AMW Capital Leasing and Finance PLC
Annual Report 2020

Contents

Our Vision

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

Our 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

2006

- Obtained Leasing Company License
- Opened principal place of business in Borella
- Opened first branch in Kurunegala, second branch in Matara and third branch in Ratnapura

2007

- Opened two new branches in Negombo and Kandy

2008

- Obtained Finance Company License

2011

- Listed on the Diri Savi Board of the Colombo Stock Exchange
- Opened three new branches in Badulla, Anuradhapura and Nugegoda
- Migrated into a sophisticated state- of-the-art Leasing System
- Introduced Operating Leases to the product portfolio

2012

- Opened two new branches in Kuliyapitiya and Gampaha
- New Service Centre was opened in Avissawella
- Business model changed to include financing used vehicles
- Integration with SAP ERP System

2013

- Total assets surpassed Rs. 5 Bn mark
- Opened a fully-fledged branch in Colombo
- Opened Fixed Deposits Division
- Two New Service Centres were opened in Kalutara and Kiribathgoda
- A Micro Finance unit was setup
- Islamic Finance to the product portfolio was introduced
- Launched the company website

2014

- Opened a New Branch in Galle
- Relocated Ratnapura, Nugegoda, Avissawella and Dambulla Branches
- Became a Tier "A" NBFI surpassing Rs. 8 Bn assets
- Software module for Fixed Deposit was implemented

2015

- 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

2016

- Total assets topped the Rs. 11 Bn mark
- Opened a new branch in Kegalle
- Two new Service Centres were opened in Panadura and Wattala
- Relocated Badulla Branch
- Celebrated 10th year anniversary

2017

- Recorded highest ever Execution and Profits

2018

- Embraced restructuring the Company's Capital Structure
- Raised Rs.3Bn Securitization loan on Company's own balance sheet strength

2019

- Best Capitalized Mid-Size NBFI

2020

- Relocated Panadura & Ratnapura Branches

Chairman's Review

As a result of the pandemic we naturally faced severe challenges in trying to grow the business, however this was overcome to a great extent by our staff making a sustained and continuous effort to support the business in numerous ways to ensure the negative impact on the Company was minimised.

Dear Shareholders, Customers and Partners,

It gives me great pride to place before you the Annual Report and Audited Financial Statements of AMW Capital Leasing and Finance PLC for the year ended 31st December 2020. The events of the year caused by the COVID-19 global pandemic brought about a crisis of epic proportions that many of us have not experienced before and hopefully will never have to again. Your Company's stability despite the volatility in the local and global economy can be attributed to its rapid adaptation to market conditions coupled with the dedication and commitment of the team towards steering the Company to maintain stability through focus on cost optimisation, effective resource and productivity management, as well as prudent portfolio management to overcome obstacles. Moreover, faster than anticipated pickup in business activities in the second half of the year shored up business sentiments both in the local and global economy.

A crisis of global proportions

The global economy contracted by about 4.4% in 2020 as per the International Monetary Fund (IMF) as a fall-out of the lockdown measures imposed by most countries to combat the global pandemic. However, business activity began to improve earlier than expected after lockdowns were scaled back in May and June, as indicators of a stronger recovery emerged in the third quarter, with global growth projected at 5.2% in 2021.

The pandemic is widely expected to reverse the progress made since the 1990s in reducing global poverty and will increase inequality. People who rely on daily wage labour and are outside the formal safety-net faced sudden income losses when mobility restrictions were imposed.

Furthermore, the subdued outlook for medium-term growth comes with a significant projected increase in the stock of sovereign debt. Downward revisions to potential output also imply a smaller tax base over the medium term than previously envisaged, compounding difficulties in servicing debt obligations. The medium-term projections also assume that economies will experience scarring from the depth of the recession and the need for structural change, entailing persistent effects on potential output.

Another source of uncertainty is the extent of global spill overs from soft demand, weaker tourism and lower foreign remittances. Progress with vaccines and treatments, as well as operational changes in the workplace and by consumers to reduce transmission, may allow activity to return more rapidly to pre-pandemic levels than currently projected, without triggering repeated waves of infection.

Sri Lankan economy faces the challenge

The impact of the COVID-19 global pandemic on Sri Lanka's economy in the year 2020 is amply clear. Lockdowns and curfews across the country posed serious challenges to economic activity and the financial system as a whole. The Central Bank of Sri Lanka (CBSL) launched immediate policy and relief measures to assist the economic recovery effort of the Government of Sri Lanka to respond to this global health emergency, including implementing relief schemes for businesses and individuals affected by the pandemic. These measures have helped cushion the impact of COVID-19 on businesses and ease the burden on the people during this unprecedented global health emergency and subsequent economic downturn.

The Central Bank of Sri Lanka (CBSL) reduced the policy interest rates on several occasions during 2020. The reductions in policy rates were intended to encourage borrowing by firms and households in support of raising the levels of production and consumption in the economy. The policy interest rate reductions helped lower the market lending rates notably, thereby reducing the burden on businesses and individuals. Inflation was low in 2020 and the CBSL expects inflation to remain within the desirable levels. The Statutory Reserve Requirement (SRR) on all rupee liabilities of Licensed Commercial Banks was reduced, thus enhancing the amount of cash available in the financial system for lending to businesses and individuals.

The additional liquidity in the domestic money market enabled the financial system to expedite the allocation of credit to the different sectors of the economy, while reducing the cost of funds of the financial sector. On the demand side, this had an impact on the wealth and cashflows of businesses and individuals, and affected their decisions on whether to consume now or save for later. On the supply side, since businesses normally finance most of the working capital and short term liquidity requirements through bank loans, lower interest rates had a beneficial impact on their activities through the reduction in cost of funds.

CBSL introduced various extraordinary regulatory measures to be implemented by the financial sector to support businesses and individuals affected by the COVID-19 outbreak and to avail of such relaxations in the interest of their customers and the economic revival. The regulator also introduced a wide range of concessions including a debt moratorium (capital and interest) and a working capital loan facility for COVID-19-hit businesses and individuals. Small and Medium Enterprises (SMEs) engaged in business sectors such as manufacturing, services, agriculture (including processing), construction, and other sectors such as tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation were considered for the debt moratorium.

The overall impact of the import restrictions which came into effect to manage the outflow of foreign exchange and therefore adverse impact on the exchange rate was reflected in the decline in trade. The low investor confidence and rupee fluctuations were other contributing factors to the somewhat stagnant economy and the resultant impact on Your Company's operational performance.

Company Performance

Amidst the economic disruption seen through the year under review, AMW Capital Leasing and Finance PLC was able to sustain its operations at reasonable levels. Total Income reduced by 18%, recording Rs. 1,929 Mn in 2020, as compared to Rs. 2,348 Mn in 2019.

As a result of the pandemic we naturally faced severe challenges in trying to grow the business, however this was overcome to a great extent by our staff making a sustained and continuous effort to support the business in numerous ways to ensure the negative impact on the Company was minimised. Adapting to the new normal and to keep employees safe while ensuring business continuity, the Company implemented 'work from home' to ensure uninterrupted operations with minimal inconvenience to customers, yet always maintaining customer confidentiality and the safety of information.

Our core business of motor vehicle leasing was adversely impacted by the government ban on vehicle imports imposed to preserve and minimise foreign exchange outflows. As a leasing company, we had to work within these limitations, but we successfully overcame this obstacle by growing the business through leasing of pre-owned vehicles and strong customer relationships. I am proud to say that despite the challenges, Your Company made satisfactory progress in sustaining profitability as evidenced by our financial statements.

The operating environment necessitated a prudent revision of aggressive growth plans and agile decision-making. We

Chairman's Review

focused our efforts on improving credit quality through an appropriate and sustainable framework, enabling the Non-Performing Loan (NPL) ratio to be maintained at 8.48% which is well below the industry average.

Another factor impacting our profitability was the moratorium introduced by the government to assist affected industries, particularly the travel and tourism industry and other sectors. Your Company had to grant loan extensions to many leasing customers and delay collecting interest amounts from customers to facilitate their economic recovery. However, we saw this as our duty and counselled customers on how they could benefit from these schemes. The Banking sector as a whole also faced unprecedented interest reductions down to single digit levels that forced finance companies to compete with banks to a much greater extent than in the past.

On an upbeat note, I am pleased to report that Your Company's credit rating improved to AA- at the start of 2021 mainly due to the strong controls in place and the tangible support provided by our parent company, AMW, and the ultimate parent, Al Futtaim Group. The Return on Assets (ROA) and Return on Equity (ROE) were 5.75% and 10.20% respectively.

The prudent management of Your Company despite the challenges is indicative of the Company's risk control mechanisms in place especially in an extremely challenging environment. Your Company has fully complied with the requirements of the Sri Lanka Financial Reporting Standards 9 (SLFRS 09). We are a strongly capitalized Company and this is reflected in our Total Capital Adequacy ratio of 29.72% which is well above the regulatory minimum of 10.50%. We also consciously maintained strong liquidity throughout and our liquidity ratio at 809% against a regulatory requirement of 100% is a reflection of our commitment for ensuring our capability to meet our liabilities as and when due.

Future Outlook

I am hopeful that we can see the growth this year as anticipated by CBSL and the Treasury. Your Company will continue its core business of financing vehicles across all categories as we believe there is still much untapped potential in the market while supporting Sri Lanka in its development efforts as it expands its infrastructure. We believe the government will lift the restrictions presently in place with regard to imports of vehicles and spares in the due course of time. With tourism expected to improve in the second half of the year and concurrent with the extensive vaccination drive, we are hopeful that the country will open up to inbound tourism.

