opportunities – 22%
- ⌘ LEAN Yellow Belt – First batch completion and initiation of 2nd batch
- ⌘ Job Evaluation for key revenue roles of Sales & Recoveries
- ⌘ Quarterly Townhall meetings to inculcate engagement and interaction with the leadership team
- ⌘ COVID Safety Protocols and COVID information hub for health & safety of our team
- ⌘ New Talent Acquisition platforms to ensure robust Talent acquisition process and minimize recruitment lead time
- ⌘ Succession Planning for critical roles of the Company

- ⌘ Our annual Employee engagement survey
- ⌘ Rewards scheme for Top Performers in Sales
- ⌘ Branch Classification to ensure all our branches are standardized with a set no. of staff
- ⌘ Rigorous training on Risk & Compliance related topics

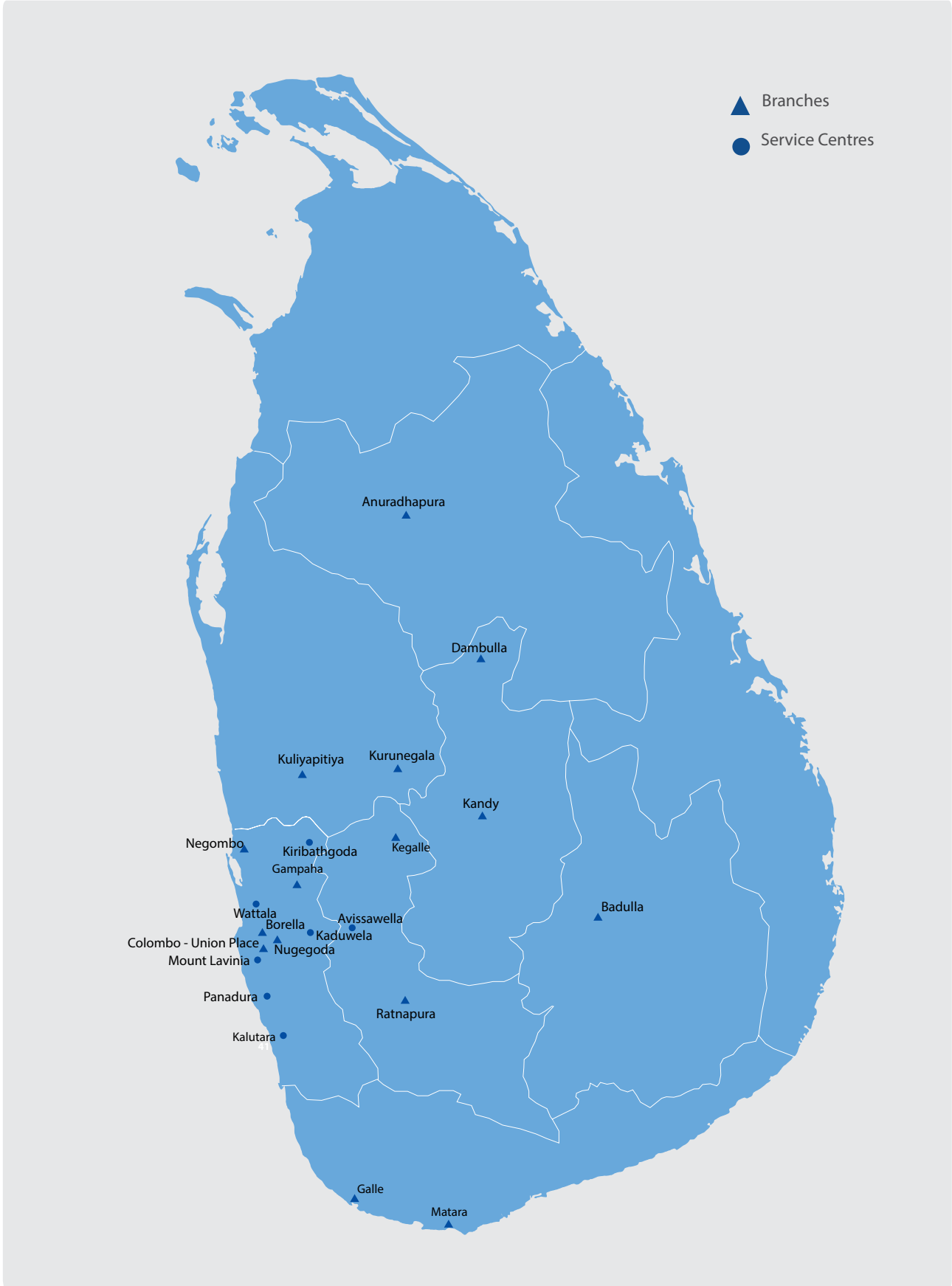
Our Future Priorities for People

Our people are our core asset that we would continue to invest and develop to fulfill our strategic objectives. Our focus for the next three years is principally upon our succession, creating a learning organization, key talent retention and fostering continuous improvement through learning & development. This will be centered on the entire workplace ecosystem, driven by the needs and aspirations of our existing and future workforce, technological advancements and people trends that would suit our business model. We strive for excellence through a multi-generational workforce that would complement each other, shifting customer experience, accelerating digital transformation and embracing change in internal and external environments with ever changing priorities that will keep our people in the center of everything we achieve.

Branch Network

Information of Company Branch Network and Service Centres

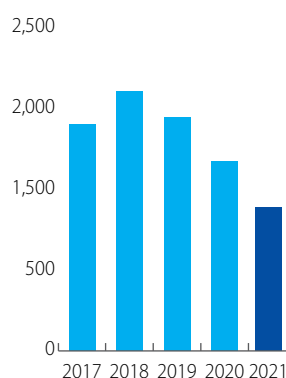
Location	District	Province	Address	Contact Person	Telephone	Fax	Type of Operation
Borella	Colombo	Western	AMW Capital Leasing and Finance PLC No. 445, Baudhdhaloka Mawatha, Colombo 08	Mr. Chulanga De Alwis	011-2671371	011-2671272	Branch
Kurunegala	Kurunegala	North Western	AMW Capital Leasing and Finance PLC No. 255, Colombo Road, Wanduragala, Kurunegala	Mr. Geethika Rathnayake	037-7609608	037-2229867	Branch
Negombo	Gampaha	Western	AMW Capital Leasing and Finance PLC No. 262, 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. Thushara Sampath	081-7609608-44	081-2212952	Branch
Ratnapura	Ratnapura	Sabaragamuwa	AMW Capital Leasing and Finance PLC No. 448, Colombo Road, Ratnapura	Mr. Prabath Widanapathirana	045-2121182-83	045-2226940	Branch
Matara	Matara	Southern	AMW Capital Leasing and Finance PLC No. 215E, Galle Road, Pamburana, Matara	Mr. P.E.H. Battage	041-7609641	041-2235544	Branch
Badulla	Badulla	Uva	AMW Capital Leasing and Finance PLC No. 16A, Railway Station Road, Badulla	Mr. Tharanga Wedaarachchi	055 2231993/94-	055-2231997	Branch
Anuradhapura	Anuradhapura	North Central	AMW Capital Leasing and Finance PLC No. 521/40, 4th Cross Road, New Town, Anuradhapura	Mr. Dhammika Muthugala	025-2227020-21-22-23	025-2227024	Branch
Nugegoda	Colombo	Western	AMW Capital Leasing and Finance PLC NO : 330, Gansaba Junction, Highlevel Road, Nugegoda.	Mr. S. Rajapaksha	011-2829523-24	011-2829521	Branch
Gampaha	Gampaha	Western	AMW Capital Leasing and Finance PLC No. 163/A, Ja-Ela Road, Gampaha	Mr. Prasanna Nissanka	033-7609608-640-41-42-43	011-2829524	Branch
Kuliypitiya	Kurunegala	North Western	AMW Capital Leasing and Finance PLC No:463/A, Madampe Road, Kuliypitiya	Mr. Niranjan Wijayasiri	037-7609653-56	037-7609658	Branch
Dambulla	Dambulla	Central	AMW Capital Leasing and Finance PLC No:22,1st Floor, Kurunegala Junction,Dambulla	Mr. Lasanka Kularathna	066-2285760-61-63	066-2285364	Branch
Union Place	Colombo	Western	AMW Capital Leasing and Finance PLC No. 185, Union Place, Colombo 2	Mr. Chulanga De Alwis	011-2446476	011-2307749	Branch
Kalutara	Kalutara	Western	AMW Capital Leasing and Finance PLC No. 380D, Galle Road, Kaluthara North	Mr. K.A.S.W. Kasthurirathne	034-2228609-10	034-2237411	Service Centre
Kiribathgoda	Colombo	Western	AMW Capital Leasing and Finance PLC No. 101, Kandy Road, Kiribathgoda	Mr. L A A Nipuna Weerasiri	011-2908916-17-18	011-2908914	Branch
Avissawella	Colombo	Western	AMW Capital Leasing and Finance PLC No. 21, New Ratnapura Road, 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, Wackwella 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	Branch
Mount Lavinia	Colombo	Western	AMW Capital Leasing and Finance PLC No. 231, Galle Road, Mount Lavinia	Mr. Pathum de Zoysa	011-2737425	011-2737632	Service Centre
Panadura	Kalutara	Western	AMW Capital Leasing and Finance PLC No.201/A, Galle Road, Panadura	Mr. Mehilan Jayawardena	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	Gampaha	Western	AMW Capital Leasing and Finance PLC No. 114, Negombo Road, Wattala	Mr. Milan Ranathuna	011-2948736	011-2948705	Service Centre



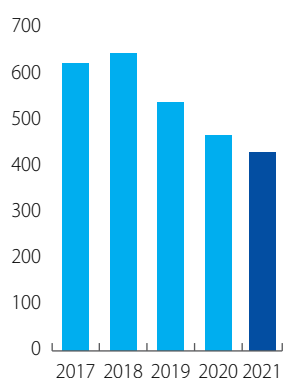
Financial Highlights

	2021	2020	2019	Change	%
Profitability Rs'000					
Interest Income	1,378,303	1,636,284	1,968,209	(257,981)	-16%
Net Interest Income	866,874	961,430	979,964	(94,556)	-10%
Profit Before Tax	432,786	464,599	539,810	(31,814)	-7%
Profit After Tax	363,005	288,101	342,764	74,905	26%
Financial Position Rs'000					
Total Assets	9,573,055	9,147,407	10,254,190	425,648	5%
Lending Portfolio	8,529,430	7,780,213	9,373,578	749,216	10%
Deposits	2,175,068	2,099,864	2,265,482	75,204	4%
Borrowings	3,240,439	3,110,920	4,399,264	129,519	4%
Equity	3,324,264	2,955,198	2,668,682	369,066	12%
Statutory Ratios					
Core Capital Ratio	>7	30.66%	29.72%	23.12%	
Total Risk Weighted Capital Ratio	>11	30.66%	29.72%	23.81%	
Equity to Deposits	> 10	153%	141%	118%	
Other Ratios					
Return of Assets		4.62%	5.08%	4.93%	
Return on Equity		11.56%	10.25%	13.73%	
Net Interest Margin		9.88%	10.48%	9.28%	
Cost to Income Ratio		50.53%	42.91%	51.77%	
Non-Performing Loans		7.66%	8.48%	5.18%	

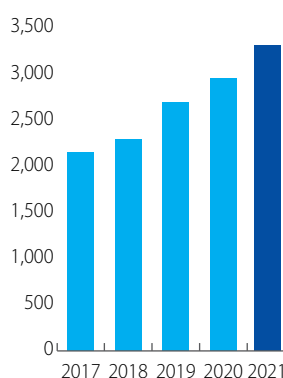
Interest Income



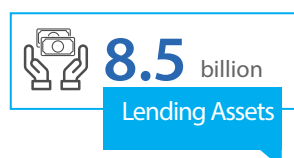
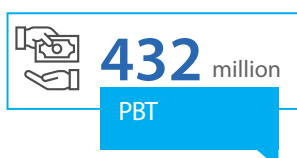
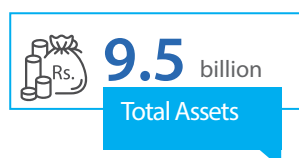
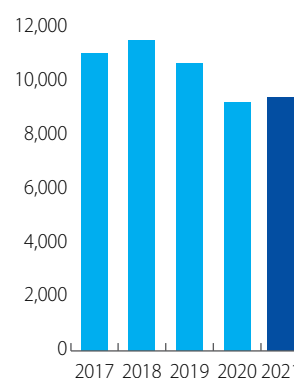
PBT



Total Equity



Total Assets



Financial Review

Introduction

AMWCL has posted a good financial performance amidst adverse economic conditions resulted due to COVID-19 pandemic. Together with the economic recovery shown towards the last quarter of 2020 the Company has planned for growth in financial perspectives.

First quarter of year 2021 brought good results and hope for rest of the year. But the pandemic has turned into its worst situation during the middle of the year and the financial plans had to revised downward considering the adverse economic impacts due to extended periods of travel restrictions.

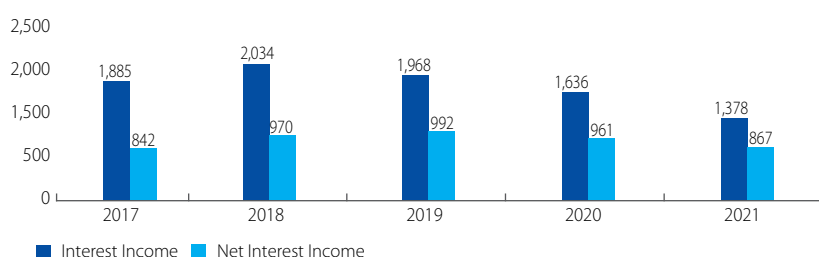
On the backdrop of above, the sector experienced a significant deterioration in credit quality, but growth in loan book continued positively.

Central Bank of Sri Lanka has taken several measures to ease off the pressures in the economy and specially focusing on the financial sector. The Interest rate structure of the country has recorded historically lower levels because of these initiatives and posted more challenges to the financial sector. the successful vaccination drive helped the country to recover and start the normal operations. The industry also recovered during the last quarter and brought down NPLs significantly while recording a growth in loan book.

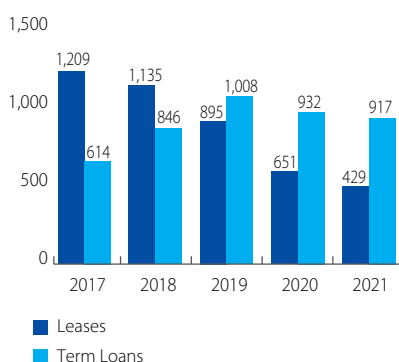
The management of AMWCL has responded to the changes in external environment swiftly and deployed timely appropriate strategies in line with the "New Normal" status of the Social and Economic conditions. Those actions taken by the management ultimately exceeded the original financial objectives for the year 2021.

Income Statement Analysis

Interest Income and Net Interest Income



Income Composition

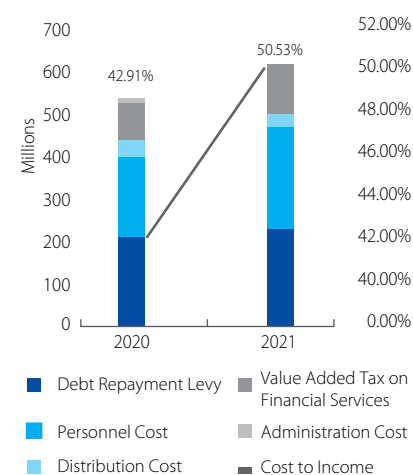


Gross Interest Income for the year decreased by 16% compared to the year 2020. The reduction in Interest Income has resulted from the depletion of higher earning facilities disbursed prior to 2020. The other reason is the lower interest rates charged on the facilities disbursed post pandemic period.

Despite the higher reduction in Gross Interest Income, Net Interest Income has been reduced only by 10% due to lesser Interest Expense in 2021 compared to 2020, Interest Expense decreased by 24% mainly from the low interest rate environment throughout the year. Net Interest Margin of the Company has decreased to 9.88% from 10.48% in the year 2020.

Operating Expenses and Cost to Income

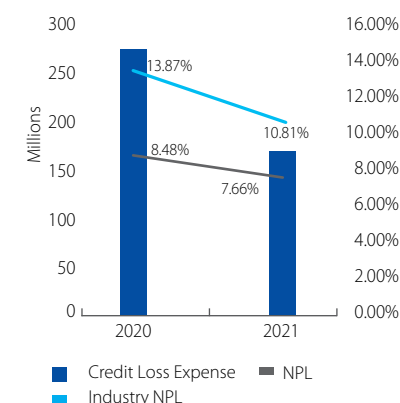
Operating Expenses & Cost to Income



Cost to Income Ratio of the Company increased by 9.17% to 50.53% as compared with 41.36% recorded in 2020. This increase resulted from the decrease in net interest income and increase in overhead expenses in line with the higher volumes generated.

Impairment Charges

Impairment Charge and NPL

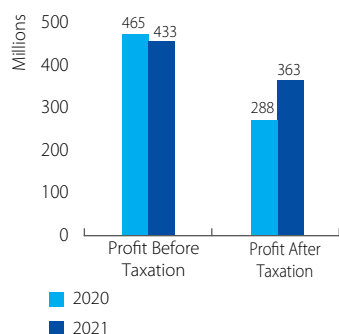


Impairment charge of the Company decreased by 36% compared to the year 2020. Recovery initiatives implemented by the Company and improvements in macro-economic conditions specially in the last quarter of the year has contributed to this result. The Company has continued to follow stringent credit evaluation processes during the pandemic period and that has impacted to the maintaining of NPL ratio well below the industry average ratio.

Financial Review

Profitability

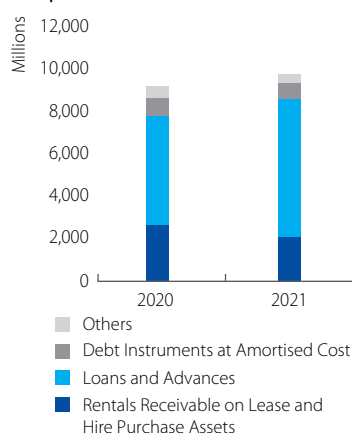
Profit Before Tax and Profit After Tax



Profit before Tax for the Company marginally reduced by 7% during the year compared to 2020. As a combination of reduction in net interest income and increase in expenses contributed negatively while increase in other operating income and reduction of impairment charge helped to maintain the profitability at the same levels of 2020. Reduction in tax expenses resulting from deferred tax adjustment and reversal of over provision in 2020 contributed to higher net profit after tax compared with the previous year.

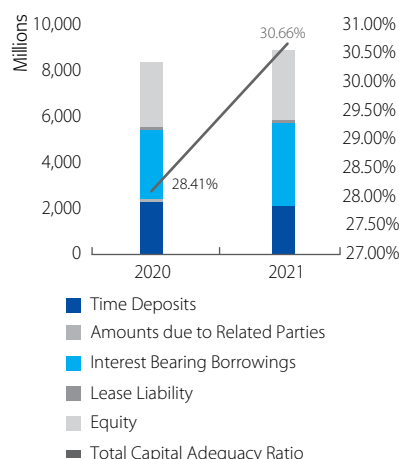
Balance Sheet Analysis

Composition of Total Assets



Total Assets of the Company increased by 5% compared to the year 2020. This increase is primarily resulted from the growth in loan book. As mentioned above the Company has followed the stringent credit evaluation procedures and ensure that the growth has not been deteriorate the credit quality of the portfolio.

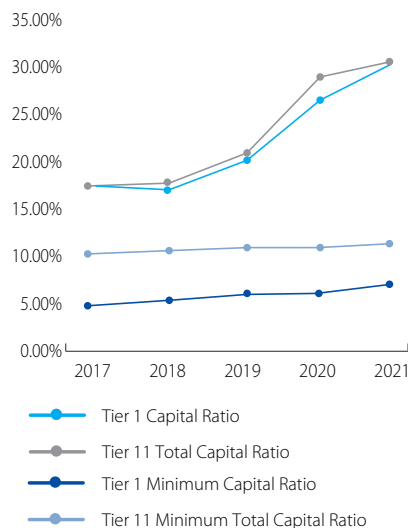
Capital Structure



Corresponding to the growth in loan portfolio total financing has increased but the main source of funds for the growth was retained earnings of the Company. At the end of the year external borrowings mainly sourced from short term loans in line with the long-term financing strategy of the Company. Due to the prevailed economic uncertainties portfolio growth forecast and sourcing of finance has critically evaluated before commit for long term contracts.

It is notable that the Company is well capitalized as reflected by its strong capital adequacy ratio of 30.66% in the year 2021 as against the minimum requirement of 11%.

Capital Adequacy Ratio



The Company maintains a strong capital base to support business and safeguard the Company against unforeseen risks. The Central Bank imposed minimum capital requirements to be held with Finance Companies by year 2023 and The Company is already complied with the Minimum Capital Requirement of Rs. 2.5 Billion well in advance.

Closing Remarks

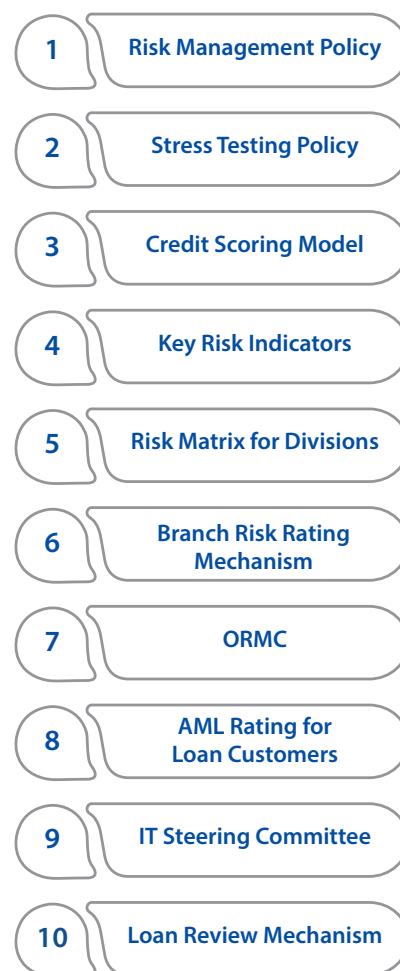
Financial results of the Company during the year 2021 reflects the ability of the Company to remain stable and resilient even in tough business times. The Company will continue its focus on high quality portfolio, well defined risk management practices and operational efficiencies through cost optimization enabling the Company to deliver superior returns to its stakeholders.

Risk Management

1. KEY RISK INITIATIVE

AMWCL always ensure that the Company implement policies and strategies promptly to manage risks of the Company. During the year 2021, The Company implemented several risk management tools, strategies and policies in order to manage risk prudently and dynamic business environment.

1. Revised Risk Management Policy
2. Formulated a Stress Testing Policy
3. Developed a Credit Score Card
4. Developed Key Risk Indicators
5. Formulated Risk Matrix for Divisions
6. Branch Risk Rating Mechanism
7. Set up Operational Risk Management Committee (ORMC)
8. AML Rating for Loan Customers
9. IT Steering Committee
10. Loan Review Mechanism



2. PRINCIPAL RISKS AND UNCERTAINTIES

The AMWCL faced several risks during the year, including emerging risks. Those risks are discussed below with risk mitigants.

The COVID-19 pandemic continues to have a significant impact on the global economy with an uncertain path to recovery. The short and medium term economic impacts of the pandemic are partially offset through significant levels of government intervention. Business and consumer behaviours have changed and evolved, creating new challenges and opportunities for the AMWCL. These include the acceleration towards digital channels and a change in remote working practices. The longer term impact for some sectors and on the AMWCL remains uncertain.

BUSINESS AND STRATEGIC RISK

Principal risks and uncertainties

Business and strategic risk arise from changes in the external environment, including economic trends and competitive environment; failure to develop or execute an appropriate business model or strategy; and ability to anticipate or mitigate a related risk.

Business and strategic risk encompass the AMWCL's current business model on the basis of its ability to generate acceptable returns, given its quantitative performance, key success drivers and dependencies, and business environment and the sustainability of the AMWCL's strategy on the basis of its ability to generate acceptable returns, based on its strategic plans and financial forecasts, and an assessment of the business environment.

Key mitigating considerations

- ⌘ Business strategy is developed within the boundaries of the AMWCL's strategy as well as the Board approved risk appetite limit. These strategies are developed within the divisions and challenged, endorsed, supported and monitored by AFG Group.
- ⌘ The Board receives comprehensive reports setting out business and financial performance relative to the strategic plan, budget, capital and liquidity plans, along with reports on the AMWCL's key risks.
- ⌘ The Board is further informed about regular economic updates together with updates on developments relevant to the AMWCL's operations, customers, and other business activities.
- ⌘ An independent Risk Report is produced quarterly and reviewed by the Integrated Risk Management Committee. The report's content includes an analysis of the key existing and emerging risk types and addresses governance, control issues, and compliance with risk appetite.