Our people remain our biggest asset and have proved their worth through this turbulent year despite having to work remotely amidst an uncertain external environment. I am proud of the support and comfort they have offered customers, counselling them, guiding them and ensuring their financial recovery. I am happy to see the empathy shown by our staff towards the rest of the community despite the stress of the pandemic. With such a loyal team of very capable employees who know to do the right thing and who have displayed innovation and creativity when faced with adversity, it gives us ample confidence that we can face future with minimum difficulty and we look forward to the year ahead with a sense of optimism.

Appreciation

I take this opportunity to thank my colleagues on the Board for their help and guidance, and appreciate the contribution by the management and staff led by the CEO for delivering satisfactory performance amidst a volatile year. The Central Bank of Sri Lanka, as regulator, has proved invaluable in supporting and guiding the industry and for maintaining financial stability. We remain optimistic about growth prospects and would like to thank the Al Futtaim Group for their unstinted guidance and support. Last but not least, I would like to thank our valued customers for inspiring us with the confidence and trust they vested in our Company.

Wishing you all the very best in the year 2021.

Trevine Fernandopulle
Chairman
30 March 2021

CEO's Review

Responding to this uncertainty that prevailed and forecasting further challenges in the months ahead, we drew up scenario-based business plans to mitigate emerging risks and steer ahead of the negatively impacted business environment.

The year 2020 commenced on an optimistic note as the entire team at AMW Capital Leasing and Finance PLC (AMWCL) was poised to accelerate growth after the subdued operating environment of the preceding year. With green shoots of economic recovery offering hope coupled with a positive political outlook - the prospects for the year under consideration looked bright. However, the outbreak of the global pandemic in January and its impact in Sri Lanka from the month of March onwards eroded business sentiment as countries closed down borders and global trade, commerce and tourism slowed to a halt – all of which had a profound impact on the local economy.

Needless to say, due to the closing of borders, intermittent lockdowns with restriction of movement within the country, declining worker remittances, import restrictions and supply chain disruptions exposed vulnerabilities in all sectors of the economy, including Small and Medium Enterprises (SMEs), which directly and indirectly impacted our business. This challenging situation required an agile response and I am pleased to state that the Company was able to swiftly surmount the hurdles in the wider economy and the industry.

Industry Performance

The performance of the Non-Bank Financial Institution (NBFI) sector weakened during the period from March 2020 onwards, recording negative credit growth, declining profitability and an increase in Non-Performing Loans (NPLs). Restrictions on vehicle imports and declining economic activities due to the COVID-19 pandemic, which resulted in low income levels and reduction in

CEO's Review

debt repayment capacity, contributed to the slowdown in the sector.

Assets

The sector showed a negative asset growth during the year when compared to year 2019. Total assets of the sector contracted by 2% (Rs. 31.0 Bn) reaching Rs. 1,401.6 Bn at the end of the year 2020. Decline in assets was mainly driven by the reduction in loans and advances by 6% (Rs. 62.9 Bn) as at end of 2020.

Non-Performing Loans

Asset quality of the sector deteriorated during the period under consideration with the NPL ratio increasing to 13.86% in 2020 from 10.59% reported in 2019. The provision coverage ratio increased slightly to 58.93% by end of 2020 compared to the previous year.

Liquidity

The overall liquidity position of the sector recorded a surplus. The statutory liquid assets available in the sector at end of 2020 showed a surplus of Rs. 73.1 Bn on as against the stipulated minimum requirement of Rs. 51.8 Bn.

Profitability

Profitability of the sector declined compared to the previous year. Net profit of the sector deteriorated and the industry recorded a profit after tax of Rs. 11.3 Bn during the year, mainly due to reduced net interest income and higher loan loss provisions.

Company Performance

Responding to this uncertainty that prevailed and forecasting further challenges in the months ahead, we drew up scenario-based business plans to mitigate emerging risks and steer ahead of the negatively impacted business environment. Customers, whose livelihoods and incomes were adversely affected due to lockdowns, underwent repayment difficulties while prospects for new business remained bleak. The government ban on vehicle imports further exacerbated the situation as new vehicle registrations declined and restrictions on repossession further compounded the crisis in the NBFI sector.

Despite the headwinds, AMWCL achieved a Net Profit After Tax (PAT) amounting to Rs 288.1Mn, marking a decline of 16% over the previous year. Reduction in new lending facilities and increase in impairment provision charge due to the higher amount of arrears rentals adversely impacted to this decline. However, with the timely actions taken by the management, the impact of the adverse conditions that would have been incurred was successfully brought down to a manageable level. Focused efforts were made to improve credit quality through an appropriate mechanism. The Company further supported customers by waiving penalties for late payments by absorbing such costs while ensuring timely implementation of the moratoriums to propel customers' recovery, thereby contributing to the national economy. And yet, the Company successfully managed to maintain its NPL ratio at 8.48% well below the industry average of13.86%.

Customers were also facilitated with digital payments platforms to ensure they could conduct their transactions with the Company seamlessly while staying safely at home. Apart from re-engineering the infrastructure, our staff managed to reach out to each and every customer via phone, providing emotional support while explaining details and benefits of the moratoriums announced by the Central Bank of Sri Lanka for individuals and small businesses impacted by the pandemic. These customer engagement initiatives were genuinely appreciated by customers who now perceive us as true partners in their financial well-being.

One of the key mitigation measures taken was to decentralise the credit underwriting process in order to monitor the credit quality closely and strengthen it further. Use of analytics and dashboards helped to track all financial parameters to ensure we were on the right track.

A de-growth of 17% was recorded in the portfolio despite our best efforts and due to external factors beyond our control while net interest margins grew to 10.48% from 9.28% achieved in the previous year as a result of reduction in cost of funds, on account of the low interest regime which prevailed during the year. Nevertheless, Fitch Ratings Lanka affirmed AMWCL's National Long-Term Rating at 'AA-(lka), which reflects the strength of the AMW parent brand and its future potential.

The main reason for the Company to overcome these challenges and record a spirited performance, given the challenging circumstances was the team of committed and skilled employees. Further, we had to adopt remote working models quickly to ensure the health and safety of our staff. The transformation to digital platforms as required by the 'work from home' mode was achieved smoothly and meetings and trainings continued uninterrupted virtually.

Furthermore, as a relatively smaller company, AMWCL was able to be more nimble and effect faster decision-making and implementation to respond to the industry conditions. One of the key tasks performed early during the year was to re-strategize and consolidate the business model to better align to overcome the effects of the pandemic. Our business model has traditionally been 'feet on street', but with the social distancing measures lockdowns and curfews, it became next to impossible for our sales teams to visit customers' doorsteps. Mobility was severely restricted even for customers who wanted to visit our branches to make payments.

Recalibrating the business model, the Company placed a greater emphasis on optimizing group synergies and sales staff selling leases were also tasked with vehicle sales, a successful strategy which generated revenue for the Group.

Future Strategies

The agile management approach adopted by the Company in conjunction with a robust risk mitigation framework to minimize the impact of the pandemic on our business while supporting our customers proved fruitful. Building on this success, we will accelerate our digital transformation while simultaneously adopting cost efficient practices such as Kaizen, lean management and automation wherever appropriate across the enterprise.

Our biggest strength is our team of expert professionals. We will continue to invest in enhancing their critical skills and providing opportunities for career growth and development to realize their potential in an enabling workplace culture. AMWCL has rewarded their dedication and hard work by ensuring salaries were paid on time and that no employees were retrenched. Further, the highest health and hygiene protocols were followed to ensure the safety of employees during the pandemic. The town-hall meeting conducted by the leadership team gave opportunity to staff to engage and understand strategies of the Company.

Finally, the year under review brought to light the need to optimize synergies within the Associated Motorways (AMW) parent group and we will continue to explore innovative ways to generate additional revenue for AMWCL and the Group. We also have much to learn from our parent Al-Futtaim Group, and will take every opportunity to implement best practices of the globally-reputed entity.

Appreciation

I am grateful to the Chairman and the Board of Directors for their wise counsel and support extended to me and the Corporate Management team in navigating a year in which we had to combat the effects of a global pandemic. Associated Motorways (Pvt) Ltd., our parent company, provided the assurance and support we needed and for this I would like to thank the Directors and the Management team. I would also like to thank the Governor of the Central Bank of Sri Lanka, the Director and the officials of the Non-Bank Supervision Division for their support. Our success was possible because of our valuable stakeholders. Most importantly, the dedication and tireless efforts of our valuable employees made the challenging journey through 2020 much easier to bear. I have the fullest confidence that the Company is geared for growth and as economic recovery gathers pace, AMWCL will be one of the first Companies off the starting blocks to grow and expand.

Chamath Munasinghe
Director/CEO
30 March 2021

Board of Directors

Trevine Fernandopulle
Chairman

Mr. 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 a Director of Dutch Lanka Trailer Manufacturers Ltd, Union Bank Ltd and Continental Insurance Lanka Ltd. He was appointed as a Director of Enterprise Ceylon Capital (Pvt) Ltd effective February 2021.

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. Munasinghe has over 25 years of experience in the banking sector with over 10 years in senior leadership roles and was appointed as Director/CEO in March 2020. He counts for diverse expertise in the areas of Branch Banking, Consumer Financing, Credit, Operations, Corporate Real Estate and Security & Facilities Management.

He 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.

He 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.

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

Nihal Kekulawala
Independent Non-Executive Director

Mr. 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 Board 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.