Risk Management

PEOPLE RISK DUE TO COVID-19

Principal risks and uncertainties

People Risk in the short term is heavily influenced by COVID-19 restriction impacts on employee work capacity as well as ongoing pandemic impacts on employees' physical and emotional wellbeing.

Notwithstanding the impact of COVID-19 attrition ratio increased during the year, there was a competition for talent in certain capabilities, skills and experience in the labour market.

Key mitigating considerations

- ⌘ Allowing employees to work from home during the pandemic period and maintain the service levels of the Company at satisfactory levels.
- ⌘ The AMWCL has taken the necessary measures to support COVID infected employees by implementing employee wellbeing programmes, including physical, mental and financial assistance.

MACROECONOMIC CONDITIONS AND GEOPOLITICAL UNCERTAINTY

Principal risks and uncertainties

The AMWCL businesses may be affected by adverse economic conditions in the country.

The government import regulation, unfavourable exchange rate movements, high inflation, trade balance deficit and changes in interest rates significantly impacted the performance of the AMWCL and the sector.

In addition, COVID-19 has impacted customers' repayment capacity and disposable income. That significantly influenced the collection ratio of the Company.

Key mitigating considerations

- ⌘ The Company monitors the risks and impact of changing current and forecast macroeconomic conditions which can impact the achievement of the AMWCL's strategy and objectives.
- ⌘ The AMWCL manages its exposures in accordance with key risk policies, including maximum single counterparty limits and defined country limits.
- ⌘ The AMWCL maintains diversified portfolios to face macroeconomic changes.

CREDIT RISK

Principal risks and uncertainties

Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the AMWCL in respect of lease and auto loans. Credit risk includes, but is not limited to, default risk, concentration risk, and collateral risk. At the AMWCL, credit risk arises from loans and leases to customers.

Key mitigating considerations

- ⌘ Board approved the Credit Policy and risk appetite limits. Exposure limits for credit concentration risk.
- ⌘ Defined credit procedures, controls, including independent credit risk assessment and pre-defined authority levels.
- ⌘ Regularly monitor compliance with credit policies and limits.
- ⌘ Enhanced management of credit risk associated with customers affected by the economic impacts of the COVID-19 pandemic
- ⌘ Dedicated structures focus on managing customers with financial difficulty, including those who require short and long-term support measures due to COVID-19.

FUNDING AND LIQUIDITY RISK

Principal risks and uncertainties

Funding and liquidity risk is the risk that the AMWCL will experience difficulty in financing its assets and/or meeting its contractual payment obligations as they fall due.

Liquidity risk may arise from differences in timing between cash inflows and outflows. Cash inflows are driven by the maturity structure of loans and investments held by the AMWCL, whereas cash outflows are driven by items such as the term maturity of debt and outflows from customer deposit accounts. The liquidity risk of the AMWCL may also be impacted by the extent, duration and intensity of the COVID-19 pandemic due to unexpected lengthening of maturities, non-repayment of assets, a sudden withdrawal of deposits or the potential changes in customer behaviour.

Key mitigating considerations

- ⌘ Board approved risk appetite limits.
- ⌘ Comprehensive liquidity monitoring framework.
- ⌘ Strategic plan, quantifying deposit projections, retail funding and lending projections.
- ⌘ Contingency Funding Plan and Recovery Plan.
- ⌘ Maintain liquid assets above the minimum CBSL requirement to face liquidity issues.
- ⌘ Promote retail funding to reduce liquidity risk on deposits.

MARKET RISK

Principal risks and uncertainties

Market risk is the risk of loss arising from movements in interest rates, Foreign Exchange rates, equity prices and commodity market prices. Market risk arises from the balance sheet structure, business mix, and discretionary risk-taking.

Key mitigating considerations

- ⌘ Board approved risk appetite limits.
- ⌘ Comprehensive framework for monitoring compliance with the market risk appetite limits, granular market risk limits and other controls are used to manage market risks.

OPERATIONAL RISK

Principal risks and uncertainties

Operational risk is loss resulting from inadequate or failed internal processes, people and systems or external events. This risk includes Business Continuity Risk, Data Quality & Reliability, Fraud Risk, Cyber Security Risk, Information Technology risk, and Sourcing Risk.

Operational risk arises as a direct or indirect consequence of the AMWCL's normal business activities through the day-to-day execution of business processes, the functioning of its technologies and the various activities performed by its staff, contractors and third party suppliers.

It also arises from the risk of cybersecurity attacks targeting financial institutions, corporations, governments, and other institutions. The risk of these attacks remains material as their frequency, sophistication, and severity continue to develop in an increasingly digital world.

The worldwide pandemic caused by COVID-19 is an example of external events not caused by the actions of the AMWCL, to which the AMWCL must respond and manage. The risk of such external events, including natural disasters, civil unrest, etc., presents significant potential disruption and is considered material. The pandemic has caused significant customer changes and corresponding operational changes for the AMWCL.

Key mitigating considerations

- ⌘ Board approved risk appetite limits.
- ⌘ The AMWCL utilizes a number of strategies to control its exposure to operational risk. The primary strategy is to maintain an effective control environment coupled with appropriate management actions.
- ⌘ The Operational Risk Management Committee and TOR aim to embed adequate and effective risk management practices throughout the AMWCL.
- ⌘ Introduce a risk matrix as a process of identifying, assessing, managing, monitoring and reporting operational risks as well as controls to mitigate those risks in place.
- ⌘ Regular internal audits and testing are carried out to ensure the adequacy of controls.
- ⌘ Invest in necessary IT infrastructures and systems to manage risk prudently.
- ⌘ Business Continuity Management combined with Incident Management and the Crisis Management Framework of the Company enables resilience, swift response, and recovery from external events.

REGULATORY RISK

Principal risks and uncertainties

Regulatory risk is the risk of failure by the AMWCL to meet new or existing regulatory, legislative requirements and deadlines or to embed regulatory requirements into processes.

The AMWCL is exposed to regulatory risk as a direct and indirect consequence of its normal business activities. These risks may materialize from failures to comply with regulatory requirements or expectations in the day-to-day conduct of its business, as an outcome of risk events in other key risks categories or from changes in external market expectations or conditions.

The regulatory landscape continues to evolve, and the finance sector is subject to increasing scrutiny. The AMWCL will have to adapt and operate within a dynamic and challenging environment, resulting in enhanced regulatory oversight arising from the COVID-19 pandemic, particularly in financial crime.

Key mitigating considerations

- ⌘ Policies, procedures and standards are in place for compliance risk, AML risk.
- ⌘ Appoint a Compliance Officer to manage regulatory risk and ensure compliance with the regulatory requirements.
- ⌘ Implement AML rating for loan customers in order to meet the regulatory requirement.
- ⌘ Provide regular status updates and reporting to the IRMC and the Board regarding regulatory requirements and compliance with those requirements.
- ⌘ Conduct education and training programs to educate the AMWCL staff.

Risk Management

CAPITAL ADEQUACY	
Principal risks and uncertainties	Key mitigating considerations
<p>Capital adequacy risk is the risk that the AMWCL breaches or may breach regulatory capital ratios and internal targets. The Company's business and financial condition would be negatively affected if the AMWCL was, or was considered to be, insufficiently capitalized. Capital adequacy is primarily impacted by significant increases in credit risk or RWAs.</p>	<p>⌘ The AMWCL closely monitors tier 1 capital and total capital ratios to ensure that all regulatory requirements are met. In addition, these ratios are monitored against the Board approved KRIs. AMWCL conducts stress testing to measure whether the Company maintain adequate capital to meet stress scenarios.</p>

3. RISK MANAGEMENT FRAMEWORK

3.1. Risk Appetite statement

AMWCL faces a broad range of risks that reflect from its business activities, such as strategic risk, credit risk, liquidity risk, market risk, and operational risk. The Board of Directors and Integrated Risk Management Committee advise managing these risks in a prudential manner whilst maximizing returns to the Company. AMWCL has an overall conservative risk appetite, mirroring the nature and extent of risks that it is willing to take in pursuit of its strategic objectives. It is set to balance opportunities for business development and growth in areas of potentially higher risk while continuing to maintain a strong reputation and high levels of customer satisfaction and maximizing wealth to its stakeholders.

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. AMWCL puts forward this document for the purpose of providing guidelines on risk management systems that are expected to be in place in the Company. The document sets out minimum standards that shall be expected of a risk management framework in the Company.

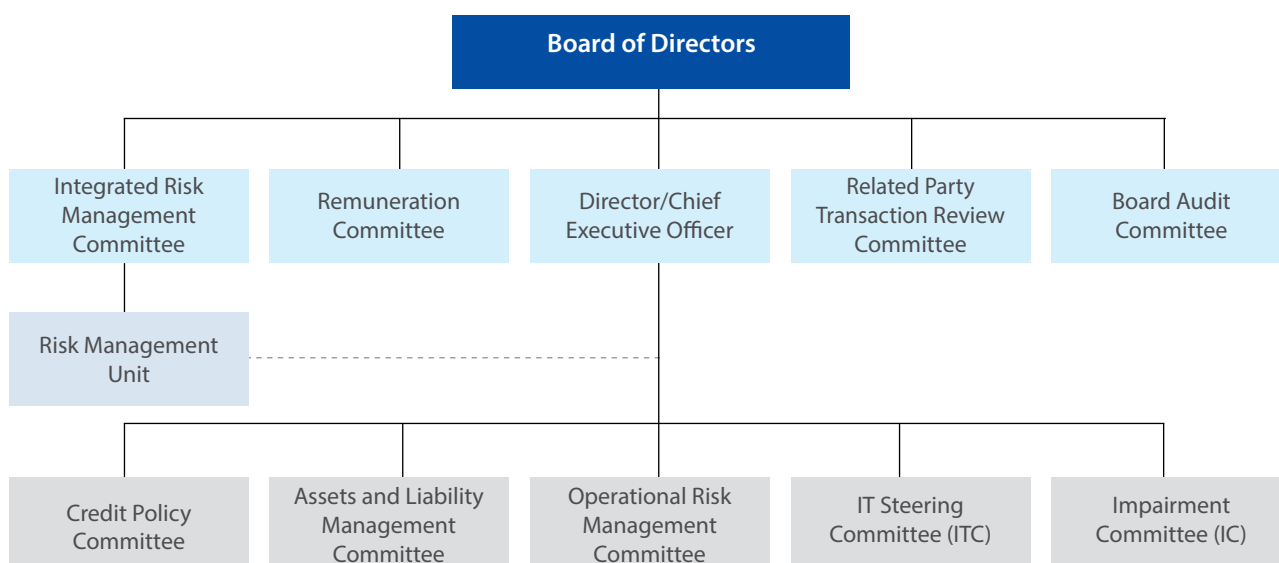
For the purpose of these guidelines, risk in AMWCL refers to the possibility that the outcome of an action or event could bring adverse impacts on the Company's capital, assets, earnings or its viability. Such outcomes could either result in direct loss of earnings and erosion of capital or may result in imposition of constraints on AMWCL's ability to meet its business objectives. These constraints could hinder Company's capability to conduct its business or to take advantage of opportunities that would enhance its business.

The Company considers that risks 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 improving the ability to identify, measure, monitor and control the overall risks assumed. The Company tries to meet internationally accepted risk management principles and best practices. The types and degree of risks the Company is exposed to depend upon a number of factors, and these policy guidelines cover the most common risks in AMWCL.

3.2. Risk Governance

The Board has ultimate responsibility for the governance of risk at the AMWCL. Oversight of risk activities is achieved through a risk governance structure designed to facilitate the identification, assessment, and escalation of risk through the organization and ultimate reporting on risk activities and material considerations to the Board. The Board is assisted in its risk governance responsibilities by the delegated sub-committees of the Board, primarily the Integrated Risk Management Committee (IRMC) and at Management Level Committee, namely the Credit Policy Committee (GCC), ALCO, Operational Risk Committee (ORMC), IT Steering Committee (ITSC) and Impairment Committee (IC).



The Board of Directors is ultimately accountable for the effective management of risks and the system of internal controls in the AMWCL. The internal control system is designed to ensure a thorough and regular evaluation of the nature and extent of risks and the ability of the AMWCL to react accordingly. The Board is supported by the Integrated Risk Management Committee on risk oversight matters and the Audit Committee in relation to the effectiveness of the system of internal controls. Each of the Board Committees and the management committees that form part of the risk governance framework operate in accordance with clear terms of reference, approved by the Board, setting out their respective roles and responsibilities.

The Board has delegated specific responsibility for oversight of the major classes of risk to specific committees. The relevant committees are set out in the following table.

Management Committee	Description
Credit Policy Committee (CPC)	CPC is a management committee empowered to approve credit facilities within the delegated parameters (assigned by BOD) subject to specific terms and conditions. They also recommend specific policies and procedures that require the attention of the BOD. The Committee shall consist of corporate management personnel chaired by the GM Credit and Operation who is responsible for the Company's overall credit risk management process.
Assets and Liability Management Committee (ALCO)	The ALCO is a management committee considered as the top-end advisory unit for the Board. The ALCO is responsible for managing Market Risk, Liquidity Risk and balance sheet structures, including the capital. The Committee shall consist of corporate management personnel headed by the CEO and will also take decisions for future business strategies.

Risk Management

Operational Risk Management Committee (ORMC)	The Operational Risk Management Committee (ORMC) is responsible for assessing operational risks, including people, systems, internal controls, fraud, and external risks of AMWCL at Branch, Region and Service divisions.
IT Steering Committee (ITC)	ITC ensures that AMWCL's IT strategy aligns with the growth strategies and business requirements. The Committee is mainly responsible for the IT and IT security risk management of the Company. The Committee chaired by the CEO consists of corporate management personnel.
Impairment Committee (IC)	The Committee is responsible for ensuring that the Company complies with the provisioning requirement specified by the regulator and accounting standards. The CEO chaired the Committee.

Three lines of defence approach

The Risk Governance Framework is supported by the AMWCL's management body and outlines how risk responsibilities extend throughout the organization based on three lines of defence approach.

First line of defence: Primary responsibility and accountability for risk management lies with divisional heads, branch managers and front line staff. They are responsible for identifying and managing risk at the branch / division function level, including the implementation of appropriate controls and reporting to the AMWCL in respect of all major risk events.

Third line of defence:

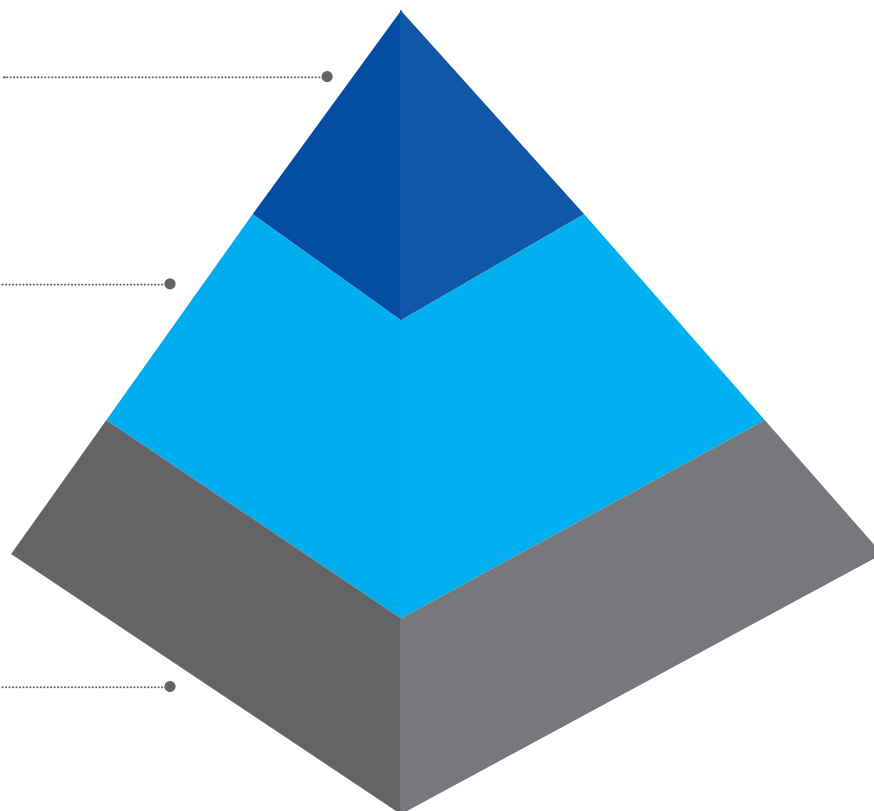
GIA provides independent, reasonable assurance to key stakeholders on the effectiveness of the AMWCL's risk management and internal control framework. GIA carries out risk based assignments covering businesses and functions. Findings are communicated to BAC, with remediation plans monitored for progress against agreed completion dates.

Second line of defence:

Risk Management Division is responsible for maintaining independent risk oversight and ensuring that a risk control framework is in place. Nominated 'Risk Owners' are responsible for ensuring: formulation of risk is correctly identified, assessed according to the AMWCL's materiality criteria, and reported; identified risk events are appropriately managed or escalated; and independent oversight and analysis along with centralized risk reporting are provided.

First line of defence:

Primary responsibility and accountability for risk management lies with line management in individual businesses and relevant Group functions. They are responsible for the identification and management of risk business unit/Group function level including the implementation of appropriate controls and reporting to the AMWCL in respect of all major risk events.



Second line of defence: Risk

Management Division is responsible for maintaining independent risk oversight and ensuring a risk control framework. The Risk Management Division ensures that policies or processes are in place to manage risks faced by the Company. In addition, Second-line defence should formulate risk strategies while developing tools to identify, assess and report key risks of AMWCL.

Third line of defence: GIA provides independent, reasonable assurance to key stakeholders on the effectiveness of the AMWCL's risk management and internal control framework. GIA carries out risk-based assignments covering businesses and functions. Findings are communicated to BAC, with remediation plans monitored for progress against agreed completion dates.

Management oversight of risk

The Risk Management Division is responsible for the AMWCL's overall risk strategy and integrated risk reporting to the Board, the IRMC and Management Committees. The risk management function is led by the Head of Risk (HOR), a member of the Executive Management team and reports directly to the IRMC and administratively to the CEO.

HOR provides independent advice and constructive challenge to the AMWCL management to support effective risk-informed business decisions. It involves acting as an enabler and a challenger of well-structured business growth opportunities that can be shown to fit within the AMWCL's risk appetite.

3.3. Risk culture

The AMWCL risk appetite articulates the level of risk the AMWCL is prepared to take to achieve its strategic priorities. The culture of the AMWCL reflects the balance between risk management and financial return and risk-taking and incentives.

The AMWCL's risk culture encompasses the general awareness, attitude and behaviour of employees to the taking of appropriate risks and the management of risk within the AMWCL. The AMWCL's risk culture is a key element of the

AMWCL's effective risk management framework, which enables decisions to be taken in a sound and informed manner.

3.4. Risk strategy and appetite

a. Risk strategy

The AMWCL's risk strategy is to ensure that the AMWCL clearly defines its risk appetite as reflected in the Company strategy and it has appropriate risk governance, processes and controls in place as articulated in the AMWCL Risk Framework to:

- i. Protect balance sheet.
- ii. Safeguard capital.
- iii. Deliver sustainable profitability.
- iv. Reach potential markets with confidence.

The AMWCL seeks to accomplish its risk strategy by:

- i. Ensuring that all material risks are correctly identified, assessed, measured, managed and reported
- ii. Ensuring that capital and funding considerations shape the approach to risk selection/management in the AMWCL;
- iii. Allocating clear roles and responsibilities/accountability for the control of risk within the AMWCL.
- iv. Engendering a prudent and balanced risk management culture;
- v. Ensuring that the AMWCL's risk management structures remain appropriate to its risk profile and take account of lessons learnt and emerging internal and external factors.
- vi. Defining risk appetite as the boundary condition for the AMWCL's strategic plan and annual budget.
- vii. Defining the risk principles upon which risks may be accepted.

b. Risk appetite

Risk appetite defines the amount and type of risk the AMWCL is prepared to accept in pursuit of its financial objectives. It informs Company strategy as part of the overall framework for risk governance, forms a boundary condition to strategy and guides the AMWCL in its risk-taking and related business activities.

Risk appetite is defined in qualitative terms as well as quantitatively through a series of high-level limits and thresholds covering areas such as credit risk, market risk, liquidity risk, operational risk and strategic risk.

The Risk Appetite Statement includes specific limits on credit category and single name exposures, among other qualitative and quantitative risk parameters, and it also provides for the implementation of a hierarchy of credit category limits. The Risk Appetite Statement is reviewed annually or in light of changing business and economic conditions. It is set and approved by the Board following consideration and recommendation by the IRMC.

3.5. Risk identification, analysis and measurement

Risks facing the AMWCL are identified and assessed annually through the AMWCL's risk identification process. The identified risks are aggregated, and key risk types are identified, which could have a material impact on the AMWCL's earnings and capital adequacy in the future.

The AMWCL uses tools and methods to analyze and measure credit, liquidity, market, operational, and strategic risks which report to the IRMC quarterly. Risk limits and diversification, together with regular review processes, are in place to manage potential risks and concentrations, which could lead to increased volatility in the AMWCL's expected financial outcomes.

Forecasting, data analytics and stress testing are risk management tools used by the AMWCL to alert management to potential adverse outcomes related to various risks and inform risk appetite and contingent mitigating action.

3.6. Risk monitoring and reporting

The HOR reports on risk to the IRMC and the Board on a regular basis. The HOR submits risk reports to the IRMC quarterly, and the risk assessment report is forwarded to the Board within seven days of the IRMC meeting. In addition, the Compliance Officer reports to the

Risk Management

IRMC on non-compliances and AML risk of the Company.

At the management level, credit risk discuss at the credit policy committee while ALCO monitors the market and liquidity related risks. ORMC monitors the Company's operational risk, including the risk matrix that consists of key operational risks faced by the divisions. The key risk types identified under the AMWCL's risk matrix are reported quarterly by HOR to the ORMC and the IRMC.

4. CREDIT RISK

Key points:

- ✂ The macroeconomic environment in the country has materially impacted the AMWCL by the emergence of the COVID-19 pandemic and associated social restrictions and uncertainty during the year.
- ✂ Total loans and advances to customers (after impairment loss allowance) at amortized cost increased to Rs. 8,529 million at 31 December 2021 from Rs. 7,780 million at 31 December 2020
- ✂ Credit risk increased in 2021 due to the economic impact of the COVID-19 pandemic and associated social restrictions. While the AMWCL's NPA had reduced significantly in compared to previous years,
- ✂ Total net impairment losses on loans and advances reduced to customers of Rs. 173 million compared to 2020 loss of Rs. 270 million.

4.1. Definition of credit risk

Credit risk is the risk of loss resulting from a counterparty unable to meet its contractual obligations to the AMWCL regarding loans or other financial transactions. This risk includes but is not limited to default risk, concentration risk, and collateral risk. The Board sets risk appetite measures and KRI for managing credit risk.

Credit risk arises from leases and auto loans to AMWCL customers and sovereigns issuer i.e. CBSL. The manner in which the AMWCL's exposure to credit

risk arises, its policies and processes for managing it and the methods used to measure and monitor it are set out below.

4.2. Default risk

Default risk is the risk that financial institutions, borrowers will be unable to meet the required payments on their debt obligations. Default Risk may be as a result of one or several factors including, but not limited to:

- ✂ deterioration in macroeconomic or general market conditions;
- ✂ deterioration in a borrower's capacity to service its credit obligation;
- ✂ a natural or manmade disaster;
- ✂ regulatory change or technological development that causes an abrupt deterioration in credit quality;
- ✂ a mismatch between the currency of a borrower's income and their borrowing/repayments;
- ✂ environmental factors that impact on the credit quality of the counterparty.

4.3. Credit concentration risk

Credit concentration risk is the risk of loss due to exposures to a single entity or group of entities engaged in similar activities. Having similar economic characteristics may prevent borrowers' ability to meet contractual obligations due to changes in economic or other conditions. Undue concentrations could lead to increased volatility in the AMWCL's expected financial outcomes. AMWCL has introduced risk limits to manage the concentration risk, and the credit committee continuously monitors compliance with said limits.

4.4. Collateral risk

Collateral risk is the risk of loss arising from a change in the value or enforceability of security held due to errors in the nature, quantity, pricing, or characteristics of collateral security held in respect of a transaction with credit risk. Collateral Risk has reduced significantly due to the current economic condition of the country and import restrictions of motor vehicles,

which assist AMWCL to recover larger NPA facilities. The Risk Management Division monitor the changes in collateral values using data analytics.

4.5. Credit granting

The AMWCL actively seeks opportunities to provide appropriately rewarded credit facilities to borrowers who have the capacity to service and discharge their obligations and to, allow growth in the volume of loan assets in line with the AMWCL's risk appetite, and provide a solid foundation for sustained growth in earnings and shareholder value.

The AMWCL's credit strategy is to underwrite credit risk within a clearly defined Board-approved risk appetite and risk governance framework through the extension of credit to customers and financial counterparties in a manner that results in an appropriate return for the risks taken and on the capital deployed while operating within prudent Board-approved risk parameters, and to maximize recoveries on loans that become distressed.

4.6. Credit risk management

The AMWCL's approach to the management of credit risk is focused on a detailed credit analysis at origination, followed by early intervention and active management of accounts where creditworthiness has deteriorated. Typically, loans that are at risk of becoming credit-impaired are managed by recovery team focused on working-out loans. For loans that become credit impaired, the focus is to minimize the loss that the AMWCL will incur. It may involve implementing forbearance solutions, entering into restructuring arrangements, action to enforce security. However, AMWCL has not seized any assets during the year due to the directions issued by the CBSL.

The AMWCL Risk function has responsibility for the independent oversight of credit risk and overall risk reporting to the IRMC and the Board on developments in credit risk and compliance with specific risk limits.

4.7. Credit policy

The core values and principles governing the provision of credit are contained in the Credit Policy which the Board approves. The policies are aligned with, and have regard to, the AMWCL's Risk Appetite Statement and applicable credit limits, the lessons learned from the AMWCL's loss history, the markets in which the branches operate and the products which they provide.

4.8. Loan impairment

The BAC approves impairment modelling methodologies and the quantum of the AMWCL's impairment gain or loss. The Impairment Committee reviews NPAs and impairment provisions in advance of obtaining the approval of the BAC.

The AMWCL's impairment models and methodologies play a key role in quantifying the appropriate level of impairment loss allowance.

4.9. Loan Review Mechanism (LRM)

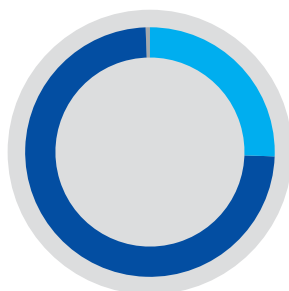
LRM is an independent function of the Risk Management Division to ensure that the AMWCL has followed the credit guidelines stated in the credit-related policies and procedures. The Risk Management Division carries out periodic reviews of newly granted credit facilities.

4.10. COVID Affected customers

AMWCL's objective is to offer suitable and sustainable solutions in a timely manner for the customers who require further support. Accordingly, the Company has given moratorium concession for COVID-19 affected customers as directed by the CBSL.

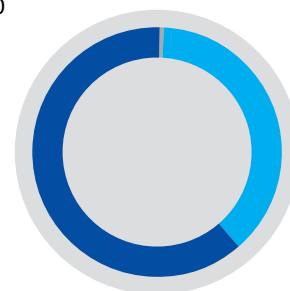
Product Concentration

2021



Auto Loans	73.8%
Finance Leasing	25.8%
Others	0.5%

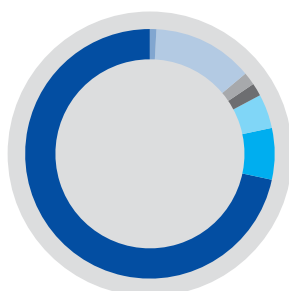
2020



Auto Loans	61.7%
Finance Leasing	37.7%
Others	0.5%

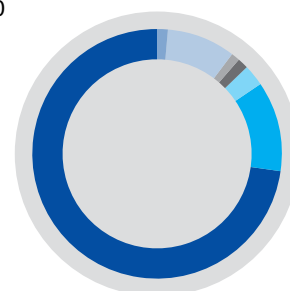
Asset Concentration

2021



Motor Cars	79.7%	Motor Tri-Cycle	1.9%
Land Vehicles	1.2%	Motor Lorry	5.0%
Dual Purpose	14.5%	Motor Cycle	7.5%
Others	1.7%		

2020



Motor Cars	79.7%	Motor Tri-Cycle	1.9%
Land Vehicles	1.2%	Motor Lorry	5.0%
Dual Purpose	14.5%	Motor Cycle	7.5%
Others	1.7%		

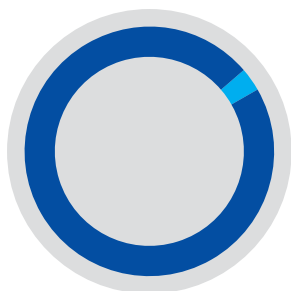
Portfolio Quality

Despite a contraction in the lending portfolio, Company's NPL ratio was kept at a comparatively low level of 7.66% as at December 2021, as compared to the industry average of over 10.81%. The AMWCL's loans and advances are secured either by vehicles or deposits, and the asset quality of the lending portfolio is one of the best among the peer companies. The overall slowdown in the economy and COVID-19 have significantly impacted the Company's current NPA position. The Company has also taken several measures to curtail NPLs. Some of these measures include setting up a dedicated recovery team to monitor two-wheelers, strengthening branch recovery teams, setting up call center unit, process changes to fall in line with IFRS 9 and strengthening the legal arm.

Risk Management

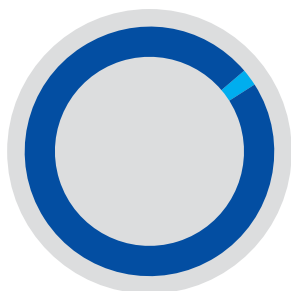
Top 20 Customers Concentration

2021



Other Customers 97%
Top 20 Customers 3%

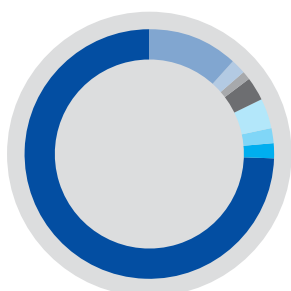
2020



Other Customers 98%
Top 20 Customers 2%

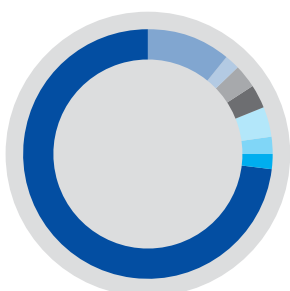
Sector-wise Analysis

2021



Consumption 75%
Construction & Infrastructure Development 12%
Agriculture, Forestry & Fishing 2%
Other 1%

2020

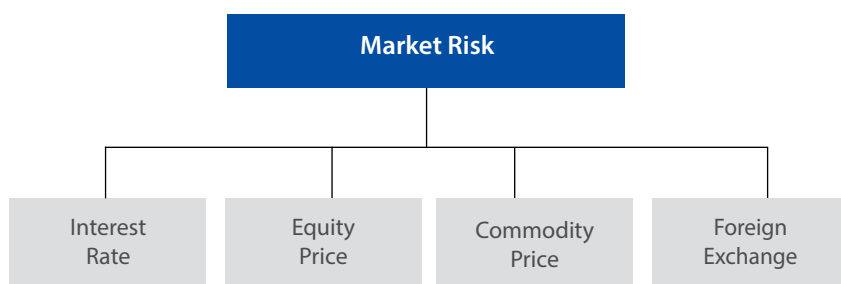


Consumption 73%
Construction & Infrastructure Development 11%
Agriculture, Forestry & Fishing 2%
Other 3%

5. MARKET RISK

Key points:

- AMWCL manages market risks arising from interest rates according to market interest rates which are regularly reviewed by the AMWCL's Asset & Liability Committee (ALCO).
- The Company has a rate sensitive assets gap which will increase NIM in the long run due to the increase in prevailing market rates.



5.1. Definition of market risk

Market risk is the risk of loss arising from movements in interest rates, foreign exchange, equity prices and commodity prices. Market risk arises from the balance sheet structure and the product mix. AMWCL recognizes that effective market risk management is essential to maintaining stable earnings, preserving shareholder value, and achieving strategic objectives.

The AMWCL is mainly vulnerable to interest rate risks, and other risks do not directly impact the Company due to the business model.

5.2. Market risk management, measurement and reporting

The management of market risk in the AMWCL is governed by AMWCL's KRI Statement and the ALCO. AMWCL mainly faces interest rate risk due to its business model.

5.3. Interest rate risk

Interest Rate Risk arises due to adverse and unforeseen changes in market interest rates. Movements in interest rate directly impact the Company's Net Interest Margin (NIM), affecting AMWCL's profitability. Interest Rate also affects funding strategy, term structure and rate sensitive assets/liabilities mismatch of the Company.

5.4. Interest Rate Risk Management

Interest rate risk is managed through interest rate gaps which measure the sensitivity of NIM to a shift in the yield curve. We keep interest rate gaps open when we have a mismatch risk for taking advantage of beneficial variations of interest rates. AMWCL try to minimize the NIM volatility by being conscious of the tenure premiums in the market rates and pricing of lending products.

Interest Rate Sensitivity Gaps as at 31 December 2021 (Rs. Mn)

As at 31 December 2021	Less than 7 days	8 - 30 days	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total
Sensitive Assets							
Rentals Receivable on Lease, Hire Purchase and Auto loan Assets	8	140	686	1,010	2,209	7,010	11,065
Equity Instruments at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-	-
Debt Instruments at Amortised Cost	150	221	100	-	-	-	471
Total Sensitive Assets	158	361	786	1,010	2,209	7,010	11,536
Sensitive Liabilities							
Bank Overdraft	45	-	-	-	-	-	45
Time Deposits	70	529	629	306	350	290	2,175
Amounts due to Related Parties	-	-	-	-	-	-	-
Interest Bearing Borrowings	-	75	1,400	171	321	1,268	3,236
Lease liability	-	2	3	15	39	39	97
Total Sensitive Liabilities	115	606	2,033	492	710	1,597	5,553
Gap	44	(245)	(1,246)	518	1,499	5,413	5,983
Cumulative Gap	44	(201)	(1,447)	(929)	570	5,983	

The Company's short term liability sensitive interest rate gap of Rs. 201 Mn was within a manageable level

Stress Testing - Interest Rate Risk

Description	CAR 31-Dec-21	Shock Level		
		5%	20%	50%
Market Risk - Interest Rate				
Tier I Capital	30.66%	30.49%	30.00%	28.98%
Total Capital	30.66%	30.49%	30.00%	28.98%

Interest expenses of the Company are stressed under three shock levels to identify the AMWCL's ability to meet the regulatory capital adequacy ratio. According to the stress testing results, the Company has the ability to meet the capital adequacy ratio under all three shocks levels.

6. LIQUIDITY RISK

Key points:

- ⌘ Customer deposits of Rs. 2,093 Mn increased by Rs. 93 mn compared to 31 December 2020.
- ⌘ The AMWCL's Tier I CAR increased by 0.94% to 30.66% at 31 December 2021 (31 December 2020: 29.72%).
- ⌘ The AMWCL complied with the Liquidity Assets Ratio as specified by the CBSL.

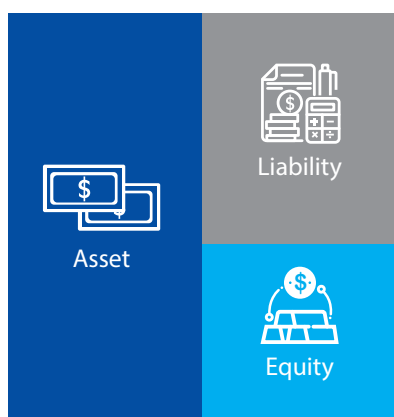
Risk Management

6.1. Definition of funding and liquidity risk

Funding and liquidity risk is the risk that the AMWCL will experience difficulty in financing its assets and/or meeting its contractual payment obligations as they fall due or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt. These factors are often associated with times of distress or adverse events such as a credit rating downgrade or economic or financial turmoil.

Funding risk can occur where there is an over-reliance on a particular type of funding, a funding gap or a concentration of wholesale funding maturities. The AMWCL's ability to access funding markets at a sustainable cost and in a sufficient volume can be negatively impacted by a credit rating downgrade(s) or deterioration in market sentiment, which could impact the financial position of the AMWCL.



Funding and liquidity risk arises from a fundamental part of the AMWCL's business model; the maturity transformation of primarily short term deposits into longer term loans. The

AMWCL's strategy is to maintain a stable funding base with loan portfolios substantially funded by retail originated customer deposit portfolios.

The AMWCL has established a liquidity risk management framework that encompasses systems and controls to ensure that the AMWCL is positioned to address its daily liquidity obligations and withstand a period of liquidity stress.

The AMWCL is required to comply with the liquidity ratio and capital adequacy requirements as specified by the CBSL, and both requirements were met during the year 2021.

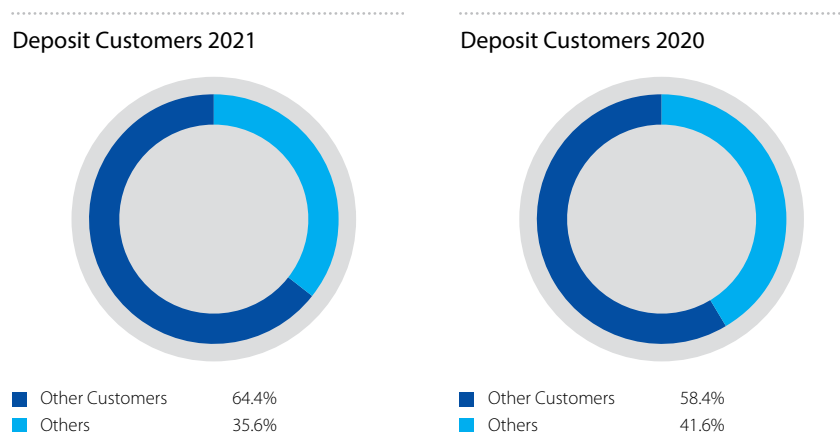
The AMWCL monitors a suite of Recovery Ratio and Indicators to identify the potential emergence of liquidity stress. As part of its contingency and recovery planning, the AMWCL has identified a suite of potential funding and liquidity options that could be exercised to help the AMWCL in an occurrence of a major stress event.

6.2. Liquidity risk reporting and strategy

The AMWCL Board defines liquidity risk appetite to ensure that funding and liquidity are managed in a prudent manner. AMWCL seeks to maintain a stable funding base with loan portfolios funded substantially by loans and residual funding requirements principally met through customer deposits and equity. Further, AMWCL aims to maintain funding diversification, minimize concentrations across funding sources and minimize refinancing maturity concentrations.

6.3. Customer deposits concentration

The AMWCL's customer deposit strategy is to maintain and optimize a stable retail customer deposit base in line with balance sheet requirements and manage deposit pricing and margins prudently.



As at 31 Dec 2021, customer concentration to the top 20 deposit customers increased to 64% from 58%. However, the Company has implemented risk mitigation strategies to reduce concentration on customer deposits. KRI was set up, and retail deposit targets were allocated to the deposit division to reduce the concentration risk.

6.4. Liquidity Ratio

AMWCL has been maintaining liquid assets ratios well above the regulatory requirement which is 10%. Therefore, the Company has the ability to meet liquidity shocks in the markets, and liquidity risk is low. Further, the Company has access to contingency funding arrangements with top rated two commercial banks in Sri Lanka.

Static Maturity Gap Analysis as at December 31, 2021(Rs. Mn.)

As at 31 December 2021	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Financial Assets							
Cash and Bank	288	-	-	-	-	-	288
Other Financial Assets	-	61	19	-	-	-	80
Rentals Receivable on Lease and Hire Purchase Assets	44	207	798	1,156	317	0	2,521
Loans and Advances	105	480	2,422	3,714	1,781	42	8,544
Equity Instruments at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-	-
Debt Instruments at Amortised Cost	371	100	-	-	-	-	471
Total Financial Assets	808	848	3,239	4,870	2,098	43	11,905
Financial Liabilities							
Bank Overdraft	45	-	-	-	-	-	45
Trade and Other payables	359	33	42	-	-	-	434
Time Deposits	599	629	656	220	70	-	2,175
Amounts due to Related Parties	-	-	-	-	-	-	-
Interest Bearing Borrowings	80	1,400	493	1,268	-	-	3,240
Lease Liability	2	4	18	47	47	-	117
Total Financial Liabilities	1,084	2,067	1,208	1,535	117	-	6,011
GAP	(277)	(1,219)	2,031	3,335	1,981	43	5,894
Cumulative GAP	(277)	(1,495)	535	3,870	5,851	5,894	-

During the next one year period, the Company will have maintained Rs. 535Mn positive gap.

6.5. Capital Adequacy Ratio (CAR) and Minimum Capital (MC)

The CBSL stipulated Capital Adequacy Ratio and Minimum Capital. Without complying with the CAR and MC requirements, The AMWCL is unable to conduct day-to-day businesses operations. The CBSL can restrict canvassing deposits and granting new facilities for the companies that violate the above requirements.

Capital Adequacy

Description	2021	2020
Total Risk Weighted Amount (Rs. Mn.)	10,837.66	9,939.91
Tier 1 Capital (Rs. Mn.)	3,322.47	2,954.45
Total Capital (Rs. Mn.)	3,322.47	2,954.45
Tier 1 Capital Adequacy Ratio	30.66%	29.72%
Total Capital Adequacy Ratio	30.66%	29.72%

Risk Management

The AMWCL's Total Capital Ratio of 26.81% is well above the required minimum regulatory Total Capital Ratio of 11% as stipulated by the Central Bank of Sri Lanka. The total capital amount of Rs. 2.9 billion as at the end of December 2021 is also well above the required minimum core capital requirement. The main driver of Tier I and total CAR movement was increased in risk-weighted assets due to portfolio growth. AMWCL has planned to achieve accelerated growth in the future whilst keeping a comfortable margin above the regulatory requirements on the Total Capital Ratio.

7. OPERATIONAL RISK

Key points:

- ⌘ Developed KRI to assess and identify operational risk prudent manner.
- ⌘ Set up Operational Risk Management Committee (ORMC) to monitor and manage operational risks of the Company.
- ⌘ Formulated TOR for ORMC and obtained Board approval for the same.
- ⌘ Developed an online-based questionnaire to identify and assess branch operational risk.
- ⌘ Formulated and implemented a rating model to assess the money laundering risk of the borrowers.
- ⌘ Prepared Risk matrix to identify operational risks of the Company.

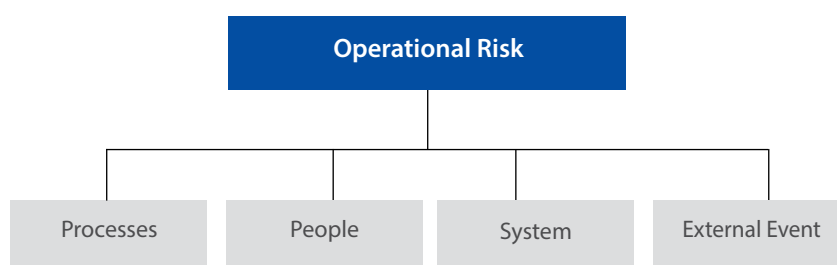
7.1. Definition of operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. This risk includes Business Continuity Risk, Cyber Risk, Information Technology and legal risk.

7.2. Operational risk management

The AMWCL faces operational risks in the normal pursuit of its business objectives.

The primary goals of operational risk management are ensuring the sustainability and integrity of the AMWCL's operations and the protection of its reputation by controlling, mitigating or transferring the impact of operational risk. Operational risk cannot be fully eliminated. The AMWCL has established a formal approach for managing operational risk effectively by identifying, assessing, managing, monitoring, and reporting the operational risks that may impact the achievement of the AMWCL's business objectives.



The AMWCL has 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 the 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 Plan 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. The IT system is assessed on an ongoing 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.

7.3. Operational risk assessment

Systematic identification and assessment of the operational risks faced by the AMWCL is a core component of the AMWCL's overall operational risk framework. AMWCL has developed a divisional level risk matrix for capturing, measuring and managing operational risk as well as providing a mechanism for consistent identification, monitoring, reviewing, updating and reporting of risks throughout the AMWCL.

7.4. Operational risk reporting

The minutes of the ORMC is shared with the IRMC of the Company. The management informed the IRMC of all the actions which were taken to manage operational risk through the ORMC minutes.

Description	CAR 31-Dec-21	Shock Level		
		5%	20%	50%
Operational Risk**				
Tier I Capital	30.66%	29.98%	29.88%	29.68%
Total Capital	30.66%	29.98%	29.88%	29.68%
** Operational Loss is based on Assumption				

The forecasted operational loss of the Company is stressed under three shock levels to identify the AMWCL's ability to meet the regulatory capital adequacy ratio. According to the stress testing results, the Company has the ability to meet the capital adequacy ratio under all three shocks levels.

8. REGULATORY RISK

Key points:

- ⌘ Reviewed and amended the policies to align with the CBSL directions and guidelines during the year.
- ⌘ Introduced AML rating mechanism to loan customers to assess AML rating.
- ⌘ Formulated a CCTV procedure manual to comply with the FIA guidelines.
- ⌘ Conducted FIU related training programs to increase awareness of the staff regarding AML risk.

8.1. Definition of regulatory risk

Regulatory risk is the risk of failure to meet new or existing regulatory and/or legislative requirements and deadlines or to embed requirements into processes. Underpinned by strong engagement with regulatory stakeholders, regulatory risk comprises regulatory compliance risk, corporate governance risk and regulatory change risk.

Regulatory compliance risk is the present or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards which can lead to fines, damages and/or negative reputation.

Corporate governance risk is the risk of loss arising from inappropriate corporate governance structures, authorities or activities leading to incorrect or improper business decisions, or regulatory/legal sanctions.

Regulatory change risk is the risk that changes to existing or new laws/ regulations/ codes/ guidance applicable to the AMWCL are not effectively addressed, or AMWCL fails to take timely and remedial actions to address such risk.

8.2. Regulatory risk mitigation

Risk mitigants include the early identification, appropriate assessment and measurement and reporting of risks. In addition, the AMWCL Board, senior management and staff participate in training/ awareness programs that conduct to increase knowledge of CBSL direction regulations and industry best practices.

8.3. Regulatory risk reporting

The current status of regulatory risk is reported to the IRMC and Board members through the Compliance Report. The AMWCL Compliance Officer reports to the IRMC on the status of regulatory risk in the AMWCL, including the status of the top regulatory risks, regulatory breaches, and significant regulatory interactions on a quarterly basis.

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 years.	Complied with The Company's Business Strategic Plan was approved by the Board for three years covering the period from 2019 – 2021. 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) is tasked with defining risk appetite, identifying and managing the overall risk of the Company. IRMC meets quarterly or earlier if required and submit 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 ensures the effective internal and external communication of corporate information with all stakeholders of the Company.
e) Reviewing the adequacy and integrity of the Company's internal control systems and management information system.	Complied with The Board has overall responsibility for ensuring that the Company maintains an adequate system of internal control and Management Information System and for reviewing their effectiveness. The Board Audit Committee, on behalf of the Board undertakes detailed monitoring and reviewing of the internal controls and reports to the Board on its findings. 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.

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
g) Defining the areas of authority and key responsibility for the Board and for key management personnel.	<p>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 descriptions.</p>
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)	<p>Complied with Oversight of the affairs of the Company by its Key Management Personnel takes place at the regular Board meetings and subcommittee meetings and Key Management Personnel make regular presentations to the Board on matters under their purview.</p>
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.	<p>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.</p> <p>The Directors declare their interest wherever applicable and refrain from partaking in such decision.</p> <p>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.</p>
j) Ensuring that the Company has an appropriate succession plan for key management personnel.	<p>Complied with A documented succession plan is in place for all key management personnel.</p>
k) Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	<p>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.</p>
l) Understanding the regulatory environment.	<p>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.</p> <p>All Board members attend the Directors' and CEOs' forums arranged by the CBSL and the Management personnel of the Company maintain dialogues on an ongoing basis.</p>
m) Exercising due diligence in the hiring and oversight of external auditors	<p>The Board Audit Committee is responsible for hiring and oversight of the External Auditors. External Auditors annually submit a statement confirming their independence as required by the regulatory authorities in connection with external audit. Re-appointment of Auditors is done at the AGM of the Company.</p>
2.2 Appointment of the Chairman and the Chief Executive Officer and defining and approving functions and responsibilities .	<p>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.</p>

Corporate Governance

CORPORATE GOVERNANCE PRINCIPLE		LEVEL OF COMPLIANCE
2.3	Availability of 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.	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. A Board approved procedure is in place.
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.	Complied with 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	Availability of a formal schedule of matters specifically reserved to the Board 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.	Complied with 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.	Complied with 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 need 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 meeting where such matters and proposals relate to the promotion of business and the management of risks of the Company.	Complied with 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.