Brandon Philip Morris
Non-Executive Director

Brandon Morris has been serving the Board of AMWCL, since December 2013, initially as its Director/CEO and subsequently as a Non-Executive Director. He counts 28 years of experience, in the Non-Banking Financial Sector (NBFI) of Sri Lanka. Prior to joining AMW Capital Leasing and Finance PLC, Mr. Morris held key positions at LB Finance Ltd (Asst. Manager), LOLC (Asst. General Manager), Ceylease Financial Services Ltd (Chief Operating Officer) and TVS Automotives (Pvt) Ltd (CEO).

He was the Group Managing Director of Associated Motorways (Pvt) Ltd (AMW), possessing diverse skills and experience in Business Strategy, Financial Management, Sales, International Trading, Dealership Management, Logistics, Inventory Management, Debtor Management, Branding and Credit Appraisal in both the financial and trading sectors.

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

Mr. Morris currently serves as an Executive Committee Member of the Ceylon Chamber of Commerce and the Indo – Lanka Business Council. He was a Past Vice Chairman of the Leasing Association of Sri Lanka and Director of the Finance Houses Association of Sri Lanka (FHA).

Bernd Erich Schwendtke
Non-Executive Director

Mr. Bernd Schwendtke is currently holding the position of Senior Managing Director at Al Futtaim Automotive, United Arab Emirates. He 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.

Prior to joining Al Futtaim, Mr. Schwendtke was 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. Bernd Schwendtke holds a Master Degree from the University of Würzburg, Germany.

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. She is an Attorney-at-Law of the Supreme Court of Sri Lanka and registered as a Company Secretary with the Registrar General of Companies.

She holds an MBA from Cardiff Metropolitan University, UK. Ms. Weerasinghe has over 25 years' experience in litigation and Notarial work, and over 20 years' of experience in the Finance Leasing Industry.

Senior Management Team

01 Chamath Munasinghe - Director/CEO
02 Pramuditha Mendis - General Manager – Credit and Operations
03 Sanjaya Thenuwara - General Manager – Marketing
04 Shanuka Jayarathna - General Manager - Finance
05 Himala Wijayatunga - Head of Risk and Compliance
06 Lasantha Perera - Head of IT
07 Uma Maheswaran - Head of Fixed Deposits
08 Chinthaka De Alwis - Head of Operations
09 Rajitha Perera - Head of Internal Audit
10 Sujeewa Sooriyarachchi - Manager Recovery
11 Manindra Wickramanayaka - Manager - Legal
12 Shaline Asirwatham - HR Business Partner

Chamath Munasinghe
Director/CEO

Please refer profiles of the Board of Directors on page number 10.

Pramuditha Mendis
General Manager – Credit and Operations

Mr. Pramuditha Mendis has over 26 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.

He 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.

He 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 a resource person at Sri Lanka Institute of Credit Management (SLICM).

Sanjaya Thenuwara
General Manager – Marketing

Mr. Sanjaya Thenuwara cunts over 24 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 and Compliance

Mr. Himala Wijayatunga counts over 15 years of experience in Risk and Financial Management including 8 years of experience in financial risk management. He is a Certified Financial Risk Manager of GARP USA and is an Associate Member (ACA) of Institute of Chartered Accountants of Sri Lanka. Mr. Wijayatunga possesses his 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.

Prior to joining AMWCL, he headed the risk management division of Merchant Bank of Sri Lanka and Finance PLC (MBSL). Before moved in to MBSL, Mr. Wijayatunga worked at R.R Donnelley & Sons which is a Fortune 500 Company listed in New York Security Exchange. He started his career at a well-known diversified conglomerate.

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 expert 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

Uma Maheswaran
Head of Fixed Deposits

Mr. Uma Maheswaran, the Head of Fixed Deposits, who joined the Company in December 2012 was instrumental in setting up the fixed deposit operations at AMWCL. He has 24 years of experience in the finance industry, out of which 15 years in management, particularly in fixed deposit mobilization and operations.

Prior to joining AMWCL, he was the Manager – Fixed Deposits at Mercantile Investments and Finance PLC, where he served a good 15 years of his career.

Chinthaka De Alwis
Head of Operations

Mr. Chinthaka de Alwis the Head of Operations and Compliance has a diploma in Litigation Systems to the law. Mr. de Alwis has over 29 years' experience in the Finance sector. He was the Head of the division of Compliance at People's Leasing Ltd for a period of 2 ½ years.

He possesses 11 years' experience at Lanka Orix Leasing Company (LOLC) in the Finance, Micro Finance, Corporate Finance and Internal Audit division, responsible for Internal and Information Systems Auditing processes of the organization.

Rajitha Perera
Head of Internal Audit

Mr. Rajitha Perera heads the Internal Audit Department of AMWCL. He holds degrees in Masters of Professional Accounting (MPACC) and special degree in Accounting from the University of Sri Jayewardenepura. He is also a finalist of the Chartered Accountants of Sri Lanka (CA).

He counts over nine years of experience in Finance Services and more than three years' experience in External Auditing. He started his career as an Audit trainee in Ernst and Young. He has financial service experience at People's Leasing and Finance PLC and Alliance Finance PLC. Prior to joining AMWCL, he held the position of Manager Internal Audit at Alliance Finance PLC.

Sujeewa Sooriyarachchi
Manager - Recovery

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.

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.

Shaline Asirwatham
HR Business Partner

Ms. Shaline Asirwatham counts for over 15 years in the HR Field in diverse industries such as Aviation, Telecom, Hospitality, Automotive and Financial Services in many organizations such as subsidies of John Keells, Aberdeen Holdings, Dialog Telekom and AMW. As an independent professional, Shaline could be recognized for her interpersonal skills and presents overall understanding of the HR Generalist role and Business Partnering. She possess a National Diploma in Human Resource Managements from CIPM and a Masters in Business Administration from the University of Wales.

Management Discussion and Analysis

OPERATING ENVIRONMENT

The year 2020 was an unprecedented in the manner in which the entire world was affected by the COVID-19 global pandemic. The response to mitigating the health crisis via lockdowns severely impacted the Sri Lankan economy which was reeling from the impact of the Easter Sunday attacks of 2019, including persistently low growth, high public debt and large fiscal deficits. All these factors were exacerbated with the outbreak of the pandemic in Sri Lanka, as mobility restrictions, import restrictions on vehicles and weak commercial and business activity served to contract the economy further. The Central Bank of Sri Lanka continued to adopt an accommodative policy stance to support the banking and non-banking financial sector through 2020 coupled with low interest rates and moratoriums extended to help the ailing SME sector.

NBFI industry

The NBFI sector, which compromises of 42 finance companies and four specialised leasing firms, accounts for around 8% of the assets of the country's financial system. The sector started to feel the pressure of Non-Performing Loans (NPLs) since 2018 and 2019, but after the full impact of the COVID-19, NPLs spiked to 14.14% from 11.4%. Higher deposit dependence coupled with limited access to funding lines could create liquidity stress for finance companies, as depositors will tend to shift to safer asset classes during crisis periods. Registered vehicle prices rose while unregistered vehicles were scarce due to import restrictions, resulting in lesser transactions and lower affordability, which intensified competition in the leasing segment in the NBFI sector due to attractive rates offered by banks. A prolonged restriction on vehicle importation and the resultant surge in second-hand vehicle prices are likely to hamper the NBFI sector's medium-term growth prospects.

Assets

The total assets of the NBFI industry decreased to Rs. 1,402 Bn in 2020 from Rs. 1,433 Bn in 2019. Further, loans and advances declined to Rs. 1,040 Bn in 2020 from Rs. 1,103 Bn in 2019. Both Leasing and Loans portfolios, which is the dominant product in the industry, recorded a decline of 2% and 7% respectively, while the Pawning portfolio grew by 20%. At the same time, increase in Impairment Provisioning also affected de-growth of Loan portfolio. However, both the total asset base and the loans and advances of the sector experienced a sharp deceleration in its growth and asset quality during the year 2020. The total assets of NBFI industry recorded a 2% decline during 2020 compared to 2019; even in 2019, the industry had not recorded a growth and the Total Asset base remained at the same level it was in 2018. Due to reduction in Interest Income and deteriorating asset quality, which resulted higher impairment, Profit After Tax (PAT) declined by 14% from Rs. 13.2 Bn in 2019 to Rs. 11.3 Bn in 2020, challenging the operational efficiencies of the industry.

Portfolio Quality

The sector's portfolio quality came under severe pressure in 2020 due to the contraction in the economy and fierce competition with banks offering highly competitive interest rates. As a result, the NBFI sector engaged in alternative products such as loans against property mortgages, unsecured lending etc., without supporting infrastructure or the appropriate business model to manage risks emanating from these products. Loan provisioning and suspended interest escalated to Rs. 119 Bn in 2020 from Rs. 92 Bn in 2019. As a result of these challenges, the asset quality deteriorated while Non Performing Assets (NPAs) rose to 13.86% in December 2020.

Future Outlook

The prospects for the NBFI sector remain weak as profitability comes under pressure as a result of thinner margins, higher impairment and stiff competition from the banking sector. The sector remains exposed to risks from non-core lending segments apart from vehicle financing. Further, competitive rates offered by banks for lending products might be another barrier to the industry. The sector has become vulnerable with the contraction in asset base, credit and deposits as well as increasing NPLs and declining profitability in 2020. Nevertheless, capital and liquidity levels of the sector as a whole remained above the regulatory minimum requirements though a few individual licensed finance companies have not complied with the stipulated minimum capital requirements. The Central Bank continued to monitor key prudential indicators of such entities with weak financial positions, with a view to reviving them.

Company Performance:

A Summary Comparison of KPIs - Industry Vs AMW Capital Leasing & Finance PLC (AMWCL)

Indicator	Industry	AMWCL
Loans and Advances (Rs. Bn.)	1,040	7.8
Deposits (Rs. Bn.)	748	2.1
Capital & Reserves (Rs. Bn.)	248	2.9
Profitability		
Return on Assets %	1.67%	5.75%
Return on Equity %	5.56%	10.20%
Net Interest Margin %	7.61%	10.48%
Total Capital Ratio %	15.66%	29.72%
Use of Funds		
Loans and Advances %	74.2%	85.05%
Investments %	11.3%	8.32%
Other Assets %	14.5%	6.62%
Asset Quality		
Gross NPA Ratio %	13.86%	8.48%
Net NPA Ratio %	4.20%	0.4%

Sales & Marketing

Against the challenging macro-economic and industry conditions, the Company adapted to the evolving situation by altering its business model to better meet the needs for operating in a pandemic marked by lockdowns and social distancing. The first move was to facilitate customers to transact with the Company via digital platforms while maintaining close engagement with them at all times. Due to the import ban on vehicle imports, the year 2020 experienced a drop in vehicle registrations. As a result, overall demand across almost all the motor vehicle segments which consists of major portion of the disbursements of finance/ leasing companies contracted. Although the rates eased in the latter part of the year, the higher vehicle prices witnessed lower registration of brand new and unregistered vehicles. The Company altered course to penetrate the used vehicle segment while also tapping into the captive brands from within the AMW Group, which brought in new business to help the Company record a reasonable performance.

Sales staff was also trained to canvas car sales for AMW vehicle brands. Since the vehicle leasing business was adversely impacted, the Company aggressively marketed refinancing options and Top Up loans to cross-sell amongst existing and new customer base. By remaining closely connected to customers through regular phone calls, social media and other platforms, the Company demonstrated its customer-centric approach. Relationships with business partners were also strengthened through the year.

Having navigated the pandemic in a commendable manner, the Company is looking ahead with optimism to improve brand visibility with targeted marcom activities on social media while introducing new products to cater to emerging requirements in the post-pandemic period. Meanwhile, the Company will also be optimizing its internal resources by driving system efficiencies through lean management initiatives and process automation. It will become imperative to strengthen the recovery process with regular customer interaction and alternative and convenient payment channels to customers.

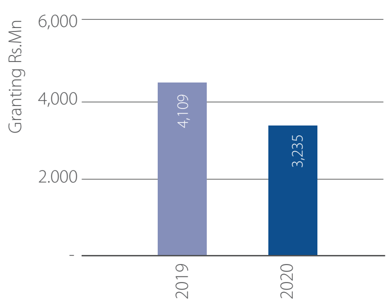
Digitalisation

The lockdowns and social distancing mandates that were enforced during the year under review accelerated the pace of digitalisation and the Company too adapted quickly to the increased demand from customers to transact digitally by facilitating online payments. The IT team also supported employees to work from home while maintaining security of customer data. The experience through 2020 has heightened the need for further process automation to go paperless coupled with technologies such as artificial learning which will be explored in the coming year, backed by the knowhow from Al-Futtaim Group, the major shareholder of AMW and one of the largest business conglomerate in UAE. The Company has adopted Business Analytics for informed decision-making and business insights which contributed to its sound performance.

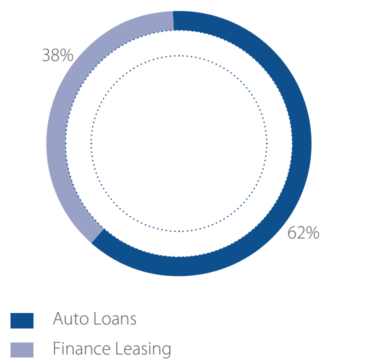
FINANCIAL REVIEW

During the year 2020, AMWCL achieved a Net Profit After Tax (PAT) amounting to Rs. 288.7 Mn, which while it reflects a drop of 16% over the previous year, was still reasonable considering the extenuating circumstances further impacted by lower lending facilities and increase in impairment provision charges. 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 reasonable 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.

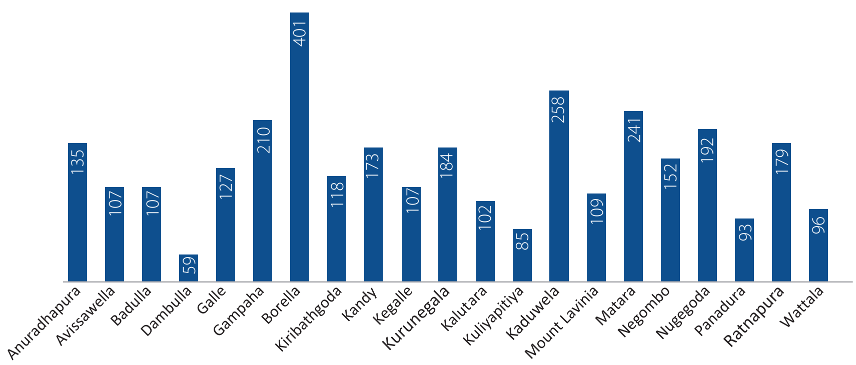
Disbursements 2019 vs 2020



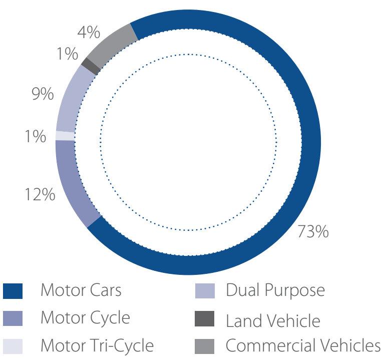
Exposure Based on Product Class - 2020



Branch-wise Executions - 2020 (Rs. Mn.)



Portfolio Asset Class - 2020



Funding

The Company's Asset 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 2% in 2020 from 17.5% in 2019. The Company's funding structure comprise of 65% of loans at variable interest rates linked to AWPLR. The interest rate structure of the economy experienced a historically low level, therefore the Company could look forward to convert the floating rate funding to Fixed 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 and the Company hopes to introduce new deposit schemes to tap this sector. However, in 2020 deposits from the public decreased slightly to Rs 2.1 Bn from Rs. 2.2 Bn in 2019. 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

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 10 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. 51.3 Mn in year 2020. The total insurance commission income represented 17.57% of the total other operating income during 2020. 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, although it increased during the year under review due to the challenging economic conditions resulted from the pandemic, still remains at low level of 8.48% (gross) as at end December 2020, when the industry average is around 13.86% and there is a spike in the NPAs in the industry. The asset quality of the Company contributed immensely towards the achievement of ROE as high as 10.20% when the industry average was 5.56%. Empowering Branch Managers through thoughtfully designed product-based credit parameters assisted the Company to speed up the credit underlying and approval process, thereby accelerating the decision-making process to provide a better service to our customers.

Recovery

As a result of prudent financial management, the Company successfully retained its NPA ratio at 8.48% 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.

EMPLOYEE ENGAGEMENT

Our Human Capital is at the core of our success and the employee-centric philosophy in the Company promotes a workplace culture, where employees thrive and develop, realizing their true potential. The resilience and compassion displayed by the team through 2020, counseling customers and guiding them, while enquiring about their health and well-being marks the pinnacle of a team of skilled professionals. This customer focus is ingrained in our employees by way of ongoing customer service and technical training that empowers them to provide industry-best customer service. This was evident in the fact that we retained and grew our customer base during the pandemic in 2020.

A culture of honesty and fair dealing underscores all operations and employees pursue ethical business practices at all times in alignment with our corporate values: RESPECT, INTEGRITY, COLLABORATION and EXCELLENCE.

The Company invests in training and development of its employees and even during the year, when employees worked from home, training activities were continued online uninterrupted. Further, employees were guided on how they should interact with customers remotely to ensure they maintain the same level of engagement as they would have in person.

Unfortunately, due to social distancing norms, some of the outbound activities planned for the year could not be conducted. However, the management remained closely engaged with the employees to boost morale and maintain the momentum. Meetings were conducted virtually. All communication channels were kept open for employees to voice their suggestions. An employee survey was conducted during the year.

In a new development during the year, a separate email was created where management decisions in response to the rapidly evolving scenarios against the backdrop of the pandemic were communicated to staff by tagging them as red, amber and green based on importance. The leadership town hall meetings have proved a big success and were highly appreciated by all employees.

Although sales staff were unable to visit customers they remained in touch with customers via phone and helped them secure moratoriums which were issued by the Company as per the Central Bank's mandates.

A Health and Safety Committee was set up to escalate any issues as needed. Staff was continuously kept updated on precautions to be taken on a frequent basis. Staff were provided with personal protection equipment where needed. The Company took all the necessary precautions in line with health protocols to ensure safety of staff amid the pandemic

Our employees continue to enjoy a wide range of benefits and privileges in line with industry standards to ensure their mental and physical health and safety and an optimal work-life balance..