CORPORATE GOVERNANCE PRINCIPLE		LEVEL OF COMPLIANCE
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 The Directors are given adequate time, at least seven (7) days of notice for regular Board meetings and meetings are convened electronically giving due notice. For all other meetings a time period as set out in the respective TOR is given.
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 All Directors have attended at least two thirds of the meeting held during the year and no Director has been absent from three consecutive regular Board Meetings during the year under review.
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. 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	Preparation of agenda for a Board meeting by the Company Secretary.	Complied with This function is delegated to the Company Secretary by the Chairman. Board Meetings are conducted based on formal agenda, covering the main responsibilities of the Board. 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.

Corporate Governance

CORPORATE GOVERNANCE PRINCIPLE		LEVEL OF COMPLIANCE
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.	Complied with As at end of financial year, the Board of AMWCL comprised of six Directors of whom two Directors are Independent Non-Executive Directors. (Messrs. A B Mundra and P A Mackenzie were appointed as Directors with effect from 12 April 2021 and 13 May 2021 respectively and are 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.	Complied with 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 one 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.	Complied with As at end of the Financial Year there was one Executive Director who is the Chief Executive Officer out of six Directors. The number of Executive Directors has not exceeded one-half of the number of Directors of the Board.
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 <ul style="list-style-type: none"> 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; 	Complied with At end of financial year under review, the Board had 2 Independent Non-Executive Directors, thereby complying with this requirement. The Directors or their families or connected parties do not hold any shares in the Company.

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
<p>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;</p> <p>(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;</p> <p>(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;</p> <p>(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.</p>	
<p>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.</p>	<p>No alternate Directors appointed.</p>
<p>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.</p>	<p>Complied with 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 9 to 11.</p>
<p>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.</p>	<p>As per Article 109 of the Articles of Association, this requirement is complied with.</p>
<p>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.</p>	<p>Complied with The Directorate for the year under review: Mr. T S A Fernandopulle - Chairman (Independent Non-Executive Director) Mr. R C J De Silva Munasinghe - Director/CEO (Executive Director) Mr. J D N Kekulawala (Independent Non-Executive Director) Mr. B E Schwendtke (Non-Executive Director) Mr. A B Mundra (Non-Executive Director) - appointed w.e.f : 12.04.21 Mr. P A Mackenzie (Non-Executive Director) - appointed w.e.f : 13.05.21 Mr. B P Morris (Non-Executive Director) - resigned w.e.f: 12.04.21</p>
<p>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.</p>	<p>Complied with 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.</p>

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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.	Complied with 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.	Complied with Removal or resignations of Directors are informed to shareholders, with immediate notification to the Colombo Stock Exchange (CSE). Prior approval is obtained from the Central Bank of Sri Lanka (CBSL) on such circumstances. Details are given in the Annual Report as well. The following Director has resigned during the year under review: Mr. B P Morris - resigned w.e.f: 12.04.21
5. CRITERIA TO ASSESS THE FITNESS AND PROPRIETY OF DIRECTORS		
5.1	The age of a Director shall not exceed 70 years.	Complied with All Directors are below the age of 70 years as at 31 December 2021.
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.	Complied with 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.	Complied with 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.

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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 Officer 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 Chairman has delegated the function of preparing the agenda to the Company Secretary.
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 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 As per the Company's organization structure, the CEO functions as the apex executive-in-charge of the day-to-day management of the Company's operations and business with the support of the Executive Directors and members of the Corporate Management.

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CORPORATE GOVERNANCE PRINCIPLE		LEVEL OF COMPLIANCE
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.	<p>Complied with The Company has established and Audit Committee and an Integrated Risk Management Committee.</p> <p>Reports of such committees are presented to the Board at Board Meetings. A report from both committees for the year under review will be included in the Annual Report of the Company.</p>
8.2	Audit Committee	<p>Complied with The Chairman of the Audit Committee is Mr. J D N Kekulawala who is an Independent Non-Executive Director.</p> <p>He 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. His qualifications and experience are disclosed on page 9 of this Annual Report.</p>
	b) The Board members appointed to the committee shall be Non-executive Directors.	<p>Complied with All Members of the Audit Committee are Non-Executive Directors.</p>
	c) The Committee shall make recommendations on matters in connection with:	<p>Complied with The Audit Committee meets every quarter and reviews the monthly, quarterly, and annual financials of the Company prior to recommending same to the Board.</p> <p>The Audit Committee makes the following recommendations to the Board regarding:</p>
	(i) The appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;	(i) The Appointment of PricewaterhouseCoopers for audit services provided in compliance with the relevant statutes for the financial year.
	(ii) The implementation of the CBSL guidelines issued to the auditors from time to time;	(ii) The implementation of the Central Bank Guidelines issued to Auditors from time to time.
	(iii) The application of the relevant accounting standards; and	(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.	(iv) The service period, audit fee and any resignation or dismissal of the Auditor. The engagement of the Audit Partner does not exceed 5 years
	d) The Committee shall review and monitor the External Auditors independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	<p>Complied with The Audit Committee is responsible to monitor and review the External Auditors independence, objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements. External Auditors directly report to the Board Audit Committee.</p>

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
<p>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:</p> <ul style="list-style-type: none"> (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. 	<p>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</p>
<p>f) The Committee shall before the audit commences discuss and finalize with the External Auditors the nature and scope of the audit including:</p> <ul style="list-style-type: none"> (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. 	<p>Complied with The Board Audit Committee meets with the External Auditors to discuss their audit plan, nature, and the scope of the audit before the commencement of an audit.</p>
<p>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:</p> <ul style="list-style-type: none"> (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. 	<p>Complied with The Committee has reviewed the financial information of the quarterly financials and annual audited accounts, prior to any disclosure requirements. A detailed discussion focused on major judgmental areas, changes in accounting policies, significant audit adjustments and compliance with statutory requirements take place and obtain required clarifications in respect of all areas before the Committee makes its recommendations for Board's approval.</p>

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<p>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.</p>	<p>Complied with The Committee met the External Auditors in relation to the audit in the absence of the Executive Management on 21 July 2021 and 22 November 2021.</p>
<p>i) The Committee shall review the External Auditor's Management Letter and the management response thereto.</p>	<p>Complied with The Committee reviewed the External Auditor's management letter for the financial year ended 31 December 2021 and the management responses thereto.</p>
<p>j) The Committee shall take the following steps with regard to the internal audit function of the finance Company.</p> <p>(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.</p> <p>(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.</p> <p>(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;</p> <p>(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;</p> <p>(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.</p> <p>(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;</p>	<p>Complied with</p> <p>The Committee has considered the scope of the internal audit function, necessary authority and resources allocated to carry out its work.</p> <p>The Committee has reviewed and approved the Internal Audit Plan for the financial year presented by the Internal Auditors prepared on overall risk assessment and the significant observations made during the previous year.</p> <p>Complied as per Company policy.</p> <p>Mr.Thayanthan Thiyagalingam was appointed as Head of Internal Audit w.e.f: 07.07.2021. This was communicated to CBSL and approval obtained.</p> <p>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.</p>
<p>k) The Committee shall consider the major findings of internal investigations and management's responses thereto;</p>	<p>Complied with Based on reports submitted by the Head of Internal Audit, the Board Audit Committee reviews and considers major audit findings and the Management's responses thereto.</p>

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
<p>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.</p>	<p>Complied with The meetings of the committee are held as required including meeting of External Auditors without the Executive Directors.</p>
<p>m) The Committee shall have:</p> <ul style="list-style-type: none"> (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. 	<p>Complied with The required authority and resources are available to the Committee and are expressly provided in the Terms of Reference of the Audit Committee.</p>
<p>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.</p>	<p>Complied with The Board Audit Committee met six times during the financial year under review. 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.</p>
<p>o) The Board shall, in the Annual Report, disclose in an informative way</p> <ul style="list-style-type: none"> (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. 	<p>Complied with The Report of the Audit Committee is on page 63 and includes the detailed activities, meetings held during the year and Directors' attendance at the Audit Committee meetings.</p>
<p>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.</p>	<p>Complied with The Company Secretary serves as the Secretary to the Audit Committee.</p>
<p>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.</p>	<p>Complied with The Company has a Board-approved Whistleblowing Policy whereby employees of the Company raise concerns in confidence about any malpractices of the Company.</p>

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8.3 Integrated Risk Management Committee:	
<p>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.</p>	<p>Complied with The Integrated Risk Management Committee comprises of : Mr. T S A Fernandopulle - Chairman Mr. J D N Kekulawala Mr. C Munasinghe Mr. P A Mackenzie - appointed w.e.f: 19.05.21 Mr. D P V Mendis Mr. W K A S Jayarathna Mr. H N Wijayatunga Mr. S U Thenuwara Ms. R E Weerasinghe Ms. R Silva - appointed w.e.f: 10.05.21 Ms. H Pathirana - appointed w.e.f: 28.06.21 Mr. B P Morris - resigned w.e.f: 12.04.21</p> <p>Matters discussed at IRMC level are referred to the Board for further action and recommendations.</p>
<p>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.</p>	<p>Complied with 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.</p>
<p>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</p>	<p>Complied with Specific risks and limits are identified by relevant committees such as ALCO, Credit, Operational Risk Management Committee (ORMC) and IT Steering Committee.</p> <p>The Committee reviews the minutes of the ALCO, Credit Policy Committee, ORMC, IT Steering Committee and on a regular basis.</p>
<p>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 based on the finance Company's policies and regulatory and supervisory requirements.</p>	<p>Complied with 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. Operational Risk Management Committee has been set up to prudently manage operational risk of the Company.</p>
<p>e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.</p>	<p>Complied with Four meetings were held for the financial year ended 31 December 2021.</p>
<p>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.</p>	<p>Complied with The Committee takes collective decisions when managing the specific risk.</p>
<p>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.</p>	<p>Complied with Approved Committee Minutes and a report consisting of the risk inherent to the Company are tabled at the subsequent Board Meeting seeking the Board's views and specific direction.</p>

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
<p>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.</p>	<p>Complied with The Head of Compliance reports to the Integrated Risk Management Committee on the compliance of regulatory requirement and internal controls.</p>
9. RELATED PARTY TRANSACTIONS	
<p>9.1 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.</p> <ul style="list-style-type: none"> 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. 	<p>Complied with During the year under review, the Board appointed Related Party Transactions Review Committee 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.</p> <p>Transactions carried out with Related Parties in the normal course of business are disclosed in the Financial Statements on 'Related Party Disclosures' under Note 32 of Financial Statements.</p>
<p>9.2 The transactions with a related party that are covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> 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. 	<p>Complied with Board approved process is in place to identify the related party transactions and the Related Party Transactions Review Committee will ensure that all transactions with related parties are on arm's length basis.</p>

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<p>9.3 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:</p> <ul style="list-style-type: none"> 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 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. 	<p>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.</p>
10. DISCLOSURES	
<p>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.</p>	<p>Complied with 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 published on the CSE website. Interim Financial Statements are published in the newspapers as required.</p>
<p>10.2 The Board shall ensure that at least the following disclosures are made in the Annual Report:</p> <ul style="list-style-type: none"> 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. 	<p>Reference - Report of the Directors on page 61.</p>

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
b) A report by the Board on the finance Company 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 of internal control over financial reporting on page 62.
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.	PWC has given a certification on the effectiveness of the internal controls over financial reporting.
d) Details of directors, including names, transactions with the finance Company.	This is disclosed under report of the Directors on page 62.
e) Fees/ remuneration paid by the finance Company to the directors in aggregate, in the Annual Reports published after Jan 1 2010.	Refer Note 32.2 to the Financial Statements on fees/remuneration paid by the Company to the Directors in aggregate in the 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 capital funds.	During the financial year under review the Company has not granted any accommodations to related parties.
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.	The aggregate value of remuneration paid to key management personnel is Rs. 66,044,851.00 Deposits made – Rs. 2,390,719.00 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.	Refer - Report of the Directors on page 61.
i) A statement of the regulatory and supervisory concerns on lapses in the finance Company 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	There are no such lapses to be disclosed.
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.	Complied with The Company has obtained a certification on compliance with Corporate Governance Directions from PWC.

Corporate Governance

Report on compliance with the Rules on the Content of the Annual Report According to Section 7.6 of the Listing Rules of the Colombo Stock Exchange (Listing Rules)

7.6	(i)	Name of persons who held the positions of directors during the financial year	Refer - Report of the Directors on page 61.
7.6	(ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein	Refer - Report of the Directors on page 61.
7.6	(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held as at the end of the financial year	The Company has not issued any non-voting shares. Refer share information on pages 129 to 130.
7.6	(iv)	The public holding percentage	Refer share information on pages 129 to 130.
7.6	(v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	Refer share information on pages 129 to 130.
7.6	(vi)	Information pertaining to material foreseeable risk factors	Refer Integrated Risk Management report on page 64.
7.6	(vii)	Details of material issues pertaining to employees and industrial relations	There were no issues pertaining to the employees and industrial relations during the financial year.
7.6	(viii)	Extent, locations, valuations, and the number of buildings of the Entity's land holdings and investment properties	The Company does not have any land holdings and investment properties.
7.6.	(ix)	Number of shares representing the stated capital as at the end of the financial year	Refer share information on pages 129 to 130.
7.6	(x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Refer share information on pages 129 to 130.
7.6	(xi)	Ratios and market price information: - Equity - Debt - Any changes in credit rating	Refer pages 128 to 130.
7.6	(xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land. If the value differs substantially from the book value as at the end of the year.	There are no substantial difference in Company's fixed assets from the book value as at end of the year.
7.6	(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year.	The Company has not raised any funds through public issue or rights issue during the financial year.
7.6	(xiv)	Information in respect of employee share ownership or stock option schemes	The Company does not have any employee share ownership or stock option schemes at present.
7.6	(xv)	Disclosure pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6 c of Section 7 of the Rules	Refer to the Corporate Governance Report on pages 42 to 60.
7.6	(xvi)	Disclosure on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets whichever is lower, of the entity as per the latest audited financial statements	Refer Related Party Transactions Review Committee Report on pages 66 to 67.

Compliance Requirements on Corporate Governance Rule 7.10 of the Listing Rules		
7.10	<p>Corporate Governance Statement confirming that at the date of the annual report that the Company is in compliance with these rules.</p>	<p>Complied with The Company is in compliance with the listing rules of the Colombo Stock Exchange, as explained below.</p>
7.10.1	<p>Non-Executive Directors The Board of Directors 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.</p>	<p>Complied with As at 31 December 2021 the Board comprised of 3 Non-Executive Directors.</p>
7.10.2	<p>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.</p> <p>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.</p>	<p>Complied with As at 31 December 2021, the Board comprised of 2 independent Directors and signed declaration of independence were obtained.</p>
7.10.3	<p>Disclosures of Directors Annual determination as to the independence or non-independence of each non-executive director.</p>	<p>Complied with The Board has determined the independent/non-independent status based on the criteria set out by the CSE.</p>
7.10.4	<p>Remuneration Committee - Composition: Shall comprise of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, which ever shall be higher.</p> <p>- Functions & Disclosures</p>	<p>Complied with The Members of the Committee are 2 Independent Non-Executive Directors and one Non-Executive Director.</p> <ol style="list-style-type: none"> 1) Mr. J D N Kekulawala – Chairman (Independent Non-Executive Director) 2) Mr. T S A Fernandopulle - Independent Non-Executive Director 3) Mr. P A Mackenzie – Non-Executive Director (appointed w.e.f:19.05.21) <p>Refer Report of the Remuneration Committee on page 65.</p>
7.10.5	<p>Audit Committee - Composition: Shall comprise of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, which ever shall be higher.</p> <p>- Functions & Disclosures</p>	<p>Complied with As at 31 December 2021, the Committee comprised 2 Independent Non-Executive Directors and one Non-Executive Director.</p> <p>Refer Audit Committee Report on page 63.</p>

Corporate Governance

MEETINGS

The number of meetings of the Board, Board appointed sub-committees and individual attendance by members for the financial year ended 31 December 2021 are given below.

Board Meetings

Names	Members	Number of Meetings
Number of meetings held		12
Mr. T S A Fernandopulle	Chairman (Independent Non-Executive Director)	12/12
Mr. B P Morris (resigned w.e.f:12.04.21)	Non-Executive Director	2/2
Mr. J D N Kekulawala	Independent Non-Executive Director	12/12
Mr. R C J De Silva Munasinghe	Director/CEO	12/12
Mr. B E Schwendtke	Non-Executive Director	11/12
Mr. A B Mundra (appointed w.e.f:12.04.21)	Non-Executive Director	7/9
Mr. P A Mackenzie (appointed w.e.f:13.05.21)	Non-Executive Director	8/8

Audit Committee

Names	Members	Number of Meetings
Number of meetings held		06
Mr. J D N Kekulawala	Chairman	6/6
Mr. T S A Fernandopulle	Member	5/6
Mr. B P Morris (resigned w.e.f:12.04.21)	Member	-
Mr. P A Mackenzie (appointed w.e.f:19.05.21)	Member	3/4

Integrated Risk Management Committee

Names	Members	Number of Meetings
Number of meetings held		04
Mr. T S A Fernandopulle	Chairman	4/4
Mr. B P Morris (resigned w.e.f:12.04.21)	Member	-
Mr. J D N Kekulawala	Member	4/4
Mr. R C J De Silva Munasinghe	Member	4/4
Mr. P A Mackenzie (appointed w.e.f:19.05.21)	Member	2/2
Mr. D P V Mendis	Member	4/4
Mr. W K A S Jayarathna	Member	4/4
Mr. S U Thenuwara	Member	4/4
Mr. H Wijayatunga	Member	4/4
Ms. R E Weerasinghe	Member	4/4
Ms. R Silva (appointed w.e.f: 10.05.21)	Member	3/3
Ms. H Pathiranage (appointed w.e.f: 28.06.21)	Member	2/2

Related Party Transactions Review Committee

Names	Members	Number of Meetings
Number of meetings held		04
Mr. J D N Kekulawala	Chairman	4/4
Mr. T S A Fernandopulle	Member	4/4
Mr. B P Morris (resigned w.e.f:12.04.21)	Member	-
Mr. R C J De Silva Munasinghe	Member	4/4
Mr. P A Mackenzie (appointed w.e.f:19.05.21)	Member	3/3

Report of the Directors

The Directors are pleased to present their Report for the financial year ended 31 December 2021 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 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 73 to 125 in this Annual Report.

Independent Auditors Report

The Auditors Report on the Financial Statements is given on pages 70 to 72 in this report.

Accounting Policies

The accounting policies adopted in preparation of the Financial Statements are given on pages 77 to 88.

Directors' Responsibilities for Financial Statements

The Statement of the directors' responsibilities for Financial Statements is given on page 68.

Stated Capital

The stated capital of the Company on 31 December 2021 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 B Mundra and P A Mackenzie were appointed as Non-Executive Directors to the Board since the last annual general meeting.

In accordance with the Articles of Association Mr. J D N Kekulawala 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 accounts.

Related Party Transactions

During the year ended 31 December 2021, there were no non-recurrent related party transactions, which exceeded 10% of the equity, or 5% of the total assets whichever is lower and the Company has complied with the requirements of the Listing Rules issued by the Colombo Stock Exchange on Related Party Transactions. The transactions that could be classified as related party transactions, are given in Note 32 on pages 110 to 111 to the Financial Statements and Report of the Related Party Transactions Review Committee on pages 66 and 67.

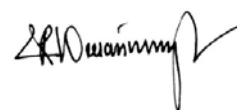
Directors' Remuneration

Details of the remuneration received by the Directors are set out in Note 32.2 to the financial statements on page 111.

Auditors

Messrs. PricewaterhouseCoopers have expressed their willingness to continue in office as auditors of the Company for the year ending 31 December 2022. 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



Ruvini E Weerasinghe
Company Secretary
30 March 2022

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 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 page 63.

- ☞ 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 to 2021.

- ☞ Necessary steps were taken by the Company to further review the requirements of the Sri Lanka Accounting Standard — SLFRS 9 (Financial Instruments). Designing of processes and controls, implementation of models and training and awareness sessions to stakeholders (including the Board and Senior Management) were made. The Audit Committee continually advises the management on the strengthening of processes and controls required in management information systems to

maintain the level of compliance with SLFRS 9 and related disclosures.

- ☞ The Company adopted SLFRS 16 — Leases during 2018 and necessary steps were taken to assess its impact on the financial statements and to design suitable internal controls.
- ☞ 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 during the process of Auditing Financial Statements of 2021 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, Pricewaterhouse Coopers, 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 2021 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


Nihal Kekulawala
Chairman
Audit Committee


Trevine Fernandopulle
Director
11 May 2022
Colombo

Report of the Board Audit Committee

The Board Audit Committee comprises of two Independent Non-Executive Directors, Mr. Nihal Kekulawala as Chairman and Mr. Trevine Fernandopulle along with one Non-Executive Director, Mr. Peter Mackenzie (Appointed w.e.f. 19th May 2021). The Company Secretary functions as the Secretary to the Committee.

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 Company. They report directly to the Audit Committee. The Director/CEO along with General Manager – Credit and Operations, General Manager - Marketing, General Manager - Finance, Head of Risk and Compliance and Head of Internal Audit, attend the Audit Committee meetings by invitation. The audit plan for the current year was presented by the manager - Internal Audit and Compliance to the Committee during the 4th quarter of last year for approval.

The committee meets once in two months. Quarterly internal audit reports are presented to the Committee by the Head of - Internal Audit as per the format of presentation approved by the Committee. This includes 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 are 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 Board Audit Committee has the primary responsibility for making recommendations to the Board on the appointment, re-appointment or removal of the External Auditors in line with professional standards and regulatory requirements.

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 06 occasions during the financial year and the attendance at the meetings was:

Mr. J D N Kekulawala	06
Mr. T S A Fernandopulle	05
Mr. P A Mackenzie (appointed w.e.f:19.05.21)	03



Nihal Kekulawala
Chairman - Audit Committee
30 March 2022

Report of the Integrated Risk Management Committee

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

Mr. Trevine Fernandopulle
Independent Non-Executive Director

Mr. Nihal Kekulawala
Independent Non-Executive Director

Mr. Peter Mackenzie
Non-Executive Director

Mr. Chamath Munasinghe
Director/CEO

Mr. Pramuditha Mendis
General Manager - Credit & Operations

Mr. Shanuka Jayarathna
General Manager - Finance

Mr. Himala Wijayatunga
Head of Risk Management

Mr. Sanjaya Thenuwara
General Manager – Marketing

Ms. Rochelle Silva
Head of Compliance

Ms. Hasini Pathirana
HR Business Partner

Ms. Ruvini Weerasinghe
Company Secretary

Charter of the Committee

The IRMC was established by the Board of Directors in compliance with Section 8 (3) of 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 detail under the "Risk Management" from pages 27 to 41 of this Annual Report.

Committee Meetings and Methodology

The IRMC met four times during the year ended 31st December, and its deliberations and conclusions were reported to the Board of Directors. 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 of the risk management framework of the Company.

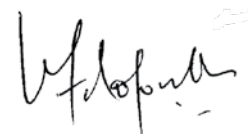
The scope of review of the committee was based on the guidelines defined by the Central Bank for Finance Companies. In particular, the committee reviewed risks flowing from the business plan and strategy, economic risks, credit, market, liquidity and interest rate mismatch risks, and operational risks.

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, analyzed and advised on the various macro and micro level risks that could impact the business and reviewed management.



Trevine Fernandopulle
Chairman
Integrated Risk Management Committee.
30 March 2022

Report of the Remuneration Committee

The Board approved Remuneration Committee was formed in February 2011 and currently comprises of two Independent Non-Executive Directors, Mr. Nihal Kekulawala as Chairman, Mr. Trevine Fernandopulle together with one Non-Executive Director, Mr. Peter Mackenzie.

The composition of the Committee meets the requirement set out in the listing rules of the Colombo Stock Exchange. The profiles of the members are set out on pages 9 to 11.

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 twice during the year under review and the proceedings of the meetings were reported to the Board.



Nihal Kekulawala

Chairman - Remuneration Committee
30 March 2022

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 comprises of two independent non-Executive Directors, Mr. Nihal Kekulawala as Chairman, Mr. Trevine Fernandopulle together with one Non-Executive Director, Mr. Peter Mackenzie (appointed w.e.f. 19th May 2021) and an Executive Director Mr. Chamath Munasinghe.

The AMWCL 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:

Terms of reference of the committee

The committee mandated by the terms of reference adopted by the Board of Directors on 28 April 2016, is established for the purpose of reviewing in advance all proposed related party transactions and to communicated its comments/ observations to the Board of Directors.

The committee also ensured that

1. the transparency and fairness to all Stakeholders of all transactions.
2. 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.