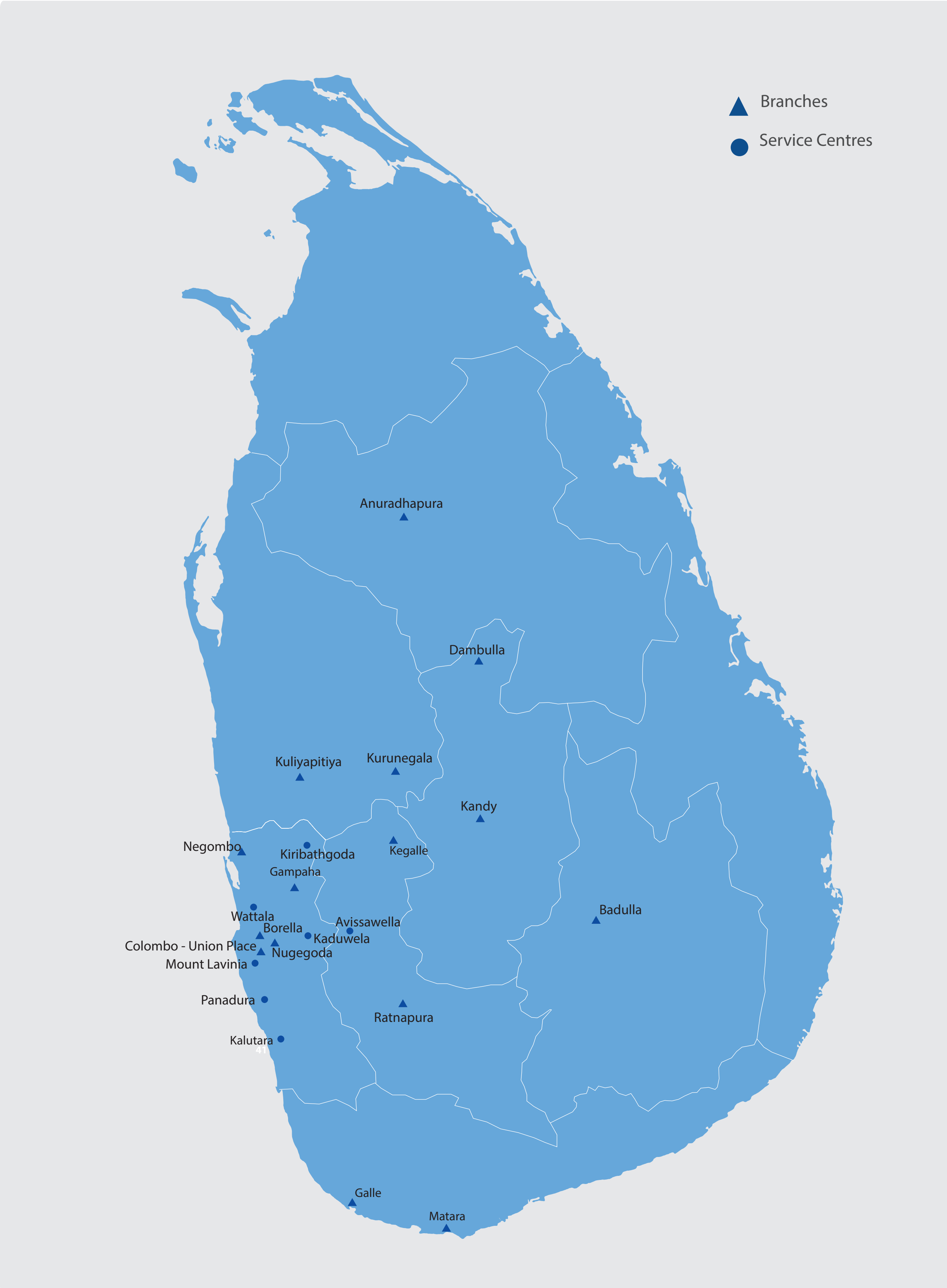
Strengthened with a team having the right blend of young and experienced employees, the Company is well-positioned to accelerate growth momentum in the coming year.

Branch Network

Information of Company Branch Network and Service Centres

Location	District	Province	Address	Contact Person	Telephone	Fax	Type of Operation
Borella	Colombo	Western	AMW Capital Leasing and Finance PLC No. 445, Bauddhaloka Mawatha, Colombo 08	Mr. Chulanga De Alwis	011-7609608	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. Anusha Koongahakotuwa	081-7609608-44	081-2212952	Branch
Ratnapura	Ratnapura	Sabaragamuwa	AMW Capital Leasing and Finance PLC No. 448, Colombo Road, Weralupa, 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	041-7609608	041-2235544	Branch
Badulla	Badulla	Uva	AMW Capital Leasing and Finance PLC No. 16A, Railway Station Road, Badulla	Mr. Tharanga Wedaarachchi	055-2231993/94-95-96	055-2231997	Branch
Anuradhapura	Anuradhapura	North Central	AMW Capital Leasing and Finance PLC No. 521/40, 4th Cross Road, New Town, Anuradhapura	Mr. 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	011-2829525-26	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
Kuliyapitiya	Kurunegala	North Western	AMW Capital Leasing and Finance PLC No:463/A, Madampe Road, Kuliyapitiya	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	011-2307739	011-2307749	Branch
Kalutara	Kalutara	Western	AMW Capital Leasing and Finance PLC No. 380D, Galle Road, Kalutara North	Mr. K.A.S.W. Kasthurirathne	034-2228609-10-11-12	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	Service Centre
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	Service Centre
Mount Lavinia	Colombo	Western	AMW Capital Leasing and Finance PLC No. 231, Galle Road, Mount Lavinia	Mr. Dhanushka Fonseka	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	Colombo	Western	AMW Capital Leasing and Finance PLC No. 114, Negombo Road, Wattala	Mr. Dulip Wijesooriya	011-2948736	011-2948705	Service Centre

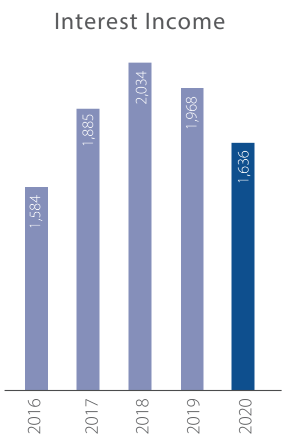
Branch Network

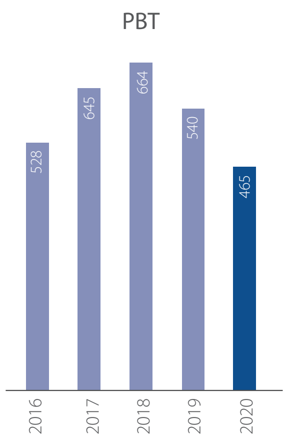


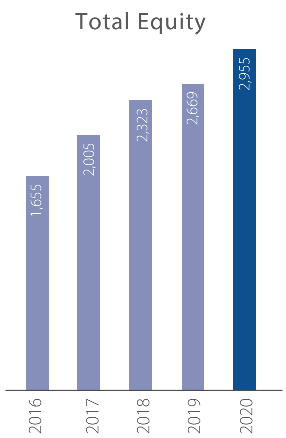
Financial Highlights

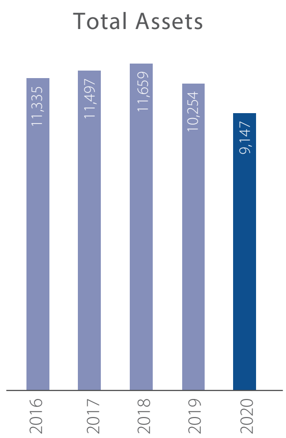
Profitability Rs'000		2020	2019	2018	Change	%
Interest Income		1,636,284	1,968,209	2,034,384	(331,924)	-17%
Net Interest Income		961,430	979,964	970,465	(18,534)	-2%
Profit Before Tax		464,599	539,810	664,197	(75,211)	-14%
Profit After Tax		288,101	342,764	355,415	(54,663)	-16%
Financial Position Rs'000						
Total Assets		9,147,407	10,254,190	11,659,129	(1,106,783)	-11%
Lending Portfolio		7,780,213	9,373,578	10,776,070	(1,593,365)	-17%
Deposits		2,099,864	2,265,482	2,359,396	(165,619)	-7%
Borrowings		3,110,920	4,399,264	5,877,978	(1,288,344)	-29%
Equity		2,955,198	2,668,682	2,323,195	286,516	11%
Statutory Ratios						
Core Capital Ratio	> 6.5%	29.72%	23.12%	18.09%		
Total Risk Weighted Capital Ratio	> 10.5%	29.72%	23.81%	18.69%		
Equity to Deposits	> 10%	141%	118%	98%		
Other Ratios						
Return of Assets (PAT)		2.97%	3.13%	3.07%		
Return on Equity		10.25%	13.73%	16.42%		
Net Interest Margin		10.48%	9.28%	8.61%		
Cost to Income Ratio		42.91%	51.77%	47.09%		
Non Performing Loans		8.48%	5.18%	2.98%		

FIVE YEAR PERFORMANCE SUMMARY (RS. MN.)









Total Assets **9.1** billion

PBT **464** million

Lending Assets **7.7** billion

Fitch **BBB-**

Financial Review

Introduction

AMWCL has posted a reasonable financial performance amidst adverse economic conditions resulted due to COVID - 19 pandemic. Together with the economic recovery shown towards the last quarter of 2019 post Easter Attack and enhanced political stability, the company has planned for growth in financial perspectives.

Until adverse effects of COVID - 19 impacted the country in March 2020, the economic activities of the country shown a positive momentum and the company has recorded favorable financial performances. However, the slow down in overall economic conditions across all sectors was not an exception to the company.