Methodology used by the committee – avoiding conflicts of interest

The committee avoids “conflicts of interest” which may arise from any transaction entered into between the Company and any person, and ensure that related party dealings are carried out in an arm’s length.

Summary of activities

Discharging the duties entrusted to the committee within its terms of reference, the committee has reviewed all the related party transactions engaged into by the Company during the period under review, and has duly reported same to the Board of Directors and shareholders where necessary. During the period under review, the committee has reviewed various transactions falling within the ambit of the categories as set out below:

- ⌘ Transactions with the Parent
- ⌘ Recurrent Related Party Transactions
- ⌘ Non-Recurrent related Party Transactions
- ⌘ Transactions with the KMPs of the Company;

Self-declarations from the Directors and KMPs are obtained in terms of the related party transaction guide for identifying parties related to them. Based on these declarations, information on related parties have been included in the core systems used by the Company, so that all related party transactions can be identified at the point of generation.

The committee focuses on identifying gaps in the existing policy and processes, and will strengthen the process in future.

Name	Directorship Status	Attended/Eligible Meetings
Mr. Nihal Kekulawala	Independent Non-Executive Director	4/4
Mr. Trevine Fernandopulle	Independent Non-Executive Director	4/4
Mr. Chamath Munasinghe	Executive Director	4/4
Mr. Peter Mackenzie (appointed w.e.f. 19th May 2021)	Non-Executive Director	3/3

Related party transactions during 2021

Details of related party transactions during the period under review are disclosed under Note 32 on pages 110 to 111 to financial statements.

Name of the related party	Relationship	Nature of the transaction	Aggregate value of related party transactions entered into during the financial year (Mn.)	Aggregate value of related party transactions as a % of Net Interest Income	Terms and conditions of the related party transactions
Associated Motorways (Pvt) Ltd	Parent	Management fees paid	1.20	0.12%	As per the agreement
		Rent paid	10.44	1.08%	As per the agreement
		Interest paid	52.29	5.43%	As per the agreement
		Fees paid for repair services	0.67	0.07%	Normal commercial terms
		Salary reimbursements	2.54	0.26%	As per the agreement
		Inter company vehicle purchases	700.30	72.83%	Normal commercial terms
		767.44	79.82%		
		Rental income received	0.02	0.002%	As per the agreement
		Administration income received	0.09	0.009%	As per the agreement
		0.11	0.011%		

Declaration

The declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with listing rules pertaining to related party transactions is given in the page 61 of this Annual Report.



Nihal Kekulawala
Chairman - Related Party Transactions Review Committee
30 March 2022

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 31 December 2021 and provide the information required by the Companies Act No. 7 of 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. PricewaterhouseCoopers, 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



Ruvini E Weerasinghe
Company Secretary
30 March 2022



Financial Reports

Independent Auditors' Report

Statement of Financial Position

Statement of Comprehensive Income

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Independent Auditors' Report



Independent auditor's report

To the Shareholders of AMW Capital Leasing and Finance PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AMW Capital Leasing and Finance PLC ("the Company") as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"). We have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka Code of Ethics.

Key audit matters

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

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Independent auditor's report

To the Shareholders of AMW Capital Leasing and Finance PLC (Contd)

Report on the audit of the financial statements (Contd)

Key audit matters

Key audit matter	How our audit addressed the Key audit matter
<p>Impairment of loans and advances and rentals receivable on lease and hire purchase assets Refer accounting policy Section 2.2.2: Impairment losses on loans and receivables and Notes 6, 7 and 25 to the financial statements.</p> <p>As at 31 December 2021, total gross amount of loans and advances and rentals receivable on lease and hire purchase assets amounted to Rs. 9,420 Million, with a total allowance for impairment of Rs. 891 Million. Total net amount of loans and advances represent 89% of the total assets.</p> <p>The Company uses the Expected Credit Loss (ECL) model to determine the impairment allowance for loans and advances to customers and rentals receivable on lease and hire purchase assets from customers.</p> <p>The impairment of loans and advances and rentals receivable on lease and hire purchase assets using the ECL model was considered as a key audit matter due to:</p> <ul style="list-style-type: none">- The complex calculations with key variables being used in the ECL model requiring significant management judgment and use of assumptions: and- The magnitude of the reported amounts of loans and advances and rentals receivable on lease and hire purchase assets and the impairment allowances thereof.	<p>The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and advances and rentals receivable on lease and hire purchase assets in line with SLFRS 9 adopted, included the following:</p> <ul style="list-style-type: none">- Understanding, evaluating and testing the design and operating effectiveness of key controls in the lending and credit risk mitigation process;- Assessing the appropriateness of the criteria used by management to determine whether customer credit facilities are impaired;- Assessing the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgement made and assumptions used by management respectively, which included, cash flow estimates, discount rates and expected recoveries when defaults occur;- Checking the reasonability of the macro-economic and other forward-looking information used by management, by comparing them against reliable publicly available information;- Checking the underlying calculations and data on a sample basis for accuracy and completeness; and- Assessing the accuracy and sufficiency of related disclosures.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 December 2021 ("the Annual Report") (but does not include the financial statements and our auditor's report thereon). The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Independent Auditors' Report

Independent auditor's report

To the Shareholders of AMW Capital Leasing and Finance PLC (Contd)

Report on the audit of the financial statements (Contd)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

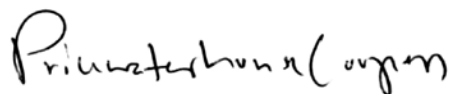
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.



CHARTERED ACCOUNTANTS
CA Sri Lanka membership number: 4084
COLOMBO

Date: 30 March 2022

Statement of Financial Position

As at 31 December	Note	2021 Rs.	2020 Rs.
ASSETS			
Cash and bank	3	288,455,180	432,495,187
Other financial assets	4	80,331,811	73,533,687
Other non-financial assets	5	43,406,197	4,902,703
Deferred tax assets	18	39,337,550	Nil
Rentals receivable on lease and hire purchase assets	6	1,954,075,734	2,797,074,803
Loans and advances	7	6,575,354,012	4,983,138,643
Equity instruments at fair value through other comprehensive income	8	2,100,826	2,098,266
Debt Instruments at amortised cost	9	470,753,293	759,224,727
Property, plant and equipment	10	26,713,054	20,958,191
Intangible assets	11	262,346	744,328
Right-of-use assets	12	92,265,444	73,236,739
Total Assets		9,573,055,447	9,147,407,274
EQUITY AND LIABILITIES			
Liabilities			
Bank overdraft	3	44,565,998	114,216,408
Trade and other payables	13	433,701,111	401,333,514
Time deposits	14	2,175,067,640	2,099,863,518
Amounts due to related parties	15	Nil	99,336,769
Interest bearing borrowings	16	3,240,438,779	3,011,583,067
Lease liabilities	12	97,340,524	73,514,101
Income tax payable	17	227,817,172	288,440,892
Deferred tax liabilities	18	Nil	69,929,392
Employee benefit obligation	19	29,860,266	33,991,294
Total Liabilities		6,248,791,490	6,192,208,955
Equity			
Stated capital	20	200,000,000	200,000,000
Retained profit		2,957,692,844	2,606,860,081
Fair Value through OCI reserve		1,535,523	1,452,864
Statutory reserve fund	21	165,069,054	146,885,374
Total Equity		3,324,263,957	2,955,198,319
Total Equity and Liabilities		9,573,055,447	9,147,407,274

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

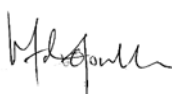


General Manager - Finance

The Board of Directors is responsible for these financial statements.
Signed for and on behalf of the Board by.



Director



Director

Accounting policies and notes on pages 77 to 125 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Comprehensive Income

Year ended 31 December	Note	2021 Rs.	2020 Rs.
Interest income	22	1,378,303,310	1,636,284,210
Less : Interest expenses	23	(511,429,807)	(674,854,588)
Net interest income		866,873,503	961,429,622
Other operating income	24	358,635,719	292,221,552
Total operating income		1,225,509,222	1,253,651,174
Credit loss expense	25	(173,414,841)	(270,538,366)
Net operating income		1,052,094,381	983,112,808
Less: Operating expenses			
Administration cost		(227,262,118)	(204,780,867)
Personnel cost		(245,844,862)	(197,323,753)
Distribution cost		(31,129,108)	(21,699,420)
Operating profit before Value Added Tax (VAT) on financial services and debt repayment levy		547,858,293	559,308,768
Less: Value Added Tax on financial services		(115,072,505)	(92,669,172)
debt repayment levy		Nil	(2,040,212)
Profit before taxation	26	432,785,788	464,599,384
Income tax expenses	27	(69,780,444)	(176,498,684)
Profit for the year		363,005,344	288,100,700
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain/(Loss) on employee benefit obligation	19	7,865,308	(2,317,459)
Fair value gain/(Loss) on equity instruments	8	2,560	116,884
Income tax relating to other comprehensive income	27	(1,807,574)	616,160
Other comprehensive income for the period, net of tax		6,060,294	(1,584,415)
Total comprehensive income for the year		369,065,638	286,516,285
Basic / Diluted earnings per share	28	18.15	14.41
Dividend per share	29	-	-

Accounting policies and notes on pages 77 to 125 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

	Stated Capital	Retained Profit	Statutory Reserve Fund	Fair Value through OCI Reserve	Total Equity
Note	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 January 2020	200,000,000	2,334,832,987	132,480,339	1,368,707	2,668,682,033
Profit for the year	-	288,100,700	-	-	288,100,700
Other comprehensive income net of tax	-	(1,668,571)	-	84,157	(1,584,415)
Dividend paid	29	-	-	-	-
Transfers	21	(14,405,035)	14,405,035	-	-
Balance as at 31 December 2020	200,000,000	2,606,860,081	146,885,374	1,452,864	2,955,198,318
Profit for the year	-	363,005,344	-	-	363,005,344
Other comprehensive income net of tax	-	5,977,634	-	82,660	6,060,294
Dividend paid	29	-	-	-	-
Transfers	21	(18,150,215)	18,150,215	-	-
Balance as at 31 December 2021	200,000,000	2,957,692,844	165,035,589	1,535,524	3,324,263,957

Accounting policies and notes on pages 77 to 125 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Cash Flows

Year ended 31 December 2021	Note	2021 Rs.	2020 Rs.
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Net profit before income tax		432,785,788	464,599,384
Adjustments for :			
Interest income on debt instruments at amortized cost	22	(28,430,998)	(48,535,840)
Accrued loan interest	16	113,214,933	384,489,704
Dividend income	24	(240,000)	(320,000)
Retiring gratuity - charge for the year	19	7,592,232	7,256,388
Interest on lease liabilities	12	10,051,059	9,471,004
Depreciation & amortization	10, 11 & 12	38,712,391	40,655,505
Operating profit before changes in working capital		573,685,405	857,616,145
Increase / (decrease) in trade & other payables		41,910,350	(66,842,077)
(Increase) / decrease in other financial assets & non-financial assets		(45,301,619)	4,068,878
Net investment in lease, hire purchase and loans and advances		(749,216,300)	1,593,364,847
Net deposits from customers		75,204,122	(165,618,756)
Net cash generated from / (used in) operations		(103,718,042)	2,222,589,037
Gratuity paid	19	(3,857,953)	(4,735,296)
Income tax paid	17	(241,478,680)	(146,688,633)
ESC paid	17	-	(2,898,146)
Net cash generated from/ (used in) operating activities		(349,054,675)	2,068,266,962
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Dividends received	24	240,000	320,000
Acquisition of plant, equipment and intangible assets	10	(13,794,073)	(7,272,982)
Net investments made during the year		288,471,434	(322,039,283)
Interest received from debt instruments at amortized cost	22	28,430,998	48,535,840
Net cash generated from/ (used in) investing activities		303,348,359	(280,456,425)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Lease payments during the year	12	(35,444,542)	(34,217,171)
Loans obtained	16	1,400,000,000	Nil
Loan settlements made	16	(1,293,901,971)	(600,881,471)
Net borrowing from related parties		(99,336,769)	(1,071,952,264)
Net cash (used in) financing activities		(28,683,282)	(1,707,050,906)
Net increase / (decrease) in cash & cash equivalents		(74,389,597)	80,759,631
Cash & cash equivalents at the beginning of the year		318,278,779	237,519,148
Cash & cash equivalents at the end of the year	3	243,889,182	318,278,779

Accounting policies and notes on pages 77 to 125 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

Year ended 31 December 2021

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 2021 were authorised for issue by the Directors on 30 March 2022.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

2.1.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"), Sri Lanka Accounting Standards ("LKAS"), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting

Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The financial statements have been also prepared in compliance with the requirements of the Companies Act No. 7 of 2007 and provide appropriate disclosures as required by the Central Bank of Sri Lanka (CBSL) and listing rules of Colombo Stock Exchange (CSE).

The financial statements include the following components:

- ⌘ A statement of financial position as at 31 December 2021;
- ⌘ A statement of comprehensive income for the year then ended;
- ⌘ A statement of changes in equity for the year then ended;
- ⌘ A statement of cash flows for the year then ended; and
- ⌘ Notes to the financial statements comprising accounting policies and other explanatory information.

2.1.2 Historical Cost Convention

The financial statements of the Company have been prepared on a historical cost basis except for certain financial assets measured at fair value.

2.1.3 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 35. 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 statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

2.1.4 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of these financial statements.

2.1.5 Approval of Financial Statements

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 30 March 2022. The Directors have the power to amend and reissue 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 estimating 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

Notes to the Financial Statements

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 measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ☹ The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on an ECL basis and the related qualitative assessment;

- ☹ The segmentation of financial assets when their ECL is assessed on a collective basis;

- ☹ Development of ECL models, including the various formulas and the choice of inputs;

- ☹ Determination of associations between macroeconomic scenarios and, economic inputs such as unemployment levels and collateral values, and the effect on probability of default (PD), exposure at default (EAD) and loss given default (LGD); and

- ☹ Election of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Company reviews its individually significant loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, Management Judgment is required 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.

ECL principles

The Company has established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 as described below:

- ☹ **Stage 1:** When loans are first recognised, the Company recognises an allowance based on 12 month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- ☹ **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECLs. Stage 2 loans also include facilities, where the credit risk has improved, presumed if interest and/or principal repayments are 30 days past due and the loan has been reclassified from Stage 3.

- ☹ **Stage 3:** Loans considered credit-impaired, the Company records an allowance for the life time ECLs.

The calculation of ECLs

The Company calculates ECLs based on aging based approach with rebuttable presumption of 90 days past due to identify the point of default for the purpose of formulating impairment models.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- ☹ **PD** - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

- ☹ **EAD** - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- **LGD** - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Definition of Default

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of factors that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted.

Write-offs

The Company's accounting policy under SLFRS 9 remains the same as it was under LKAS 39. Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

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 19.

2.2.4 Fair Value of Financial Instruments

The determination of fair value of financial assets and financial liabilities recorded on the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that includes the use of mathematical

models. The valuation of financial instrument is described in Note 37 to the financial statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in Note 36 to the financial statements.

2.2.5 Taxation

Income Taxes

Judgment is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognise liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters results in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred income tax provisions in the period in which such determination is made.

Deferred Income Tax Assets

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred income tax asset has been recognised.

2.2.6 Estimated useful lives of Property, Plant and Equipment (PPE)

The Company reviews annually the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE carrying value.

2.2.7 Commitment and Contingent Liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Company consults with legal counsel on matters related to litigation and other experts both within and outside the Company with respect to matters in the ordinary course of business.

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 Changes in Accounting Policies and Disclosures

2.4.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021.

i) Amendment to SLFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, an amendment to SLFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, an additional amendment was issued to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

Notes to the Financial Statements

This amendment is effective for the annual periods beginning on or after 1 April 2021.

ii) Amendments to SLFRS 7, SLFRS 4 and SLFRS 16 Interest Rate Benchmark Reform – Phase 2

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. Given the pervasive nature of IBOR-based contracts, the amendments could affect companies in all industries.

This amendment is effective for the annual periods beginning on or after 1 January 2021.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.4.2 Accounting standards/ amendments issued but not effective

The following standards and interpretations had been issued but not mandatory for annual reporting periods ending 31 December 2021.

i) Classification of Liabilities as Current or Non-current – Amendments to LKAS 1

The narrow-scope amendments to LKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine

classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023. This amendment is not yet adopted in Sri Lanka.

ii) Property, Plant and Equipment: Proceeds before intended use – Amendments to LKAS 16

The amendment to LKAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

iii) Reference to the Conceptual Framework – Amendments to SLFRS 3

Minor amendments were made to SLFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of LKAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

iv) Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

v) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- a) SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- b) SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- c) SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.

These amendments are effective for the annual periods beginning on or after 1 January 2022 except for the amendment to SLFRS 16.

vi) Disclosure Initiative: Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

vii) Amendment to LKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

LKAS 12 Income Taxes specifies how a Company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations- transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

viii) Definition of Accounting Estimates – Amendments to LKAS 8

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8

to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments are effective for annual periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

2.5 Summary of Significant Accounting Policies

The following are the significant accounting policies applied by the Company in preparing its financial statements.

2.5.1 Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Lankan Rupees (Rs.), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other operating income/ (expenses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on

assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

2.5.2 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.

Expenses are recognised in the statement of comprehensive income 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 statement of comprehensive income.

For the purpose of presentation of the statement of profit or loss, 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

Under SLFRS 9, interest income is recorded using the Effective Interest Rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9 is similar to interest bearing financial assets classified as available-for-sale or held to maturity under LKAS 39 that are also recorded by using the EIR method. The EIR is the rate

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that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Interest income is recognized using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges) is recognized.

Interest and Similar Income

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis as a reversal of interest income. For Purchased or Originated Credit-Impaired (POCI) financial assets, the Company calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the asset.

The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

Revenue – other

SLFRS 15 became effective for financial periods beginning on or after 1 January 2018. The core principle of SLFRS 15 is that an entity have to recognise revenue to depict the transfer of promised goods or services to customers. This core principle is delivered in a five-step model framework as disclosed below.

- ⌘ Identify the contract(s) with a customer
- ⌘ Identify the performance obligations in the contract
- ⌘ Determine the transaction price
- ⌘ Allocate the transaction price to the performance obligations in the contract
- ⌘ Recognise revenue when (or as) the entity satisfies a performance obligation.

b) Dividends

Income 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. The Company recognises fees earned on transaction-based arrangements at a point in time when we have fully provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

e) Other Gains and Losses

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

2.5.3 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 substantially enacted at the reporting date under the Inland Revenue Act No.24 of 2017 is effective from 1 April 2018 onwards.

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 (i.e. withholding 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.

2.5.4 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 statement of profit or loss 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 derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss 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.

2.5.5 Right-of-use Assets and Lease Liabilities

The Company leases various offices. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options as described in Note 12.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- ⌘ fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- ⌘ variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- ⌘ amounts expected to be payable by the Group under residual value guarantees;
- ⌘ the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- ⌘ payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

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- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Company may revalue its land and buildings that are presented within Property, Plant and Equipment it has chosen not to do so for the right-of-use buildings held by the Company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.5.6 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 Statement of Profit or Loss 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 statement of profit or loss when the asset is derecognised.

Amortization

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

2.5.7 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 based on the interest rate implicit in the lease 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.

2.5.8 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 statement of profit or loss. 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 are classified as financial assets at fair value through profit or loss or amortized cost based on the Company's business model and cash flow characteristics of the financial asset.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

b) Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. Subsequent to initial recognition, all assets within the scope of SLFRS 9 are measured at:

- ⌘ Amortised cost
- ⌘ Fair Value through Other Comprehensive Income (FVOCI)
- ⌘ Fair Value Through Profit or Loss (FVTPL)

Financial Assets at Amortized cost:

The Company only measures loans, receivables, and other financial

investments at amortized cost if both of the following conditions are met:

- ⌘ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- ⌘ The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Financial assets at amortized cost consist of cash and bank balances, securities purchased under repurchase agreements, lease receivables, hire purchase receivables, loan receivables and other assets.

The details of the above conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ⌘ How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- ⌘ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- ⌘ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- ⌘ The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Debt instruments at FVOCI

The Company applies the new category under SLFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

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- ⌘ The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- ⌘ The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available for sale under LKAS 39. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

c) Derecognition of Financial Assets

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a

derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Company considers following factors:

- ⌘ Change in currency of the loan
- ⌘ Introduction of an equity feature
- ⌘ Change in counterparty

If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

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.

Financial liabilities

a) Initial recognition and measurement

Financial liabilities 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, Company 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 statement of profit or loss.

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 statement of profit or loss when the liabilities are derecognized as well as through the Effective Interest Rate (EIR) method 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 statement of profit or loss.

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 statement of profit or loss.

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.

2.5.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.5.10 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 presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes

in value, and bank overdrafts. Bank overdrafts are shown separately within liabilities in the statement of financial position.

2.5.11 Post-Employment Benefits

Employee Benefit Obligation

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds, and that have terms approximating to the terms of the related obligation.

The interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The employee defined benefit plan comprises the gratuity provided under the payment of Gratuity Act No.12 of 1983.

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. The contribution paid and payable is recognized as an expense during the year.

2.5.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.5.13 Provisions and Contingent Liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Notes to the Financial Statements

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

2.5.14 Stated capital and equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.5.15 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.5.16 Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- ⌘ the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- ⌘ by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- ⌘ the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- ⌘ the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.5.17 Related party transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 - "Related Party Disclosures". Disclosure has been made in respect of the related party transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies / decisions of the other, irrespective of whether a price is being charged or not.

According to LKAS 24 - "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors has been classified as Key Management Personnel of the Company. Emoluments paid to Key Management Personnel have been disclosed in Note 32.2.

2.5.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board of Directors of the Company which assesses the financial performance and position of the Company, and makes strategic decisions has been identified as being the chief operating decision maker.

The Company's reportable segments comprise of Finance Lease, Hire Purchase, Term Loans and Unallocated.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

	2021 Rs.	2020 Rs.
3. CASH AND BANK		
Cash in Hand	98,183,286	80,474,084
Cash at Bank	190,271,894	352,021,103
	288,455,180	432,495,187
Bank Overdraft	(44,565,998)	(114,216,408)
Cash & Cash Equivalents	243,889,182	318,278,779

3.1 Net debt reconciliation

This section sets out an analysis of net debt and movements in net debt for each of the periods presented.

Cash & Cash Equivalents	243,889,182	318,278,779
Borrowings		
- Amounts due to Related Parties	-	(99,336,769)
- Interest Bearing Borrowings	(3,240,438,779)	(3,011,583,067)
- Lease Liability	(97,340,524)	(73,514,101)
Net debt	(3,093,890,121)	(2,866,155,158)

Cash & cash equivalents	243,889,182	318,278,779
Gross debt – fixed interest rates	(2,338,090,704)	(1,926,731,807)
Gross debt – variable interest rates	(999,688,599)	(1,257,702,130)
Net debt	(3,093,890,121)	(2,866,155,158)

	Liability from financing activities		Assets Cash & Cash Equivalents	Total
	Borrowings	Lease Liability		
Net debt as at 1 January 2020	(4,399,263,867)	(73,942,968)	237,519,148	(4,235,687,687)
Cash flows	-	-	80,759,631	80,759,631
Loans obtained from related parties	-	-	-	-
Loan repayments to related parties	1,071,952,264	-	-	1,071,952,264
Securitization loans obtained from banks	-	-	-	-
Securitization loan interest	(384,489,704)	-	-	(384,489,704)
Repayment of securitization loans	600,881,471	-	-	600,881,471
Interest charge on lease liabilities	-	(9,471,004)	-	(9,471,004)
New lease liabilities	-	(24,317,300)	-	(24,317,300)
Lease payments during the year	-	34,217,171	-	34,217,171
Net debt as at 31 December 2020	(3,110,919,836)	(73,514,101)	318,278,779	(2,866,155,158)
Recognised on adoption of SLFRS 16 (see Note 12)	-	-	-	-
	(3,110,919,836)	(73,514,101)	318,278,779	(2,866,155,158)
Cash flows	-	-	(74,389,597)	(74,389,597)
Loans obtained from related parties	-	-	-	-
Loan repayments to related parties	99,336,769	-	-	99,336,769
Securitization loans obtained from banks	(1,400,000,000)	-	-	(1,400,000,000)
Securitization loan Interest	(122,757,683)	-	-	(122,757,683)
Repayment of securitization Loans	(1,293,901,971)	-	-	(1,293,901,971)
Interest charge on lease liabilities	-	(10,051,059)	-	(10,051,059)
New lease liabilities	-	(50,392,849)	-	(50,392,849)
Lease payments during the year	-	36,617,485	-	36,617,485
Net debt as at 31 December 2021	(3,240,438,779)	(97,340,524)	243,889,182	(3,093,890,121)

Notes to the Financial Statements

	2021 Rs.	2020 Rs.
4. OTHER FINANCIAL ASSETS		
Portfolio related financial assets		
VAT receivable on lease rentals	6,946,507	7,279,522
Insurance receivable on lease and hire purchase	22,709,046	27,626,164
Insurance receivable on loans and advances	22,958,280	23,366,044
RMV charges receivable	4,859,329	4,755,859
Operating lease rentals receivable	316,538	316,538
Seizing charges receivable	1,056,304	1,160,857
Lawyer fee receivable	9,053,555	9,019,782
Other financial assets		
Refundable deposits	18,951,544	18,951,544
Advance on domestic creditors	15,002,256	3,357,198
Miscellaneous receivables	16,145,457	16,951,246
Less : Impairment provision for Other Financial Assets (Note 4.1)	(37,667,005)	(39,251,067)
	80,331,811	73,533,687
4.1 Impairment provision for other financial assets		
Balance as at 01 January	39,251,067	27,078,317
Provisions/(reversal of provisions) made during the year	(1,584,062)	12,172,750
Balance as at 31 December	37,667,005	39,251,067
5. OTHER NON-FINANCIAL ASSETS		
Input VAT receivable	6,900,060	7,809,941
Other prepayments	41,271,306	997,817
	48,171,366	8,807,758
Less: Impairment provision for other non-financial assets	(4,765,169)	(3,905,055)
	43,406,197	4,902,703
5.1 Impairment provision for other non-financial assets		
Balance as at 01 January	3,905,055	3,905,055
Provisions/(reversal of provisions) made during the year	860,114	-
Balance as at 31 December	4,765,169	3,905,055
6. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS		
6.1 Rentals receivable on lease assets		
Receivable after five years		
Rentals receivable	422,832	8,233,908
Unearned income	(19,076)	(523,021)
	403,756	7,710,887
Receivable from one to five years		
Rentals receivable	1,472,600,592	1,792,527,017
Unearned income	(264,435,165)	(321,632,401)
	1,208,165,427	1,470,894,616

	2021 Rs.	2020 Rs.
6. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS (Contd...)		
6.1 Rentals receivable on lease assets		
Receivable within one year		
Rentals receivable	1,048,435,082	1,643,988,227
Unearned income	(289,381,097)	(403,341,489)
	759,053,985	1,240,646,738
Overdue rental receivable		
Rentals receivable	420,288,310	488,374,092
	420,288,310	488,374,092
Total		
Future rentals receivable	2,521,458,506	3,444,749,152
Overdue rentals receivable	420,288,310	488,374,092
Total rentals receivable	2,941,746,816	3,933,123,244
Unearned income	(553,835,339)	(725,496,911)
	2,387,911,477	3,207,626,333
Less : Provision for credit loss expenses	(433,835,743)	(410,551,530)
Balance as at 31 December	1,954,075,734	2,797,074,803
6.2 Rentals receivable on hire purchase assets		
Receivable after five years		
Rentals receivable	-	-
Unearned income	-	-
	-	-
Receivable from one to five years		
Rentals receivable	-	-
Unearned income	-	-
	-	-
Receivable within one year		
Rentals receivable	-	-
Unearned income	-	-
	-	-
Overdue rental receivable		
Rentals receivable	40,377,639	43,269,175
	40,377,639	43,269,175
Total		
Future rentals receivable	-	-
Overdue rentals receivable	40,377,639	43,269,175
Total rentals receivable	40,377,639	43,269,175
Unearned income	-	-
	40,377,639	43,269,175
Less : Provision for credit loss expenses	(40,377,639)	(43,269,175)
Balance as at 31 December	-	-

Notes to the Financial Statements

	2021 Rs.	2020 Rs.
6.2 Rentals receivable on hire purchase assets (Contd...)		
Total rentals receivable on lease assets and hire purchase assets		
Future rentals receivable	2,521,458,506	3,444,749,152
Overdue rental receivable	460,665,949	531,643,267
Total rentals receivable	2,982,124,455	3,976,392,419
Unearned income	(553,835,339)	(725,496,911)
	2,428,289,116	3,250,895,508
Less : Provision for credit loss expenses (6.3)	(474,213,382)	(453,820,705)
Balance as at 31 December	1,954,075,734	2,797,074,803
6.3 Provision for credit loss expenses		
Balance as at 01 January	453,820,705	327,035,523
Provisions made during the year	18,852,408	116,632,679
	472,673,113	443,668,202
Charged against interest in suspense (as required by CBSL)	1,540,269	10,152,503
Balance as at 31 December	474,213,382	453,820,705
6.4 Maturity analysis of lease rentals receivable on lease and hire purchase assets		
Less than 1 year	1,048,435,082	1,643,988,227
1 to 2 years	712,076,326	960,219,752
2 to 3 years	443,501,609	495,378,138
3 to 4 years	237,966,528	240,833,029
4 to 5 years	79,056,129	96,096,098
More than 5 years	422,832	8,233,908
	2,521,458,506	3,444,749,152
Less: Unearned interest income	(553,835,339)	(725,496,911)
Gross rentals receivable	1,967,623,167	2,719,252,241
Overdue rental receivable	460,665,949	531,643,267
Less : Provision for credit loss expenses	(474,213,382)	(453,820,705)
Balance as at 31 December	1,954,075,734	2,797,074,803

6.5 Assumptions used and sensitivity analysis

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed quarterly basis.

Forward-looking economic assumptions - The most significant period-end assumptions used for ECL estimate as at 31 December 2021 are set out below.

The Company assumes that there is a direct relationship between the economy of the country and the Company default probabilities.

	Sensitivity on provision for impairment losses	
	1% Increase	1% Decrease
GDP Growth (%)	(457,240)	545,258
Inflation (YoY Average)	125,468	(165,852)
Interest Rate (PLR)	1,141,170	(973,197)
Exchange Rate-YE (US\$:LKR)	107,869	(115,483)
Unemployment (% of Labor Force)	1,874,344	(5,490,806)

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

6.6 Capital outstanding on non-performing assets as at 31.12.2021 amounts to Rs.442,022,694 (As at 31.12.2020 amounts to Rs.449,680,483).

6.7 Motor vehicles and equipment are held as collaterals against lease and hire purchase receivables.

	2021 Rs.	2020 Rs.
7. LOANS AND ADVANCES		
7.1 Instalments Receivable on Auto Loans		
Receivable after five years		
Instalments receivable	42,475,029	5,308,369
Unearned income	(2,951,028)	(288,878)
	39,524,001	5,019,492
Receivable from one to five years		
Instalments receivable	5,494,865,084	4,261,912,684
Unearned income	(1,073,411,648)	(884,446,029)
	4,421,453,436	3,377,466,655
Receivable within one year		
Instalments receivable	3,006,254,050	2,235,339,763
Unearned income	(866,565,381)	(749,042,700)
	2,139,688,669	1,486,297,063
Overdue instalment receivable		
Instalments receivable	354,108,482	378,615,792
	354,108,482	378,615,792
Total		
Instalments receivable	8,543,594,163	6,502,560,816
Overdue instalments receivable	354,108,482	378,615,792
Total instalments receivable	8,897,702,645	6,881,176,608
Unearned income	(1,942,928,056)	(1,633,777,605)
	6,954,774,589	5,247,399,003
Less: Provision for credit loss expenses (7.3)	(416,759,138)	(288,971,646)
Balance as at 31 December	6,538,015,451	4,958,427,357
7.2 Loans against fixed deposits		
	37,338,561	24,711,286
Total loans and advances	6,575,354,012	4,983,138,643
7.3 Provision for credit loss expenses		
Balance as at 01 January	288,971,647	130,419,790
Provisions made during the year	127,916,750	141,652,937
Charged against interest in suspense (as required by CBSL)	(129,259)	16,898,920
Balance as at 31 December	416,759,138	288,971,647

Notes to the Financial Statements

	2021 Rs.	2020 Rs.
7. LOANS AND ADVANCES (Contd...)		
7.4 Maturity analysis of instalments receivable on loans and advances		
Less than 1 year	3,006,254,050	2,235,339,763
1 to 2 years	2,120,296,730	1,822,197,570
2 to 3 years	1,594,010,940	1,336,290,942
3 to 4 years	1,125,141,503	784,192,160
4 to 5 years	655,415,911	319,232,012
More than 5 years	42,475,029	5,308,369
	8,543,594,163	6,502,560,816
Less: Unearned interest income	(1,942,928,056)	(1,633,777,605)
Gross instalments receivable	6,600,666,107	4,868,783,211
Overdue instalments receivable	354,108,482	378,615,792
Loans against fixed deposits	37,338,561	24,711,286
Less : Provision for credit loss expenses	(416,759,138)	(288,971,646)
Balance as at 31 December	6,575,354,012	4,983,138,643

7.5 Assumptions used and sensitivity analysis

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change etc. are monitored and reviewed on quarterly basis.

Forward-looking economic assumptions - The most significant period-end assumptions used for ECL estimate as at 31 December 2021 are set out below.

The Company assumes that there is a direct relationship between the economy of the country and the Company default probabilities.

	Sensitivity on provision for impairment losses	
	1% Increase	1% Decrease
GDP Growth (%)	(54,084)	172,749
Inflation (YoY Average)	96,581	(127,929)
Interest Rate (PLR)	658,601	(562,091)
Exchange Rate-YE (US\$:Rs.)	86,494	(91,371)
Unemployment (% of Labor Force)	1,689,046	(3,982,128)

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

7.6 Capital outstanding on non-performing assets as at 31.12.2021 amounts to Rs.276,898,114 (As at 31.12.2020 amounts to Rs. 279,622,795).

7.7 Motor vehicles and equipment are held as collaterals against loans and advances.

	Holding %	No of shares		2021	2020
		2021	2020	Rs.	Rs.

8. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Unquoted Investments

Credit Information Bureau of Sri Lanka	0.04%	100	100	2,100,826	2,098,266
				2,100,826	2,098,266

Unquoted equity investment includes shares of Credit Information Bureau of Sri Lanka which is carried at fair value based on adjusted net asset based valuation method.

8.1 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2020 and 31 December 2021:

Opening balance as at 1 January 2020	1,981,382
Acquisitions	-
Gains recognised in other comprehensive income	116,884
Closing balance as at 31 December 2020	2,098,266
Acquisitions	-
Gains recognised in other comprehensive income	2,560
Closing balance as at 31 December 2021	2,100,826

8.2 Valuation inputs and relationship to fair value

The following table summaries the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value		Unobservable input / Valuation technique	Range of inputs		Relationship of unobservable inputs to fair value
	2021	2020		2021	2020	
Unlisted equity securities	2,100,826	2,098,266	Adjusted net assets value per share	21,008	20,983	2020: increasing / decreasing adjusted net assets per share by 5% would change the fair value by Rs. 105,041. 2021: increasing / decreasing adjusted net assets per share by 5% would change the fair value by Rs. 104,913.

Notes to the Financial Statements

8.3 Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

	2021 Rs.	2020 Rs.
Gains/(losses) recognised in other comprehensive income		
Related to equity investments	2,560	116,884
Dividends from equity investments held at FVOCI recognised in profit or loss in other operating income (see Note 24)	240,000	320,000

9. DEBT INSTRUMENTS AT AMORTISED COST

Quoted Investments

Government Debt Securities	13,991,191	22,496,598
Treasury Bills Repurchases	456,762,102	736,728,129
	470,753,293	759,224,727

	As at 01.01.2021 Rs.	Additions during the year Rs.	As at 31.12.2021 Rs.
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10. PROPERTY, PLANT & EQUIPMENT

As at 31 December 2021

Cost

Computer Equipment	45,009,815	340,784	45,350,599
Office Equipment	30,826,832	1,313,231	32,140,063
Furniture & Fittings	18,208,810	754,683	18,963,493
Motor Vehicles	85,000	-	85,000
Motor Vehicles on Hire	19,620,536	-	19,620,536
Fixtures	36,805,972	3,001,249	39,807,221
	150,556,965	5,409,947	155,966,912

Depreciation

Computer Equipment	43,212,811	1,375,328	44,588,139
Office Equipment	26,584,094	1,839,884	28,423,978
Furniture & Fittings	15,760,719	1,176,761	16,937,480
Motor Vehicles	85,000	-	85,000
Motor Vehicles on Hire	19,620,536	-	19,620,536
Fixtures	25,589,110	3,647,237	29,236,347
	130,852,270	8,039,210	138,891,480

	As at 01.01.2021 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2021 Rs.
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Capital Work In Progress

Capital Work In Progress	1,253,496	9,637,622	(1,253,496)	9,637,622
	1,253,496	9,637,622	(1,253,496)	9,637,622

	As at 01.01.2020 Rs.	Charge for the year Rs.	As at 31.12.2020 Rs.	
10. PROPERTY, PLANT & EQUIPMENT (Contd...)				
As at 31 December 2020				
Cost				
Computer Equipment	44,764,815	245,000	45,009,815	
Office Equipment	29,071,349	1,755,483	30,826,832	
Furniture & Fittings	18,130,784	78,026	18,208,810	
Motor Vehicles	85,000	-	85,000	
Motor Vehicles on Hire	19,620,536	-	19,620,536	
Fixtures	30,368,900	6,437,072	36,805,972	
	142,041,384	8,515,581	150,556,965	
Depreciation				
Computer Equipment	40,676,174	2,536,637	43,212,811	
Office Equipment	23,975,047	2,609,047	26,584,094	
Furniture & Fittings	14,308,840	1,451,879	15,760,719	
Motor Vehicles	85,000	-	85,000	
Motor Vehicles on Hire	19,620,536	-	19,620,536	
Fixtures	22,195,746	3,393,364	25,589,110	
	120,861,343	9,990,927	130,852,270	
	As at 01.01.2020 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2020 Rs.
Capital Work In Progress				
Capital Work In Progress	2,496,095	6,343,554	(7,586,153)	1,253,496
	2,496,095	6,343,554	(7,586,153)	1,253,496
		2021 Rs.	2020 Rs.	
Written Down Value				
Computer Equipment		762,460	1,797,004	
Office Equipment		3,716,085	4,242,738	
Furniture & Fittings		2,026,013	2,448,091	
Fixtures		10,570,874	11,216,862	
		17,075,432	19,704,695	
Capital Work In Progress		9,637,622	1,253,496	
		26,713,054	20,958,191	

Notes to the Financial Statements

- 10.1** During the financial year, Company acquired plant & equipment to the aggregate value of Rs.13,794,073 (2020 - Rs.7,272,982). Cash payments amounting to Rs.13,794,073 (2020 - Rs.7,272,982) were made during the year for purchase of plant & equipment.
- 10.2** Gross carrying amount of fully depreciated Property, Plant and Equipment still in use is Rs.127,960,630/- (2020 - Rs.100,174,739/-)
- 10.3** None of the Property, Plant and Equipment have been pledged as securities borrowings as at the reporting date.

As at 31 December 2021	As at 01.01.2021 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2021 Rs.
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11. INTANGIBLE ASSETS

Cost/Carrying Value

Computer Software	73,320,660	-	-	73,320,660
	73,320,660	-	-	73,320,660

Amortization	As at 01.01.2021 Rs.	Amortization during the year Rs.	Disposals during the year Rs.	As at 31.12.2021 Rs.
Computer Software	72,576,332	481,982	-	73,058,314
	72,576,332	481,982	-	73,058,314

Written Down Value	2021 Rs.	2020 Rs.
Computer Software	262,346	744,328
	262,346	744,328

As at 31 December 2020	As at 01.01.2020 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2020 Rs.
Cost/Carrying Value	73,320,660	-	-	73,320,660
Computer Software	73,320,660	-	-	73,320,660

Amortization	As at 01.01.2020 Rs.	Amortization during the year Rs.	Disposals during the year Rs.	As at 31.12.2020 Rs.
Computer Software	70,945,049	1,631,283	-	72,576,332
	70,945,049	1,631,283	-	72,576,332

Written Down Value	2020 Rs.	2019 Rs.
Computer Software	744,328	2,375,611
	744,328	2,375,611

11.1 During the financial year, Company has not acquired intangible assets (2020 - Rs. Nil). Therefore no cash payments have been made during the year.

11.2 Gross carrying amount of fully depreciated intangible assets still in use is Rs. 71,776,205 (2020 - Rs. 68,553,542).

	2021 Rs.	2020 Rs.
12. LEASES		
12.1 Amounts recognised in the statement of financial position		
Right-of-use assets		
Buildings		
Balance as at 01 January	73,236,739	75,828,734
Additions during the year	49,219,905	26,441,300
Amortisation during the year	(30,191,200)	(29,033,295)
Balance as at 31 December	92,265,444	73,236,739
Lease liabilities		
Balance as at 01 January	73,514,101	73,942,968
Additions during the year	50,392,849	24,317,300
Payments during the year	(36,617,485)	(34,217,171)
Interest on lease liabilities	10,051,059	9,471,004
Balance as at 31 December	97,340,524	73,514,101
Current	(26,993,182)	23,071,823
Non-current	(70,347,342)	50,442,278
	97,340,524	73,514,101

The additions to the right-of-use assets during the year is Rs.50,449,744/- (2020-Rs. 26,441,299/-)

12.2 Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 Rs.	2020 Rs.
Depreciation charge of right-of-use assets		
Buildings	30,191,200	29,033,295
Interest on Lease Liability	10,051,059	9,471,004
The total cash outflow for leases	36,617,485	34,217,171
12.3 Maturity Analysis of undiscounted cash flows of Lease Liability		
Less than 1 year	35,321,907	30,781,228
1 to 5 years	78,489,184	56,501,840
More than 5 years	3,167,042	2,270,244
	116,978,133	89,553,312

12.4 Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension and termination options held are exercisable only by the Company and not by the respective lessor.

Notes to the Financial Statements

12.5 Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

	2021 Rs.	2020 Rs.
13. TRADE & OTHER PAYABLES		
Trade creditors - Related (13.1)	580,738	3,300,668
- Non-related	30,274,046	61,418,317
Other payables - Related (13.2)	17,300,963	34,134,038
- Non-related - Advances received from customers	143,094,123	143,154,524
- Non-related - Others	242,451,241	159,325,967
	433,701,111	401,333,514

13.1 Trade creditors - Related parties	Relationship		
Associated Motorways (Pvt) Limited	Parent	580,738	1,755,668
Associated Motor (Lanka) Limited	Other Related Party	-	1,545,000
		580,738	3,300,668

13.2 Other payables - Related parties	Relationship		
Interest payable on current account- Associated Motorways (Pvt) Ltd	Parent	-	771,817
Other Payable - Associated Motorways (Pvt) Ltd.	Parent	3,157,274	7,560,827
Other Payable - Orient Insurance Limited	Other Related Party	1,480,291	1,480,291
Insurance Payable - Orient Insurance Limited	Other Related Party	12,663,398	24,321,103
		17,300,963	34,134,038

14. TIME DEPOSITS		
Balance as at 01 January	1,999,690,720	2,133,491,234
Fixed deposits during the year	748,851,615	710,992,903
Interest capitalized for renewals	64,264,181	77,108,933
Top up's (additions by customer to original deposit)	6,541,071	50,453,360
Withdrawals during the year	(725,828,835)	(972,355,710)
Balance as at 31 December	2,093,518,751	1,999,690,720
Interest payable	81,548,888	100,172,798
Balance as at 31 December	2,175,067,640	2,099,863,518

15. AMOUNT DUE TO RELATED PARTIES	Relationship	Interest Rate	Repayment		
Associated Motorways (Pvt) Limited	Parent	AWPLR + 1%	No fixed terms	-	99,336,769
				-	99,336,769

Amount due to related parties includes, internal cost allocations and trade transactions

16. INTEREST BEARING BORROWINGS

	2021		2021		2020			
	Within One Year	After One Year	2021	2021	Total	Total		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Securitization Loan (16.1)	563,038,886	1,267,857,144	1,830,896,030	3,011,583,067				
Short Term Loan (16.2)	1,409,542,749	-	1,409,542,749	-				
	1,972,581,636	1,267,857,144	3,240,438,779	3,011,583,067				
	As at 01.01.2021	Loans Obtained	Accrued Interest	Repayment	As at 31.12.2021	Term of the Loan	Interest Rate	Security Offered
	Rs.	Rs.	Rs.	Rs.	Rs.			
16.1 Securitization Loan								
Securitization (NDB) 1500 M	1,853,217,706	-	23,326,583	535,794,109	1,340,750,180	60 months	IRR at 10.70%	Lease Portfolio
Securitization (HNB) 1500 M	1,158,365,362	-	89,888,350	758,107,862	490,145,850	60 months	AWPLR + (2.25%-2.75%)	Auto Loan Portfolio
	3,011,583,068	-	113,214,933	1,293,901,971	1,830,896,030			
16.2 Short Term Loan								
Hatton National Bank	-	500,000,000	9,542,749	-	509,542,749	12 Months	AWPLR + 1.5%	Auto Loan Portfolio
National Development Bank	-	900,000,000	-	-	900,000,000	12 Months	8.55% to 9.20%	Auto Loan Portfolio
	-	1,400,000,000	9,542,749	-	1,409,542,749			
Bank Name	Type of Facility	Interest Rate	Rs.	Security offered				
16.3 Unutilised Funding Facilities								
Commercial Bank	Over Draft	AWPLR + 2.5%	-	No Securities				
Hatton National Bank	Contingency Fund	AWPLR + 1%	500,000	Auto Loan Portfolio				
			500,000	500,000				

Notes to the Financial Statements

	2021 Rs.	2020 Rs.
17. INCOME TAX PAYABLE		
Balance as at 01 January	288,440,892	195,354,555
Provision for the year	221,511,709	246,033,116
Over/(Under) provision in respect of previous year	(40,656,749)	(3,360,002)
	469,295,853	438,027,669
Payments made during the year	(241,478,680)	(146,688,633)
	-	(2,898,144)
ESC set-off against income tax payable	-	(2,898,144)
Balance as at 31 December	227,796,747	288,440,892

18. DEFERRED TAX		
Balance as at the beginning of the year	69,929,392	136,719,982
Provision/ (reversal) made during the year	(111,074,516)	(66,174,430)
Charge/(Reversal) for the year through Statement of Other Comprehensive Income	1,807,574	(616,160)
Balance as at 31 December	(39,337,550)	69,929,392

18.1 DEFERRED TAX LIABILITY

The closing deferred tax liability balance relates to the following

Accelerated depreciation for tax purposes	1,006,901	2,473,516
Future rentals receivable - Lease	27,974,269	96,454,750
Employee benefit obligations	(7,166,464)	(9,517,559)
Expected credit loss expenses	(61,278,339)	(20,123,979)
Fair value gain/(loss) on equity instruments	484,902	565,002
Right-of-use assets	(1,218,019)	77,662
Provision - Sales promotion	859,200	Nil
	(39,337,550)	69,929,392

	2021		2020	
	Temporary Difference	Deferred Tax	Temporary Difference	Deferred Tax
18.2 Composition of deferred tax assets and liabilities				
Deferred tax liabilities				
	4,195,423	1,006,901	8,833,988	2,473,517
Equity securities - FVOCI	2,020,426	484,902	2,017,866	565,002
Future rentals receivable - Lease	116,559,452	27,974,269	344,481,249	96,454,750
Provision - Sales promotion	3,580,000	859,200	Nil	Nil
	-	-	-	-
Deferred tax assets				
Retirement benefit obligations	(29,860,267)	(7,166,464)	(33,991,294)	(9,517,562)
Provision for expected credit loss expenses	(255,326,413)	(61,278,339)	(71,871,354)	(20,123,979)
Right-of-use assets	(5,075,080)	(1,218,019)	277,363	77,662
	(163,906,459)	(39,337,550)	249,747,818	69,929,392

Deferred tax has been computed according to the provisions of the Inland Revenue Act No. 24 of 2017. The Company is liable to income tax at 24% (2020: 28%) per annum on taxable profits.

	2021 Rs.	2020 Rs.
19. EMPLOYEE BENEFIT OBLIGATION		
Balance as at 01 January	33,991,295	29,152,744
Current service cost	5,535,034	4,673,548
Interest for the year	2,057,198	2,582,840
Benefits paid	(3,857,953)	(4,735,296)
Actuarial (gain)/loss	(7,865,308)	2,317,459
Balance as at 31 December	29,860,266	33,991,295

Employee Benefit Plan of the Company is not externally funded.

The employee benefit obligations is based on the actuarial valuation carried out as at 31 December 2021 by Milliman Limited. The principal assumptions used in determining the cost of employee benefits were:

	2021	2020
a) Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)	10.60%	6.60%
b) Future salary increase	5%	8%
c) Staff turnover	20.00%	20.00%
d) Retirement age	As per government regulations	As per government regulations

e) Company will continue as a going concern

In addition to the above, demographic assumptions such as mortality, withdrawal and disability and retirement age were considered for the Actuarial Valuation. "A67/07 Mortality Table" issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the Company.