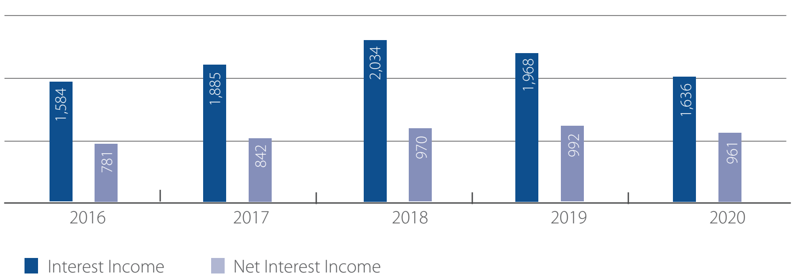
On the backdrop of above, the sector experienced a significant deterioration in credit quality and slow demand for credit as evident through sharp increase in industry NPLs and shrinking loan book.

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 as result of these initiatives and posted more challenges to the financial sector.

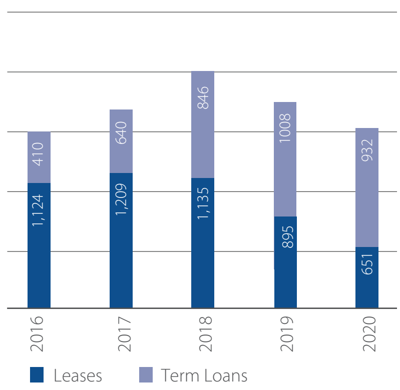
However, the management has responded to the changes in external environment swiftly and deployed timely appropriate strategies in line with the "New Normal" status of the Social and Economic conditions. Those actions taken by the management ultimately delivered the revised financial objectives for the year 2020.

Income Statement Analysis

Interest Income and Net Interest Income



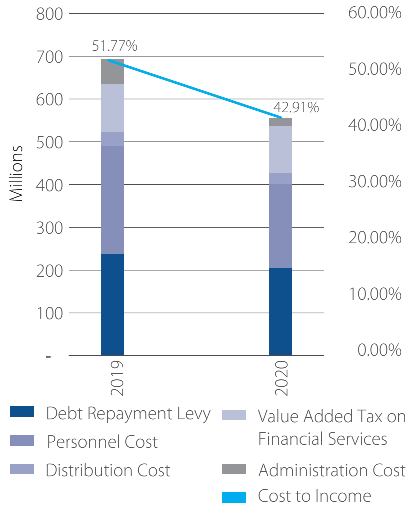
Income Composition



Gross Interest Income for the year decreased by 17% compared to the year 2019. The reduction in Interest Income is predominantly through the Interest Income on Leases. Compared to the year 2019, Lease book depleted by 27%. Showing a similar trend, Interest Income from lease portfolio reduced by 27%. Slowdown in the unregistered vehicle market and the aggravated competition from bankers impacted the new executions on leasing causing a portfolio de-growth in leasing segment.

Despite the higher reduction in Gross Interest Income, Net Interest Income has been reduced only by 2% due to lesser Interest Expense in 2020 compared to 2019, Interest Expense decreased by 32% mainly from the low interest rate environment throughout the year resulted by reduced policy rates by the Central Bank. Supported by the above, Net Interest Margin of the Company also improved to 10.48% from 9.28% in the year 2019.

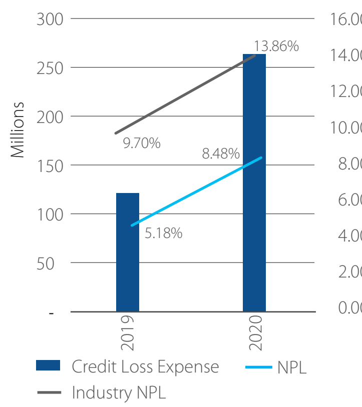
Operating Expenses & Cost to Income



Cost to Income Ratio of the Company improved by 8.59% to 42.91% as compared with 51.50% recorded in 2019. This improvement resulted from the Cost Management initiatives taken by the Management together with pandemic situation and new work methodologies used. Removal of Debt Repayment Levy has also significantly contributed to this improvement. However, decreased activity levels and work from home arrangement have been supported to maintain the expenses at low in order to compensate for reduction in Interest Income.

Impairment Charges

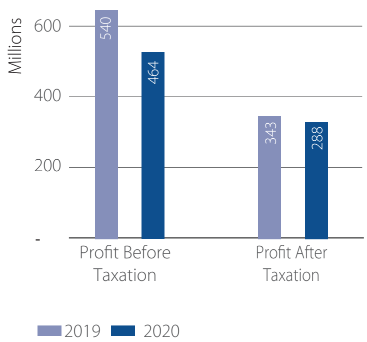
Impairment Charge and NPL



Impairment charge of the Company increased by 122.26% compared to the year 2019. Significant increase in the Impairment charge is a reflection of adverse economic conditions under which the market operated. Nonetheless owing to the focused recovery attempts, new initiatives in relation to collections and stringent credit, the Company could maintain NPL ratio well below the industry average.

Profitability

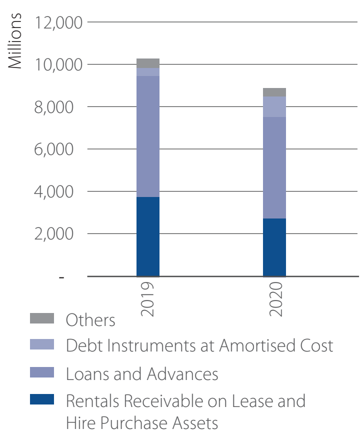
Profit Before Tax and Profit After Tax



Profit before Tax for the Company reduced by 13.93% during the year compared to 2019. The drop in Profit Before Tax could be able to maintain at this level due to better expenses management, but with the exceptional increase in Impairment Provision did not warrant the Company to record a better result. Decrease in profit after tax reported at 16 % compared to 2019. Reduction in Income Tax Expense mainly resulted from the Deferred Tax supported to slow down the drop in Profit After Tax.

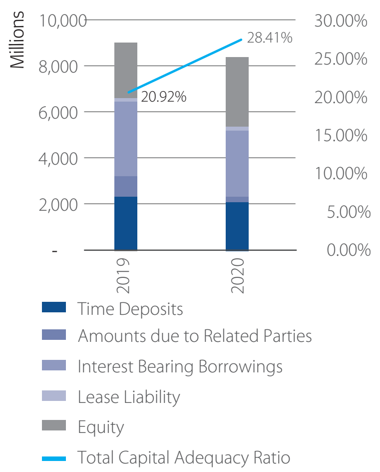
Balance Sheet Analysis

Composition of Total Assets



Total Assets of the Company reduced by 11% compared to the year 2019. This reduction is primarily due to the depletion of lease portfolio. Despite the depletion, the Company was mindful of the poor economic conditions affecting the business. Therefore credit criteria further strengthened during the year in order to mitigate deteriorating portfolio quality.

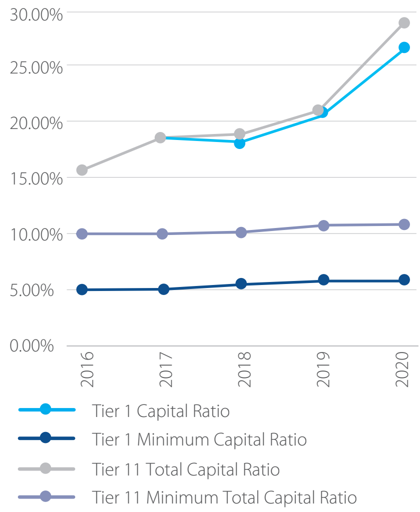
Capital Structure



Corresponding to the low executions, Company did not raise new funding during the year. Internal cash flows were utilized in settling the Inter Company dues and Company was able to better structure its funding mix. Deposit Liabilities marginally reduced due to moving of customers to other investment options given lower deposit interest rates. Despite the pandemic situation and difficult financial conditions prevailed in 2020, the Company was able to maintain Deposit Retention Ratio at 85%.

It is notable that the Company is well capitalized as reflected by its strong capital adequacy ratio of 29.72% in the year 2020 as against the minimum requirement of 10.50%.

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 compiled with the Minimum Capital Requirement of LKR 2.5 Billion well in advance.