	2021		2020	
A sensitivity was carried out as follows.				
Effect on the present value of Defined Benefit Obligation	+1%	-1%	+1%	-1%
One percentage point change in the discount rate	(1,048,311)	1,130,206	(1,394,244)	1,522,537
One percentage point change in the salary escalation rate	1,162,886	(1,096,411)	1,497,282	(1,397,985)

Information about maturity profile of the defined benefit obligations

	2021 Rs.	2020 Rs.
Future Working Life Time		
Within the next 12 months	5,118,104	5,174,790
Between 1-5 years	15,736,020	16,400,228
Between 5-10 years	6,463,941	8,317,885
Beyond 10 years	2,971,391	4,098,392
	29,860,266	33,991,295

The employee defined benefit comprises the gratuity provided under the payment of Gratuity Act No.12 of 1983.

Notes to the Financial Statements

	2021 Rs.	2020 Rs.
20. STATED CAPITAL		
Number of ordinary shares issued and fully paid	20,000,000	20,000,000
Balance as at 01 January	200,000,000	200,000,000
Balance as at 31 December	200,000,000	200,000,000

21. STATUTORY RESERVE FUND		
Balance as at 01 January	146,885,374	132,480,339
Transfers during the year	18,150,215	14,405,035
Balance as at 31 December	165,035,589	146,885,374

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.

	2021 Rs.	2020 Rs.
22. INTEREST INCOME		
Leases	428,741,834	649,505,732
Hire purchases	475,195	1,210,415
Term loans	917,191,456	932,354,888
FD loan interest	3,463,827	4,677,335
Interest income on debt instruments at amortized cost	28,430,998	48,535,840
	1,378,303,310	1,636,284,210

23. INTEREST EXPENSES		
Related party current account	1,137,010	52,299,021
Securitization loan	301,118,684	382,665,451
Bank borrowings	24,416,701	190,947
Interest on time deposits	174,706,353	230,228,165
Interest on lease liabilities	10,051,059	9,471,004
	511,429,807	674,854,588

24. OTHER OPERATING INCOME		
Overdue interest income	46,928,931	47,216,724
Profit from pre-termination	214,276,301	157,484,076
Dividend income	240,000	320,000
Commission from insurance	50,774,375	51,356,925
Income from additional charges	44,827,708	18,928,418
Bank charges claimed on cheque returns	668,141	306,948
Rental income - Related party	907,500	20,000
Administration income - Related party	-	90,000
Other income	12,763	16,498,461
	358,635,719	292,221,552

25. CREDIT LOSS EXPENSE

The table below shows the ECL charges on financial instruments for the year recorded in the income statement.

	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
Portfolio as of 31.12.2021					
Loans and advances					
Motor car	4,143,320,524	1,047,280,309	379,390,092	413,427,713	5,983,418,637
Other	563,249,506	185,808,627	55,191,119	71,119,607	875,368,860
Lease and hire purchase					
Motor car	516,130,888	116,351,540	48,217,895	71,978,001	752,678,324
Motor cycle	230,129,959	102,899,096	56,537,632	159,787,781	549,354,469
Motor tricycle	64,290,716	28,974,817	20,887,172	25,040,252	139,192,958
Other	555,662,303	196,891,203	70,483,445	260,013,507	1,083,050,458
Total portfolio as of 31.12.2021	6,072,783,896	1,678,205,592	630,707,356	1,001,366,861	9,383,063,705
Portfolio as of 31.12.2020					
Loans and advances					
Motor car	2,480,653,348	1,249,657,228	676,244,830	249,723,955	4,656,279,362
Other	277,625,239	159,798,041	98,074,545	54,807,992	590,305,818
Lease and hire purchase					
Motor car	994,254,232	278,351,066	160,861,092	86,450,789	1,519,917,179
Motor cycle	436,594,412	217,087,090	155,661,455	176,792,716	986,135,673
Motor tricycle	38,396,965	25,887,103	14,619,939	22,849,656	101,753,662
Other	233,434,646	165,102,790	83,767,232	161,598,149	643,902,818
Total Portfolio as of 31.12.2020	4,460,958,842	2,095,883,318	1,189,229,094	752,223,257	8,498,294,511
Impairment Allowance and Credit Loss Expense					
Impairment allowance as at 31st December 2019	30,307,655	20,204,394	29,908,780	404,112,801	484,533,630
Loans and advances					
Motor car	(191,610)	984,241	15,648,873	122,954,004	139,395,508
Other	(981,651)	(719,128)	1,468,175	18,713,019	18,480,415
Lease and hire purchase					
Motor car	(710,611)	(773,862)	3,263,266	15,023,489	16,802,282
Motor cycle	(2,693,430)	(1,729,935)	6,285,974	63,003,395	64,866,004
Motor tricycle	(135,486)	(37,068)	722,166	(95,343)	454,270
Other	(3,574,462)	679,398	10,881,951	10,380,251	18,367,137
Total impairment loss for the year ended 31.12.2020	(8,287,250)	(1,596,354)	38,270,405	229,978,815	258,365,615

Notes to the Financial Statements

	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
25. CREDIT LOSS EXPENSE (Contd...)					
Write-off during the year	-	-	-	-	-
Impairment charge/(reversal) for other financial assets/ other non-financial assets	-	-	-	12,172,751	12,172,751
Credit loss expense for the year ended 31.12.2020	(8,287,250)	(1,596,354)	38,270,405	242,151,566	270,538,366
Charged against interest in suspense (as required by CBSL)				27,051,423	27,051,423
Impairment allowance as at 31st December 2020	22,020,404	18,608,040	68,179,185	673,315,789	782,123,419
Loans and advances					
Motor car	3,707,977	(80,620)	(10,631,518)	116,280,374	109,276,213
Other	811,352	525,268	(2,438,153)	19,663,332	18,561,799
Lease and hire purchase					
Motor car	(698,890)	(431,152)	(4,406,323)	1,062,860	(4,473,505)
Motor cycle	(2,140,656)	(805,340)	(7,867,299)	8,086,038	(2,727,256)
Motor tricycle	113,705	26,768	114,560	4,287,367	4,542,400
Other	6,934,398	5,282,634	6,093,778	13,255,421	21,509,507
Total impairment loss for the year ended 31.12.2021	8,727,886	4,517,558	(19,134,955)	162,635,392	156,745,881
Write-off during the year	-	-	-	18,253,022	18,253,022
Impairment charge/(reversal) for other financial assets/ other non-financial assets				(1,584,062)	(1,584,062)
Credit Loss Expense for the year ended 31.12.2021	8,727,886	4,517,558	(19,134,955)	179,304,352	173,414,841
Charged against Interest in Suspense (as required by CBSL)				1,411,010	1,411,010
Impairment Allowance as at 31st December 2021	30,748,290	23,125,598	49,044,231	835,778,129	928,639,525

	2021 Rs.	2020 Rs.
26. PROFIT BEFORE TAXATION		
is stated after charging :		
Staff salaries	176,669,833	162,510,291
Defined contribution plan cost - EPF & ETF	25,888,646	25,786,460
Directors' emoluments and key managerial persons' remuneration	66,044,851	30,867,265
Auditors' remuneration		
- Audit	1,832,688	1,440,000
- Non-Audit	432,718	340,000
Management Fees	1,232,000	1,200,000
Defined benefit plan - expense	7,592,232	7,256,388
Provision for impairment losses	173,414,841	270,538,366
Depreciation & amortization	38,712,393	40,655,505
27. INCOME TAX		
The major components of income tax expense for the years ended 31 December are as follows :		
	2021 Rs.	2020 Rs.
Current income tax		
Current income tax charge (27.1)	180,854,960	242,673,114
Deferred income tax		
Deferred taxation charge / (reversal) (27.2)	(111,074,516)	(66,174,430)
Income tax expense reported in the income statement	69,780,444	176,498,684
Income tax expense recognised in other comprehensive income		
Charge / (reversal) on deferred tax	1,807,574	(616,160)
	1,807,574	(616,160)
27.1 Reconciliation of accounting loss to income tax expense		
Profit /(Loss) before taxation	432,785,788	464,599,384
Disallowable expense	738,136,859	1,264,716,224
Allowable expenses	(247,717,191)	(850,305,907)
Taxable Profit /(Tax loss) for the year	923,205,456	879,009,700
Business profit for the year	923,205,456	879,009,700
Non-business income	240,000	320,000
Tax loss utilized for the year	-	-
Taxable income	922,965,456	878,689,700
Current income tax expense	221,511,709	246,033,116
Under /(over) provision in respect of previous year	(40,656,749)	(3,360,002)
Current tax @ 24%	180,854,960	242,673,114
Deferred tax	(111,074,516)	(66,174,430)
Income tax expense	69,780,445	176,498,684
Tax losses carried forward		
Tax losses brought forward	Nil	Nil
Adjustment to brought forward loss	Nil	Nil
Tax losses during the year	Nil	Nil
Tax losses utilized for the year	Nil	Nil
Tax losses carried forward	Nil	Nil

Notes to the Financial Statements

	2021		2020	
	Value Rs.	Tax at 24% Rs.	Value Rs.	Tax at 28% Rs.
27. INCOME TAX (Contd...)				
27.2 A reconciliation between tax expense and the product of accounting profit				
Profit before tax	432,785,788	103,868,589	464,599,384	130,087,827
Aggregate accounting profit	432,785,788	103,868,589	464,599,384	130,087,827
Aggregated disallowed expenses	738,136,859	177,152,846	1,264,716,224	354,120,543
Aggregated allowed expenses	(247,717,191)	(59,452,126)	(850,305,907)	(238,085,654)
Adjusted profit	923,205,456	221,569,309	879,009,700	246,122,716
Taxable income	923,205,456	2221,569,309	879,009,700	246,122,716
Income tax at the rate of 24% on taxable income (2020 -28%)	221,511,709		246,033,116	
Under /(over) provision in respect of previous year	(40,656,749)		(3,360,002)	
Current tax on profit for the year	180,854,960		242,673,114	
Deferred tax charge for the year	(111,074,516)		(66,174,430)	
Tax expense for the year	69,780,444		176,498,684	
At the effective Income Tax Rate of 51% (2020-51.65%)				

	2021 Rs.	2020 Rs.
27.3 Deferred Tax		
Income statement		
Deferred tax arising from		
Accelerated depreciation for tax purposes	(1,466,615)	92,593,297
Future rental receivable	(68,480,481)	(137,487,493)
Employee benefit obligation	(1,972,620)	(705,903)
Right-of-use assets and lease liabilities	1,140,358	(450,352)
Expected credit loss expenses	(41,154,358)	(20,123,979)
Provision - Sales promotion	859,200	-
	(111,074,516)	(66,174,430)
Other comprehensive income		
Actuarial gain/loss on employee benefit obligations	1,887,674	(648,888)
Fair value gain/(loss) on equity instruments	(80,100)	32,728
	1,807,574	(616,160)
	(109,266,942)	(66,790,590)

Income tax has been computed according to the provisions of the Inland Revenue Act No. 24 of 2017. The Company is liable to income tax at 24% (2020: 28%) per annum on taxable profits.

28. BASIC EARNINGS PER SHARE

28.1 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.

28.2 The following reflects the income and share capital data used in the basic earnings per share computation.

	2021 Rs.	2020 Rs.
Amounts used as the numerators:		
Net profit attributable to ordinary shareholders	363,005,344	288,100,700
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
28.3 Basic /diluted earnings per share	18.15	14.41

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

	2021 Rs.	2020 Rs.
29. DIVIDEND PER SHARE		
Declared and paid during the year	-	-
Dividend per share	-	-

30. CAPITAL COMMITMENTS AND CONTINGENCIES

There were no material capital commitments, which require adjustment to or disclosure in the financial statements as at reporting date.

31. 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.

Notes to the Financial Statements

	2021 Rs.	2020 Rs.
32. RELATED PARTY DISCLOSURES		
32.1 Transaction with Related Entities		
Associated Motorways (Private) Limited - Parent		
Transactions during the period		
Management fees paid	1,232,000	1,200,000
Rent paid	7,957,500	10,442,900
Interest paid	1,137,010	52,299,021
Fees paid for repair services	177,099	672,265
Salary reimbursements	395,600	2,540,000
Inter Company vehicle purchases	732,308,052	700,302,385
	743,207,261	767,456,571
Rental income received	907,500	20,000
Administration income received	-	90,000
	907,500	110,000
Amounts Due to		
Trade creditors	580,738	3,300,668
Loans and accrued interest payable	-	771,817
Current account with parent	-	99,336,769
Other payable	3,157,274	7,560,827
	3,738,012	110,970,080
Associated Motor (Lanka) Company Limited - Affiliate		
Transactions during the period		
Inter Company vehicle purchases	58,475,185	14,586,999
Amounts Due to		
Trade creditors	-	1,484,000
Orient Insurance Limited - Other Related Company		
Transactions during the Year		
Insurance commission income	26,730,818	23,257,623
Insurance premiums paid on fixed assets insured	2,238,062	1,363,336
	28,968,880	24,620,959
Amounts Due to		
Insurance premium payable	12,663,398	24,321,103
	12,663,398	24,321,103
Fixed deposit	200,000,000	220,703,233

	2021 Rs.	2020 Rs.
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32. RELATED PARTY DISCLOSURES (Contd...)

32.2 Transactions with Key Management Personnel and Close Family Members of Key Managerial Personnel

Transactions with Key Management Personnel		
Directors emoluments and key managerial persons' remuneration	66,044,851	30,867,265
Deposit made	-	-
Deposits withdrawn	-	-

	31.12.2021 Rs.	31.12.2020 Rs.
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Amounts Due To Key Management Personnel		
Fixed Deposits	4,919,728	-

	2021 Rs.	2020 Rs.
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Transactions with Close Family Members of the Key Management Personnel		
Fixed deposits made	2,390,719	400,000
Fixed deposits withdrawn	-	-

Amounts Due to Close Family Members of the Key Management Personnel		
Fixed deposit	2,390,719	400,000

32.3 Terms and Conditions of Transactions with Related Parties

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

Notes to the Financial Statements

34. 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		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	428,741,834	649,505,732	475,195	1,210,415	920,655,283	937,032,223	28,430,998	48,535,840	1,378,303,310	1,636,284,210
Other operating income	111,558,998	97,556,943	123,646	190,746	239,555,305	140,597,297	7,397,770	53,876,567	358,635,719	292,221,552
Total revenue	540,300,831	747,062,675	598,841	1,401,161	1,160,210,588	1,077,629,520	35,828,768	102,412,407	1,736,939,029	1,928,505,762
Interest expenses	(119,184,467)	(245,149,953)	(74,486)	(104,374)	(392,170,854)	(429,600,260)	-	-	(511,429,807)	(674,854,588)
Depreciation and amortization	-	-	-	-	-	-	(38,712,393)	(40,655,505)	(38,712,393)	(40,655,505)
Unallocated expenses	-	-	-	-	-	-	(580,596,200)	(477,857,919)	(580,596,200)	(477,857,919)
Credit loss expense	(21,268,749)	(125,164,509)	2,416,341	2,722,292	(127,916,751)	(144,151,444)	(26,645,682)	(3,944,705.24)	(173,414,841)	(270,538,366)
Profit before tax									432,785,788	464,599,384
Taxation									(69,780,444)	(176,498,684)
Profit after tax									363,005,344	288,100,700
Segment assets	1,995,004,328	2,843,965,902	1,246,814	1,210,839	6,564,467,443	4,983,759,841	-	-	8,560,718,585	7,828,936,582
Unallocated assets	-	-	-	-	-	-	1,012,336,862	1,318,470,691	1,012,336,862	1,318,470,691
Total assets	1,995,004,328	2,843,965,902	1,246,814	1,210,839	6,564,467,443	4,983,759,841	1,012,336,862	1,318,470,691	9,573,055,447	9,147,407,274
Segment liabilities	1,302,234,813	2,252,554,539	813,855	1,692,201	4,284,942,099	3,542,015,928	-	-	5,587,990,767	5,796,262,668
Unallocated liabilities	-	-	-	-	-	-	660,800,724	395,946,287	660,800,724	395,946,287
Total liabilities	1,302,234,813	2,252,554,539	813,855	1,692,201	4,284,942,099	3,542,015,928	660,800,724	395,946,287	6,248,791,490	6,192,208,955

35. 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.

	2021			2020		
	Less than 12 months Rs.	Over 12 months Rs.	Total Rs.	Less than 12 months Rs.	Over 12 months Rs.	Total Rs.
Assets						
Cash and bank	288,455,180	-	288,455,180	432,495,187	-	432,495,187
Other financial assets	80,331,811	-	80,331,811	73,533,687	-	73,533,687
Other non-financial assets	27,480,153	15,926,044	43,406,197	957,998	3,944,706	4,902,704
Rentals receivable on lease and hire purchase assets	745,506,552	1,208,569,182	1,954,075,734	1,318,469,299	1,478,605,504	2,797,074,803
Loans and advances	2,114,376,574	4,460,977,437	6,575,354,012	1,594,087,985	3,389,050,658	4,983,138,643
Equity instruments at fair value through other comprehensive income	470,753,293	-	470,753,293	-	2,098,266	2,098,266
Debt instruments at amortised cost	-	2,100,826	2,100,826	745,638,865	13,585,862	759,224,727
Deferred tax assets	-	39,337,550	39,337,550	-	-	-
Property, plant & equipment	-	26,713,054	26,713,054	-	20,958,191	20,958,191
Intangible assets	-	262,346	262,346	-	744,328	744,328
Right-of-use assets	29,012,227	63,253,217	92,265,444	25,236,975	47,999,764	73,236,739
As at 31 December	3,755,915,790	5,817,139,656	9,573,055,447	4,190,419,996	4,956,987,278	9,147,407,274
Liabilities						
Bank overdraft	44,565,998	-	44,565,998	114,216,408	-	114,216,408
Trade & other payables	433,701,111	-	433,701,111	401,333,514	-	401,333,514
Time deposits	225,988,921	2,448,394,121	2,674,383,042	1,730,458,363	369,405,155	2,099,863,518
Amounts due to related parties	-	-	-	99,336,769	-	99,336,769
Interest bearing borrowings	1,972,581,635	1,267,857,143	3,240,438,779	1,250,868,781	1,760,714,286	3,011,583,067
Lease liabilities	26,993,182	70,347,342	97,340,525	23,071,823	50,442,278	73,514,101
Provision for income tax	227,817,172	-	227,817,172	288,440,892	-	288,440,892
Deferred tax liabilities	-	-	-	-	69,929,392	69,929,392
Employee benefit obligations	-	29,860,266	29,860,266	-	33,991,294	33,991,294
As at 31 December	2,931,648,020	3,816,458,874	6,748,106,894	3,907,726,550	2,284,482,404	6,192,208,954

Notes to the Financial Statements

36. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2021 Rs.	2020 Rs.	
Rentals receivables	Bank Overdraft-Com Bank	288,995,102	261,001,970	Rentals Receivable on Lease Assets
Rentals receivables	Contingency Fund-HNB	619,776,518	702,370,948	Rentals Receivable on Auto Loan Assets
Rentals receivables	Securitization Loan- NDB	1,780,532,423	2,312,628,777	Rentals Receivable on Lease Assets
Rentals receivables	Securitization Loan- HNB	1,407,509,434	1,650,868,749	Rentals Receivable on Auto Loan Assets

The lender has the rights to the future rentals and collaterals relating to the rental receivables in case of a default by the Company.

37. 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 2021		31 December 2020	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Rentals receivable on lease and hire purchase assets	1,954,075,734	1,894,155,858	2,797,074,803	2,661,813,582
Loans and advances	6,575,354,012	6,539,017,820	4,983,138,642	4,895,690,501
Debt instruments at amortised cost	470,753,293	470,762,102	759,224,727	761,410,442
Total financial assets	9,000,183,039	8,903,935,779	8,539,438,172	8,318,914,525
Financial Liabilities				
Time Deposits	2,175,067,640	1,840,515,248	2,099,863,518	2,095,823,811
Amounts due to Related Parties	-	-	99,336,769	98,248,929
Interest Bearing Borrowings	3,240,438,779	3,155,139,797	3,011,583,067	2,843,562,475
Total Financial Liabilities	5,415,506,420	4,995,655,045	5,210,783,354	5,037,635,215

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

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

	2021			2020		
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets measured at amortised cost						
Rentals receivable on lease and hire purchase assets	-	1,894,155,858	-	-	2,661,813,582	-
Loans and advances	-	6,539,017,820	-	-	4,895,690,501	-
Debt instruments at amortised cost	470,762,102	-	-	761,410,442	-	-
Financial liabilities measured at amortised cost						
Time deposits	-	1,840,515,248	-	-	2,095,823,811	-
Amounts due to related parties	-	-	-	-	98,248,929	-
Interest bearing borrowings	-	3,155,139,797	-	-	2,843,562,475	-

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.

Notes to the Financial Statements

38. RISK MANAGEMENT OBJECTIVES AND POLICIES

38.1 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 wealth. The Company is primarily exposed to credit risk, interest rate risk, liquidity risk, operational risk and compliance 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.

Impact of COVID-19

On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. This note outlines the steps taken by AMWCL to estimate the impact of COVID-19 and the judgements applied by the management in assessing the values of assets and liabilities as at 31 December 2021.

Credit risk management

AMWCL is exposed to credit risk since it is the primary business of the Company. COVID-19 has severely impacted on income and repayment levels of existing and potential customers of AMWCL. The Company has to provide provisioning for the loan customers as per the SLFRS 9 framework which requires the estimation of Expected Credit Loss (ECL) based on current and forecasted economic conditions. In order to assess ECL under forecasted economic conditions, the Company utilizes a range of economic scenarios of varying severity, appropriate weightings to ensure that ECL estimates are representative of a range of possible economic outcomes.

AMWCL has reviewed the potential impact of the COVID-19 outbreak on the inputs and assumptions for the SLFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and continues to evolve. AMWCL is conducting frequent reviews of its financial assets of various customer segments with similar loss patterns, reviewing the weightings of forward-looking scenarios for each type of product continuously measuring the historical default rates. Accordingly, these reviews ensure that an accurate view of the Company's assessment of the ECL on its financial assets.

The Company has granted a moratorium to loan customers as directed by the Central Bank of Sri Lanka (CBSL). Further, AMWCL has used several risk mitigation strategies to reduce credit risk of the Company such as restructured credit facilities to reduce the impact to the customers while reducing credit risk. During 2020, the Company was able to manage credit risk at acceptable level and maintain NPA ratio well below the industry average.

Liquidity risk management

The effect of the COVID-19 outbreak on the liquidity and funding risk profile of the Company is being continuously monitored by the management. The Company calibrates stress testing scenarios based on current market conditions in order to assess the impact on the Company's liquidity. Further, AMWCL analyzed cash flow and maturity profile continuously to identify potential liquidity risk. The Company has a contingency funding arrangement with Banks who have higher credit rating scores. Contingency funding arrangement acts as a cushion during a liquidity crisis. In 2020, the Company has renegotiated with banks and was able to reduce interest rates, improved payment terms, increased funding arrangements to ensure adequate liquidity.

As a consequence, AMWCL has maintained a healthy liquidity position during the year and a positive net current asset position as at the date of the consolidated interim statement of financial position.

Operational risk management

The operational risks arisen from COVID-19 and AMWCL has taken several risk mitigation actions to reduce operational risk and ensure employees' health and safety. COVID-19 responses team was appointed to ensure employees' health and safety and all the employees were provided necessary safety equipment. In addition, staff awareness and education programs conducted by AMWCL. The Company has limited number of staff reported to work during the pandemic period and provided online access to work from home through Virtual Private Network (VPN) and ensure business continuity.

38.1.1 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, Head of Risk Management, GM-Credit & Operation, GM-Finance, GM Marketing, and Head of Internal Audit. The Committee has authority to invite any officer of the Company to the IRMC meeting. The IRMC acts as the second line defence of the Company.

The Risk Management Unit is responsible for implementing and maintaining risk related policies and procedures to ensure risk awareness culture is in place within the Company. The unit works closely with the IRMC to ensure that procedures are compliant with the overall framework.

38.1.2 Assets and Liability Committee (ALCO)

ALCO is chaired by the Chief Executive Officer. GM -Finance, GM-Credit & Operation, GM-Marketing, Head of Risk & Compliance and Head of Deposits are the other members of the ALCO. The Committee meets at least twice 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.

38.1.3 Credit Policy Committee

The Credit Policy Committee (CPC) is responsible for manage credit risk of the Company. The Committee is chaired by the GM-Credit and Operations. The Chief Executive Officer, GM -Finance, GM-Marketing, Head of Risk & Compliance and Head of Recovery are the members of the CPC. The Committee meets at least twice a month to monitor and manage to credit risk of the Company and decisions taken at CPC are referred to IRMC for ratification.