Closing Remarks

Financial results of the Company during the year 2020 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

INTRODUCTION

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

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

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

Risk Management Process and Framework

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

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

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

1 RISK GOVERNANCE

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

The Board of Directors

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

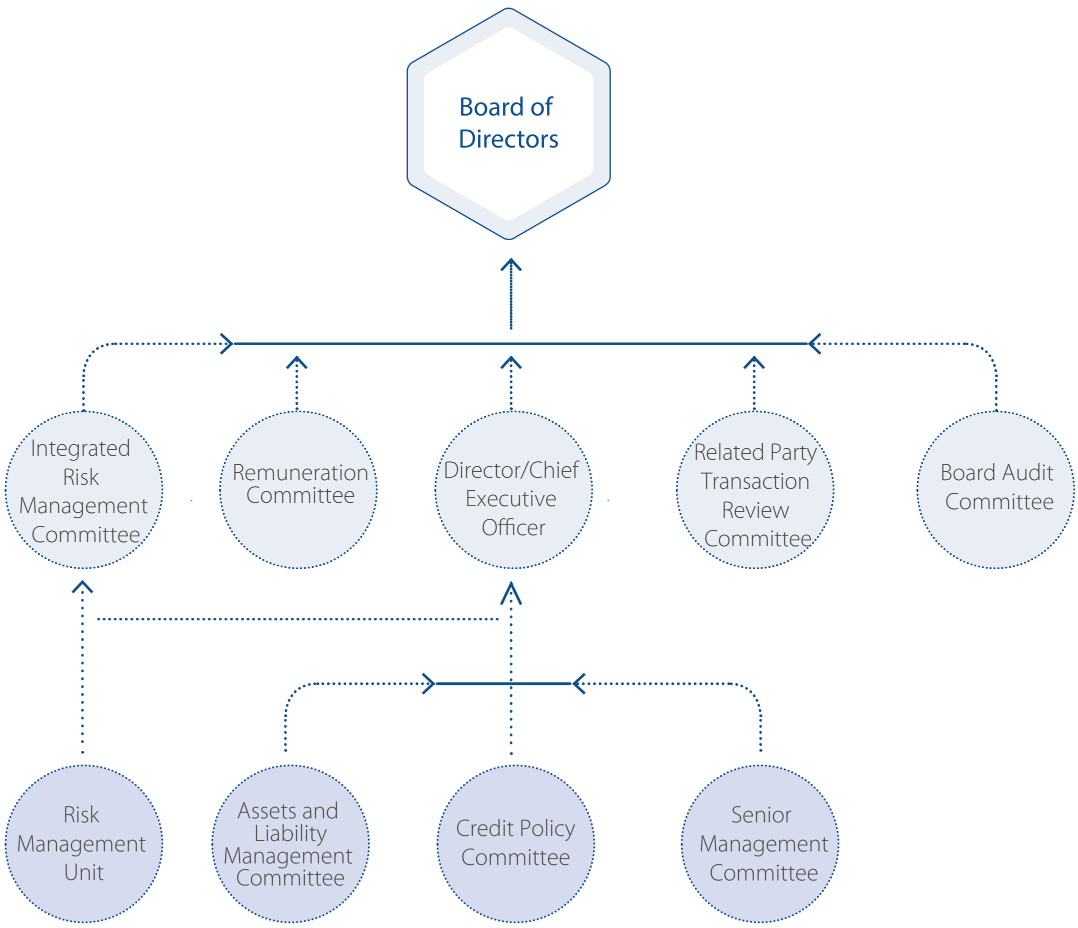
The Board approves the overall business strategies and significant policies of the Company, including those related to managing and taking risks, and will also ensure that senior management is fully capable of managing the activities of the Company. The Board of Directors is responsible for understanding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

Senior Management

Executive Management, and in particular Chief Executive Officer (CEO), Head of Risk Management and Senior Management are responsible for risk management under the oversight of the Board. The Head of Risk Management, who oversees the risk management function of the Company, directly reports to the Integrated Risk Management Committee (IRMC) of the Board, also has an administrative reporting line to the CEO.

Risk Governance Structure

The Company's Risk Governance Structure is as follows.



Risk Management

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

Adequate Policies, Procedures and Limits

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

The Board

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

Board Committees

Integrated Risk Management Committee

The Committee will be the apex body next to the Board overseeing the risk management of the Company. The committee consists of two non-executive independent directors, two executive directors including CEO, GM -Credit & Operation, GM- Marketing, GM – Finance, Head of Internal Audit, and Head of Risk and Compliance who supervise broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee works with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee. The scope of the Committee is given in the Risk Report by the Board of Directors from page 56 in this Annual Report.

2 RISK APPETITE

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

Strategic Principles

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

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

Risk Management Principles

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

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

Financial Objectives

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

Risk Appetite Measures

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

3 RISK MANAGEMENT TECHNIQUES

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

Policies, Processes, Guidelines, and Standards

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

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

Policies

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

Risk Management

Processes

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

Standards

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

Identification Measurement, Monitoring, Controlling and Reporting

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

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

Identification

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

Measurement

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

Regular Monitoring

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

The Company has an effective Management Information System (MIS) to monitor risk levels and facilitate timely review of risk positions and exceptions. The Company identifies and measure all material risk exposures. Consequently, risk monitoring activities are supported by information systems that provide Board and senior management with timely reports on the financial condition, operating performance, and risk exposure of the Company, as well as with regular and sufficiently detailed reports for line managers engaged in the day-to-day management of the Company's activities.

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

Risk Control

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

Internal Control

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

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

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

The Company ensures that;

- its internal controls and internal audit appropriate to the type and level of risks posed by the nature and scope of AMWCL's activities.
- the organizational structure establishes clear lines of authority and responsibility for monitoring

adherence to policies, procedures, and limits.

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

Risk Reports

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

Risk Management Culture

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

Key Risks and their Management

Strategic Risk

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

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

Credit Risk

Credit risk is arising from financial losses if any customers, clients or market counterparties fail to fulfil their contractual obligations to AMWCL as and when they fall in due.

Default risk and concentration risk are Major components of credit risk. Default risk is the risk of potential losses arising from inability of AMWCL's customers to settle the loan in full by the due dates. Credit Concentration Risk is the degree of exposure within the Company's credit portfolio. Concentration risk arises from individual, product and sector.

Credit Risk Management

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

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

Risk Management

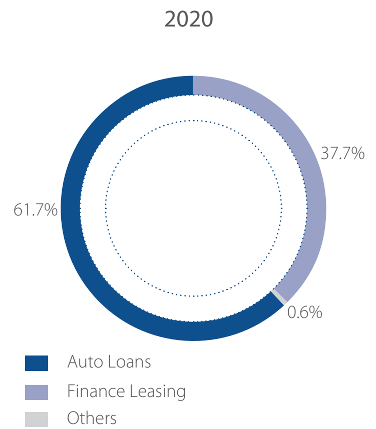
for any exceptions from the lending standards on the individual transactions.

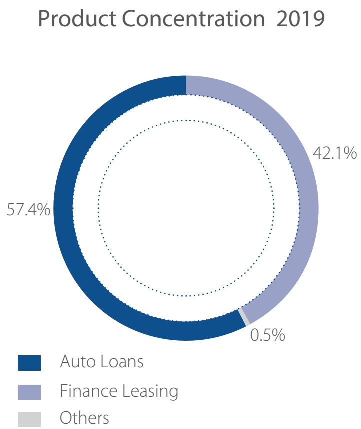
The front office proposes new transactions, and the approving authority examines the risk and makes a granting/ rejection decision or might issue recommendations for altering the proposed transaction until it complies with risk standards. This is commonly done by using credit risk mitigants such as down-payments,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

Over the years the Company was primarily focused on finance leases for AMW brand vehicles (Maruti, Suzuki, Nissan) for personal use which was comparatively low risk, with the Company acquiring and developing required skills and aptitudes in this segment. The Company also lend to non-captive brands which bear different risk characteristics. The credit policies are aligned with the future strategic direction and clear lending guidelines are implemented for the credit selection of the non-AMW brand and commercial segments.

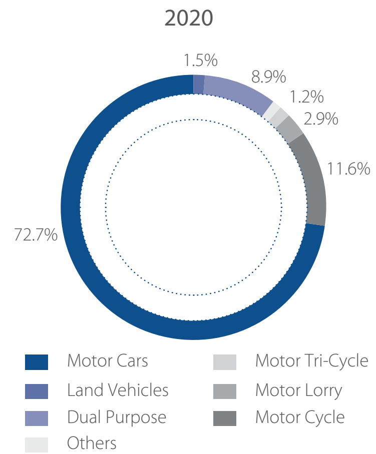
The year 2020 had been a year of challenges. The customers' repayment capacity were reduced significantly due to impact of COVID 19 outbreak. The industry asset quality deteriorated significantly in the first half of the year. Hence, the operating environment necessitated a prudent revision of our aggressive growth plans and making the right choices became a key imperative. In line with that Company reviewed its credit evaluation process, approval authority and credit selection parameters in the year 2020. Due to this rational approach and emphasis on quantity over quality in the year 2020 and pandemic impact witnesses a decline of Rs1.2 Bn, in lending portfolio. AMWCL's credit portfolio is primarily made up of auto loans with over 60% based on the product class with cars dominating with over 73% exposure based on the asset class, which could be classified as low risk. The two wheeler market for which Company entered a few years back had been capped to a maximum of 15% of the portfolio

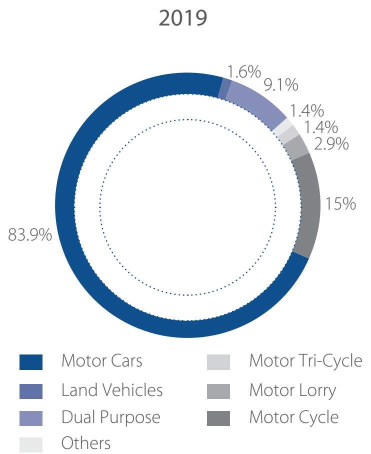
Product Concentration





Asset Concentration



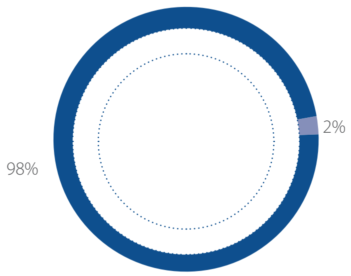


Portfolio Quality

Despite a contraction in the lending portfolio, Company's NPL ratio was kept at a comparatively low level of 8.48% as at December 2020, as compared to the industry average of over 13.86%. The asset quality of the lending portfolio is one of the best among the peer companies. The Company's loans and advances are secured either by vehicles or deposits. The increase in the NPLs in 2020 was due to the overall slowdown in the economy and impact of the COVID 19. The Company has also taken several measures to curtail NPLs. Some of these measures include setting up of a dedicated recovery team to monitor two wheelers, strengthening of branch recovery teams, setting up call centre unit, process changes to fall in line with SLFRS 9 and strengthening of the legal arm.