38.2 Credit Risk

38.2.1 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 policy 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

Concentration risk can arise from uneven distribution of exposures to its borrowers, products, sectors or geographical locations. Credit risk can be increased due to concentration risk faced by the Company. Concentration risk is assessed regularly by the Company and report to the IRMC to manage potential impact.

38.2.2 Portfolio analysis: Product-wise

The lending portfolio is primarily made up of finance leasing with 25.45% of exposure, with hire purchase and auto loans being 0.43% and 74.12% respectively as at 31 December 2021.

Notes to the Financial Statements

38.2.2.1 Exposure based on Product class

Product	As at 31 Dec 2021		As at 31 Dec 2020	
	Exposure Rs.Mn	%	Exposure Rs.Mn	%
Finance Leasing	2,387.91	25.45%	3,207.63	37.74%
Hire Purchase	40.38	0.43%	43.27	0.51%
Auto Loans	6,954.77	74.12%	5,247.40	61.75%
Total	9,383.06	100%	8,498.29	100%

38.2.2.2 Portfolio Analysis: Exposure Based on Asset type

The risk profile based on the asset class is monitored regularly basis to identify trends in the type of assets financed and the impact on 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 potential impact on the risk profile and expectations of stress to the quality of the portfolio.

Product	As at 31 Dec 2021		As at 31 Dec 2020	
	Exposure Rs.Mn	%	Exposure Rs.Mn	%
Motor Cars	6,739	72.11%	6,136	72.45%
Two Wheeler	620	6.45%	1,005	11.71%
Three Wheeler	156	1.66%	108	1.26%
Dual Purpose vehicles	1,213	12.97%	767	8.94%
Commercial vehicles	541	5.69%	339	3.95%
Working Capital Loans	18	0.09%	10	0.12%
Equipment	2	0.02%	4	0.04%
Agricultural Tractors	93	1.00%	130	1.51%
Total	9,383	100%	8,498	100%

38.2.2.3 Non-Performing Portfolio

Rs. Mn

As at 31 Dec	2021	2020
Non-Performing Portfolio	719	729
Total Advances	9,383	8,498
Non-performing %	7.66%	8.48%
Loan loss provisions	928.57	782.04

38.2.2.4 Impairment Assessment

For accounting purposes, the Company uses collective and individual impairment method and Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and Economic Factor Adjustment (EFA) are taken in to consideration. 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.

Impairment made at the end of reporting period, 31 December 2021 amounts to Rs. 928.57Mn.(2020 - Rs.782.04 Mn.)

38.2.2.5 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 Company uses collateral to mitigate its risks on financial assets. The collateral comes in various forms such vehicles, letters of guarantees and fixed deposit certificates. The fair value of collateral is generally assessed at the inception based on the guidelines issued by the Central Bank of Sri Lanka. To the extent possible, the Company uses active market data for valuing financial assets, held as collateral.

Repossession of collaterals is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and transparent manner through public auctions and the proceeds are used to reduce or recover the outstanding claims and the amount recovered in excess of the dues is refunded to the customer.

The following table shows the fair value of collateral and credit enhancements held by the Company as at 31st December 2021.

	Maximum Exposure to Credit Risk (Rs.)	Net Exposure to Credit Risk (Rs.)
Cash and cash equivalents (excluding cash in hand)	248,567,198	248,567,198
Other financial assets	80,331,811	80,331,811
Loans and receivables	8,529,429,746	428,834,027
Debt instruments at amortised cost	470,753,293	470,753,293
	9,329,082,048	1,228,486,329

Carrying Value of Financial Assets as at 31 December	2021 Rs.	2020 Rs.
Other financial assets	80,331,811	73,533,687
Cash and cash equivalents (excluding cash in hand)	248,567,198	393,679,533
Rentals receivable on lease and hire purchase assets	1,954,075,734	2,797,074,803
Loans and advances	6,575,354,012	4,983,138,643
Debt instruments at amortised cost	470,753,293	759,224,727
	9,329,082,048	9,006,651,393

Fair Value of collateral held and net exposure of credit impaired assets as at 31.12.2021	Fair Value of Collateral (Rs.)	Net Exposure to Credit Risk (Rs.)
Credit impaired assets	9,240,000	4,671,712

The collateral held as security on financial assets that are credit-impaired at the reporting date amounts to Rs. 9,240,000 and therefore, net exposure of those credit impaired assets as at 31.12.2021 is Rs.4,671,712.

Collateral details;

Nature of the Collateral	Quality of the Collateral	Loss Allowance
Moveable Property (Repossessed vehicles)	Good in condition	Impairment allowance made based on the CBSL direction for collateral.

There are no changes to Company's policy on collaterals.

There are no significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period;

Notes to the Financial Statements

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

38.2.3 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.

Age analysis of past due based on product class (Rs. '000)

As at 31 December 2021	Leases		Hire Purchase		Auto Loans		Total	
	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding
1- 29 days	12,798	417,755	-	-	28,585	1,531,830	41,383	1,949,585
30- 59 days	20,994	263,653	-	-	41,157	796,941	62,151	1,060,594
60- 89 days	20,802	144,909	-	-	34,030	404,616	54,832	549,525
90- 179 days	65,343	217,781	-	-	99,643	564,868	164,987	782,649
180- 365 days	38,183	45,873	-	-	33,144	65,999	71,327	111,872
Over 365 days	159,791	24,839	22,958	-	85,198	40,479	267,948	65,319
As at 31 December 2020	Leases		Hire Purchase		Auto Loans		Total	
Arrears Bucket	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding
1- 29 days	18,394	505,902	-	-	25,129	950,947	43,523	1,456,848
30- 59 days	30,898	362,741	-	-	43,541	735,509	74,439	1,098,250
60- 89 days	40,495	265,368	-	-	62,290	645,872	102,785	911,240
90- 179 days	96,070	316,174	-	-	99,995	576,974	196,064	893,148
180- 365 days	55,222	60,129	-	-	42,318	108,890	97,540	169,019
Over 365 days	247,171	27,491	43,232	-	105,343	38,154	395,746	65,645

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

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

As at 31 December 2021 ASSETS	Not Past due		Past due						Total	
	Rs.	Rs.	1-29 days	30- 59 days	60- 89 days	90- 179 days	180- 365 days	Over 365 days	Rs.	Rs.
Cash and Bank (Excluding Cash in Hand)	190,272	-	-	-	-	-	-	-	-	190,272
Other Financial Assets	80,332	-	-	-	-	-	-	-	-	80,332
Rentals Receivable on Lease and Hire	2,426,833	431	285	166	283	84	208	2,428,289		
Purchase Assets										
Less : Credit Loss Expenses	-	-	-	-	-	-	-	-	-	(474,213)
Loans and Advances	6,988,387	1,560	838	439	665	99	126	6,992,113		
Less : Credit Loss Expenses	-	-	-	-	-	-	-	-	-	(416,759)
Debt Instruments at Amortised Cost	470,753	-	-	-	-	-	-	470,753		
	10,156,576	1,991	1,123	604	948	183	333	9,270,787		
Past due										
As at 31 December 2020 ASSETS	Rs.	Rs.	1-29 days	30- 59 days	60- 89 days	90- 179 days	180- 365 days	Over 365 days	Total	Rs.
Cash and Bank (Excluding Cash in Hand)	352,021	-	-	-	-	-	-	-	352,021	
Other Financial Assets	73,534	-	-	-	-	-	-	-	73,534	
Rentals Receivable on Lease and Hire	1,141,474	524,296	393,639	305,863	412,244	115,351	317,894	3,210,761		
Purchase Assets										
Less : Impairment Charges	-	-	-	-	-	-	-	-	-	(453,821)
Loans and Advances	2,356,818	976,075	779,050	708,162	676,969	151,209	143,497	5,791,780		
Less : Impairment Charges	-	-	-	-	-	-	-	-	-	(288,972)
Debt Instruments at Amortised Cost	759,225	-	-	-	-	-	-	759,225		
	4,683,072	1,500,371	1,172,690	1,014,025	1,089,213	266,560	461,391	9,444,528		

Notes to the Financial Statements

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

38.3.1 Overview

Liquidity Risk arises when a financial institution is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due. 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.

The Company diversified funding sources and manage maturity mismatch to manage Liquidity Risk. Additionally future cash flows, funding requirement and liquidity is monitored regularly. The Company has a sound Contingency Funding Plan. There are committed lines of credit from Banks which could be drawn upon at short notice.

38.3.1.1 Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities (Rs:'000)

	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
As at 31 December 2021	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets							
Cash and bank	288,455	-	-	-	-	-	288,455
Other financial assets	-	61,380	18,952	-	-	-	80,332
Rentals receivable on lease and hire purchase assets	43,868	206,697	797,870	1,155,578	317,023	423	2,521,459
Loans and advances	104,603	479,742	2,421,909	3,714,308	1,780,557	42,475	8,543,594
Debt instrument at amortised cost	370,753	100,000	-	-	-	-	470,753
Total undiscounted financial assets	807,680	847,819	3,238,731	4,869,886	2,097,580	42,898	11,904,593
Financial liabilities							
Bank overdraft	44,566	-	-	-	-	-	44,566
Trade and other payables	358,826	33,278	41,596	-	-	-	433,701
Time deposits	4,507	4,660	216,822	1,136,511	1,311,883	-	2,674,383
Amounts due to related parties	-	-	-	-	-	-	-
Interest bearing borrowings	79,724	1,530,603	750,246	1,142,916	-	-	3,423,765
Lease liability	1,950	3,899	17,547	46,791	46,791	-	116,978
Total undiscounted financial liabilities	409,849	1,572,441	1,026,211	2,326,219	1,358,674	-	6,693,393
GAP	397,830	(724,622)	2,221,520	2,543,667	738,906	42,898	5,211,200
Cumulative GAP	397,830	(326,791)	1,885,729	4,429,396	5,168,302	5,211,200	-

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

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

As at 31 December 2020	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	432,495	-	-	-	-	-	432,495
Other financial assets	-	54,582	18,952	-	-	-	73,535
Rentals receivable on lease and hire purchase assets	148,999	308,644	1,186,346	1,455,598	336,929	8,234	3,444,749
Loans and advances	189,161	404,126	1,642,052	3,158,489	1,103,424	5,308	6,502,561
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	2,098	2,098
Debt instruments at amortised cost	434,848	303,563	8,917	13,586	-	-	760,914
Total undiscounted financial assets	1,205,503	1,070,915	2,856,267	4,627,673	1,440,353	15,640	11,216,352
Financial liabilities							
Bank overdraft	114,216	-	-	-	-	-	114,216
Trade and other payables	327,901	48,352	25,000	-	-	81	401,334
Time deposits	362,720	618,364	835,280	307,158	127,988	-	2,251,510
Amounts due to related parties	-	99,337	-	-	-	-	99,337
Interest bearing borrowings	-	205,222	482,886	2,674,237	-	-	3,362,345
Lease liabilities	2,822	5,183	22,777	41,540	14,963	2,270	89,555
Total undiscounted financial liabilities	807,659	976,458	1,365,943	3,022,935	142,951	2,351	6,318,297
GAP	397,844	94,457	1,490,324	1,604,738	1,297,402	13,289	4,898,055
Cumulative GAP	397,844	492,301	1,982,625	3,587,363	4,898,055	4,898,055	-

The Assets 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.

38.4 Interest Rate Risk

38.4.1 Overview

Interest rate risk is the risk that changes in market interest rates adversely affect the Company's financial condition. It is the risk of potential volatility in earnings and capital value resulting from changes in market interest rates.

The Company continuously monitor the behavior of interest rates to manage interest rate risk. The Company also manage 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.

Notes to the Financial Statements

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

38.4.1.1 Interest Rate Sensitivity Gaps (Rs. '000)

As at 31 December 2021	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	8,191	140,358	686,439	1,010,396	2,209,384	7,010,286	11,065,053
Debt instruments at amortised cost	150,000	220,753	100,000	-	-	-	470,753
Total sensitive assets	158,191	361,111	786,439	1,010,396	2,209,384	7,010,286	11,535,806
Sensitive liabilities							
Bank overdraft	44,566	-	-	-	-	-	44,566
Time deposits	69,956	529,293	629,369	306,259	349,895	290,296	2,175,068
Amounts due to related parties	-	-	-	-	-	-	-
Interest bearing borrowings	-	75,000	1,400,000	171,429	321,429	1,267,857	3,235,715
Lease liabilities	-	1,622	3,245	14,601	38,936	38,936	97,341
Total sensitive liabilities	114,522	605,915	2,032,614	492,289	710,260	1,597,089	5,552,689
Gap	43,669	(244,804)	(1,246,175)	518,107	1,499,123	5,413,196	5,983,117
Cumulative Gap	43,669	(201,135)	(1,447,310)	(929,203)	569,920	5,983,117	-
As at 31 December 2020							
Sensitive assets							
Rentals receivable on lease, hire Purchase and auto loan assets	11,941	344,497	712,770	999,411	1,828,987	6,067,982	9,965,588
Debt instruments at amortised cost	-	434,848	303,563	-	8,917	13,586	760,914
Total sensitive assets	11,941	779,345	1,016,333	999,411	1,837,904	6,081,568	10,726,502
Sensitive liabilities							
Bank overdraft	114,216	-	-	-	-	-	114,216
Time deposits	51,308	302,412	598,149	308,316	470,274	369,405	2,099,864
Amounts due to related parties	-	-	99,337	-	-	-	99,337
Interest bearing borrowings	-	-	-	-	837,774	2,173,810	3,011,583
Lease liabilities	-	1,225	2,450	11,027	29,406	29,406	73,514
Total sensitive liabilities	165,524	303,637	699,936	319,343	1,337,454	2,572,621	5,398,515
Gap	(153,583)	475,708	316,396	680,068	500,451	3,508,948	5,327,987
Cumulative Gap	(153,583)	322,125	638,521	1,318,589	1,819,039	5,327,987	-

Note : Fixed interest bearing assets and liabilities have also taken into consideration in arriving at the interest rate sensitivity gaps.

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

38.4.1.2 Income impact from change in interest rates within one month

(Rs.'000)	Increase in funding cost 2021		Increase in funding cost 2020	
	10 bps	25 bps	10 bps	25 bps
P&L impact (Monthly)	(201)	(503)	(111)	(279)

Assumptions and method

- ♦ All other variables are remain constant at the time of preparing sensitivity analysis.
- ♦ The analysis is based on the carrying value of the financial assets and financial liabilities as at the reporting date.

The Company has used same method and assumptions in preparing sensitivity analysis for both current and comparative period.

The Company expose no market risk other than the interest change.

38.5 Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. In addition, the Company is required to maintain minimum required capital as per the regulations. The Company's overall strategy remains unchanged from 2020.

External capital requirements are enforced and regulated by the Central Bank of Sri Lanka. These requirements are established to ensure sufficient capital and reserves are maintained. The Company maintained capital and reserves of Rs. 3,284,407,621 as at 31 December 2021 which is above the minimum regulatory requirement as at that date.

Five Year Summary

FIVE YEARS AT A GLANCE - FINANCIAL PERFORMANCE

For the Year ended 31 Dec	2017 Rs.	2018 Rs.	2019 Rs.	2020 Rs.	2021 Rs.
Interest Income	1,885,042,280	2,034,384,438	1,968,208,589	1,636,284,210	1,378,303,310
Less : Interest Expenses	(1,043,018,929)	(1,063,919,426)	(988,244,860)	(674,854,588)	(511,429,807)
Net Interest Income	842,023,351	970,465,012	979,963,729	961,429,622	866,873,503
Rental Income from Operating Leases	3,411,453	438,681	-	-	-
Other Operating Income	391,159,917	389,852,380	379,960,070	292,221,552	358,635,719
Total Operating Income	1,236,594,721	1,360,756,073	1,359,923,799	1,253,651,174	1,225,509,222
Provision for Impairment Losses	(10,860,226)	(54,509,883)	(121,721,612)	(270,538,366)	(173,414,841)
Net Operating Income	1,225,734,495	1,306,246,190	1,238,202,187	983,112,808	1,052,094,381
Less: Operating Expenses					
Administration Cost	(224,827,748)	(237,385,822)	(251,033,531)	(204,780,867)	(227,262,118)
Personnel Cost	(212,718,732)	(215,611,353)	(240,342,934)	(197,323,753)	(245,844,862)
Distribution Cost	(34,522,934)	(41,590,466)	(39,355,658)	(21,699,420)	(31,129,108)
Operating Profit	753,665,081	811,658,549	707,470,064	559,308,768	547,858,293
Less: Value Added Tax on Financial Services	(108,322,695)	(129,424,284)	(104,003,297)	(92,669,172)	(115,072,505)
Debt Repayment Levy	-	(18,037,521)	(63,656,737)	(2,040,212)	-
Profit Before Taxation	645,342,386	664,196,744	539,810,030	464,599,384	432,785,788
Taxation	(262,164,080)	(308,781,782)	(197,046,301)	(176,498,684)	(69,780,444)
Profit for the year	383,178,306	355,414,962	342,763,729	288,100,700	363,005,344

FIVE YEARS AT A GLANCE - FINANCIAL POSITION

Year ended 31 December	2017	2018	2019	2020	2021
	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS					
Cash and Bank	139,656,733	214,689,348	254,934,938	432,495,187	288,455,180
Other Financial Asset	69,050,060	90,388,541	74,785,758	73,533,687	80,331,811
Other Non-Financial Assets	13,696,999	14,950,330	9,843,509	4,902,703	43,406,197
Deferred tax assets	-	-	-	-	39,337,550
Rentals Receivable on Lease and Hire Purchase Assets	6,624,785,785	5,639,237,678	3,847,454,176	2,797,074,803	1,954,075,734
Loans and Advance	4,179,474,841	5,136,831,821	5,526,124,117	4,983,138,643	6,575,354,012
Equity Instruments at Fair Value Through Other Comprehensive Income	80,400	80,400	1,981,382	2,098,266	2,100,826
Debt Instruments at Amortised Cost	425,094,094	532,884,042	437,185,444	759,224,727	470,753,293
Property, Plant and Equipment	35,384,715	25,191,303	23,676,136	20,958,191	26,713,054
Intangible Asset	10,065,754	4,875,095	2,375,611	744,328	262,346
Right of Use Assets	-	-	75,828,734	73,236,739	92,265,444
Total Assets	11,497,289,381	11,659,128,558	10,254,189,805	9,147,407,274	9,573,055,447
EQUITY AND LIABILITIES					
Liabilities					
Bank Overdraft	54,322,705	47,708,211	17,415,790	114,216,408	44,565,998
Trade and Other Payables	595,284,229	637,894,899	468,175,592	401,333,514	433,701,111
Time Deposits	2,708,767,163	2,359,395,820	2,265,482,274	2,099,863,518	2,175,067,640
Amounts due to Related Parties	1,407,323,388	2,446,344,980	1,171,289,033	99,336,769	-
Interest Bearing Borrowing	4,341,045,635	3,431,632,634	3,227,974,834	3,011,583,067	3,240,438,779
Lease Liability	-	-	73,942,968	73,514,101	97,340,524
Provision for Income Tax	186,142,494	231,621,952	195,354,555	288,440,892	227,817,172
Deferred Tax Liabilities	177,054,254	155,618,443	136,719,982	69,929,392	-
Employee Benefit Obligation	21,957,287	25,716,283	29,152,744	33,991,294	29,860,266
Total Liabilities	9,491,897,155	9,335,933,222	7,585,507,772	6,192,208,955	6,248,791,490
Equity					
Stated Capital	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Retained Profit	1,707,820,821	2,007,853,183	2,334,832,987	2,606,860,081	2,957,692,844
Fair Value through OCI Reserve	-	-	1,368,707	1,452,864	1,535,524
Statutory Reserve Fund	97,571,405	115,342,153	132,480,339	146,885,374	165,035,589
Total Equity	2,005,392,226	2,323,195,336	2,668,682,033	2,955,198,319	3,324,263,957
Total Equity and Liabilities	11,497,289,381	11,659,128,558	10,254,189,805	9,147,407,274	9,573,055,447

Five Year Summary

Financial Indicators

	2017	2018	2019	2020	2021
Return on Assets % (Before Tax)	5.65%	4.93%	4.93%	5.08%	4.62%
Return on Equity % (After Tax)	20.90%	16.46%	13.84%	9.75%	11.56%
Net Interest Margin %	7.63%	8.61%	9.28%	11.26%	9.88%
Total Capital Adequacy Ratio %	18.37%	18.69%	23.81%	29.72%	30.66%
Loans and Advances %	93.97%	92.40%	91.41%	85.05%	89.10%
Investments %	3.70%	4.60%	4.28%	8.32%	4.94%
Other Assets %	2.33%	3.00%	3.57%	6.62%	5.96%
Gross Non-Performing Advances Ratio %	2.13%	2.98%	5.18%	8.48%	7.66%
Earnings Per Share	19.16%	17.77%	17.14%	14.41%	18.15
Dividend Per Share	1.65%	0.00%	0.00%	0.00%	0.00%

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 31 December 2021 : 20,000,000

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

Distribution of Shareholders

There were 3 registered shareholders as at 31 December 2021, distributed as follows.

Distribution of shareholders	As at 31st December 2021				As at 31st December 2020			
	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 31 December 2021				As at 31 December 2020			
	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 31 December 2021		As at 31 December 2020	
	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
Total	20,000,000	100.00	20,000,000	100.00

Shareholders	As at 31 December 2021		As at 31 December 2020	
	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

Share Information

DIRECTORS' AND CEO'S SHARE HOLDINGS

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

Name	Position	No. of shares as at 31 December 2021	No. of shares as at 31 December 2020
Mr. T S A Fernandopulle	Chairman	-	-
Mr. R C J De Silva Munasinghe	Director/CEO	-	-
Mr. J D N Kekulawala	Director	-	-
Mr. B E Schwendtke	Director	-	-
Mr. A B Mundra	Director	-	-
Mr. P A Mackenzie	Director	-	-
Mr. B P Morris (resigned w.e.f:12.04.21)	Director	-	-
Total		-	-

SHARE PRICES FOR THE YEAR

31.12.2021
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

Float adjusted market capitalization – Rs.44,800,000/-

No. of Public Shareholders – Two (2) Shareholders

Steps to be adopted by the Entity to comply with the minimum public holding requirement will be notified in due course.

KEY RATIOS	31.12.2021	31.12.2020
Dividend Per Share (Rs.)	0.00	0.00
Dividend Payout Ratio	0.00	0.00
Net Asset Value Per Share (Rs.)	166.20	147.76

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 : Leasing
Auto Loans
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 - Chairman
Mr. R C J De Silva Munasinghe
Mr. J D N Kekulawala
Mr. B E Schwendtker
Mr. A B Mundra - appointed w.e.f:12.04.21
Mr. P A Mackenzie - appointed w.e.f:13.05.21
Mr. B P Morris - resigned w.e.f:12.04.21

Company Secretary : Ms. Ruvini E Weerasinghe

Auditors : M/s. PricewaterhouseCoopers
Chartered Accountants

Bankers : Bank of Ceylon
Commercial Bank of Ceylon PLC
Hongkong & Shanghai Banking Corporation PLC
Nations Trust Bank PLC
People's 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. J D N Kekulawala - Chairman
Mr. T S A Fernandopulle
Mr. P A Mackenzie - appointed w.e.f : 19.05.21

Integrated Risk

Management Committee : The Integrated Risk Management Committee of the Company was formed on 02.08.2011.
Mr. T S A Fernandopulle - Chairman
Mr. R C J De Silva Munasinghe
Mr. J D N Kekulawala
Mr. P A Mackenzie - appointed w.e.f:19.05.21
Mr. D P V Mendis
Mr. W K A S Jayarathna
Mr. H N Wijayatunga
Mr. S U Thenuwara
Ms. R E Weerasinghe
Ms. R Silva - appointed w.e.f: 10.05.21
Ms. H Pathiranage - appointed w.e.f:28.06.21
Mr. B P Morris - resigned w.e.f : 12.04.21

Remuneration Committee : The Remuneration Committee of the Company was formed on 10.02.2011
Mr. J D N Kekulawala - Chairman
Mr. T S A Fernandopulle
Mr. P A Mackenzie - appointed w.e.f: 19.05.21

Related Party Transactions

Review Committee : The Related Party Transactions Review Committee of the Company was formed on 29.02.2016
Mr. J D N Kekulawala - Chairman
Mr. T S A Fernandopulle
Mr. R C J De Silva Munasinghe
Mr. P A Mackenzie - appointed w.e.f:19.05.21
Mr. B P Morris – resigned w.e.f : 12.04.21

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Fax : 011-2325557
Website : www.capitalleasing.lk