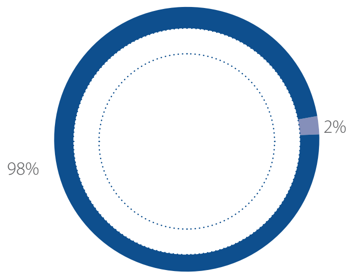
Top 20 Customers Concentration

2020



Other Customers
Top 20 Customers

2019

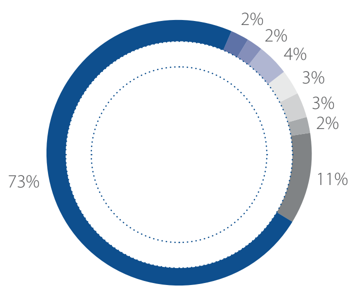


Other Customers
Top 20 Customers

The Company exposure to top 20 borrowers stood at 2% in both 2020 and 2019. The exposure to top 20 borrowers were managed by the Company prudently and there is no significant increase in concentration risk in the year 2020 compared to 2019. Accordingly credit risk from top 20 borrowers is very low.

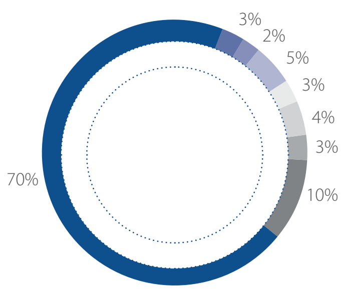
Sector Wise Analysis

2020



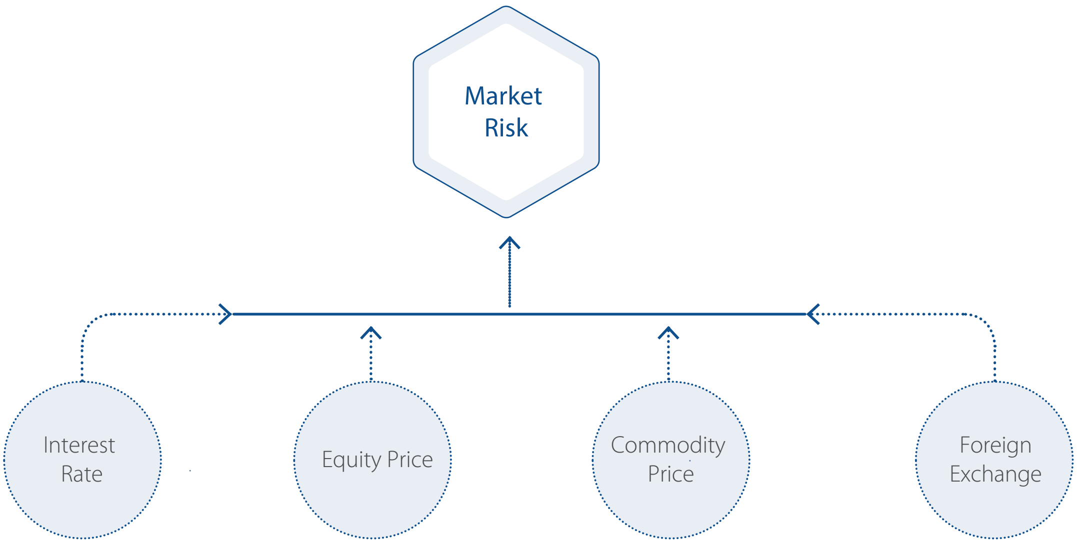
Consumption
Education
Manufacturing
Transportation & Storage
Wholesale & Retail Trade
Other
Agriculture, Forestry & Fishing
Construction & Infrastructure Development

2019



Consumption
Education
Manufacturing
Transportation & Storage
Wholesale & Retail Trade
Other
Agriculture, Forestry & Fishing
Construction & Infrastructure Development

Market Risk Types



The concentration reported from consumption which has increased by 3% compared to 2019, The Company highly concentrated on motor vehicle and therefore concentration to consumption is high compared to other sectors.

Stress Testing - Credit Risk

Description	CAR as at 31-Dec-20	Shock Level		
		5%	20%	50%
Credit Risk				
Tier I Capital	29.72%	29.63%	29.34%	28.75%
Total Capital	29.72%	29.63%	29.34%	28.75%

The Company conducts stress testing for credit risk by simulating capital adequacy ratio under three different shock levels. The Company has ability to meet Capital Adequacy Ratio under all scenarios.

Asset Liability Management (ALM)

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

Market Risk

Increase potential loss due to changes in market variables including: interest rate risk, equity risk, foreign currency risk and commodity risk. The Company primarily vulnerable to interest rate risk and does not have any exposures to equity and commodity risk.

Risk Management

Interest Rate Risk

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

Interest Rate Risk Management

Interest rate risk is managed through interest rate gaps which measures 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. We try to minimize the NIMI volatility by setting limits on interest rate gaps and also being conscious of the tenure premiums in the market rates in pricing our lending products.

Interest Rate Sensitivity Gaps as at 31 December 2020 (Rs Mn)

As at 31 December 2020	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	11.94	344.50	712.77	999.41	1,828.99	6,067.98	9,965.59
Equity Instruments at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-	-
Debt Instruments at Amortized Cost	-	434.85	303.56	-	8.92	13.59	760.91
Total Sensitive Assets	11.94	779.35	1,016.33	999.41	1,837.90	6,081.57	10,726.50
Sensitive Liabilities							
Bank Overdraft	114.22	-	-	-	-	-	114.22
Time Deposits	51.31	302.41	598.15	308.32	470.27	369.41	2,099.86
Amounts due to Related Parties	-	-	99.34	-	-	-	99.34
Interest Bearing Borrowings	-	-	-	-	837.77	2,173.81	3,011.58
Total Sensitive Liabilities	165.52	302.41	697.49	308.32	1,308.05	2,543.21	5,325.00
Gap	(153.58)	476.93	318.85	691.10	529.86	3,538.35	5,401.50
Cumulative Gap	(153.58)	323.35	642.20	1,333.29	1,863.15	5,401.50	

The Company's short term negative interest rate gap of Rs. 154 Mn. is within manageable level.

Stress Testing - Interest Rate Risk

Description	CAR as at	Shock Level		
	31-Dec-20	5%	20%	50%
Market Risk - Interest Rate				
Tier I Capital	29.72%	29.48%	28.76%	27.25%
Total Capital	29.72%	29.48%	28.76%	27.25%

Interest expenses of the company stressed under 3 shock level to identify the Company ability to meet regulatory capital adequacy ratio. The Company has the ability to meet capital adequacy ratio under all three shocks levels.

Liquidity Risk

Liquidity risk refers to the losses arising from variations in the Company's ability to sell or dispose assets and settle the liabilities. Liquidity risk arises when a AMWCL is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due.

Liquidity Risk Management

Liquidity management is done through liquidity gaps including static and dynamic liquidity gaps AMWCL controls liquidity risk by spreading over time the required amounts of funding and avoiding unexpected important needs for raising additional funds. The Board is updated on the liquidity gaps for making sure that raising funds will be within acceptable boundaries.

Liquidity management is aimed at target time profile of gaps after raising new resources, which complies with liquidity gap limits. Further, diversification of the funding sources with different maturities enables better management of liquidity risks and its impact on the operations of the company. Currently the main funding sources of the Company are bank borrowings, public deposits and funding from parent. ALCO would decide on the composition of the funding sources (type, tenure and interest rates) on the management of the funding side of the balance sheet.

Liquidity Ratio

The Company has maintained 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 is risk very low. Further, the Company has access to contingency funding arrangement with two top rated two commercial banks in Sri Lanka.

Static Maturity Gap Analysis as at 31 December 2020 (Rs Mn.)

As at 31 December 2020	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	432.50	-	-	-	-	-	432.50
Other Financial Assets	-	54.58	18.95	-	-	-	73.53
Rentals Receivable on Lease and Hire Purchase Assets	149.00	308.64	1,186.35	1,455.60	336.93	8.23	3,444.75
Loans and Advances	189.16	404.13	1,642.05	3,158.49	1,103.42	5.31	6,502.56
Equity Instruments at Fair Value Through Other Comprehensive Income	-	-	-	-	-	2.10	2.10
Debt Instruments at Amortized Cost	434.85	303.56	8.92	13.59	-	-	760.91
Total Financial Assets	**1,205.50**	**1,070.91**	**2,856.27**	**4,627.67**	**1,440.35**	**15.64**	**11,216.35**
Financial Liabilities							
Bank Overdraft	114.22	-	-	-	-	-	114.22
Trade and other Payables	327.90	48.35	25.00	-	-	0.08	401.33
Time Deposits	362.72	618.36	835.28	307.16	127.99	-	2,251.51
Amounts due to Related Parties	-	99.34	-	-	-	-	99.34
Interest Bearing Borrowings	-	205.22	482.89	2,674.24	-	-	3,362.34
Lease Liability	2.82	5.18	22.78	41.54	14.96	2.27	89.56
Total Financial Liabilities	**807.66**	**976.46**	**1,365.94**	**3,022.94**	**142.95**	**2.35**	**6,318.30**
GAP	**397.84**	**94.46**	**1,490.32**	**1,604.74**	**1,297.40**	**13.29**	**4,898.05**
Cumulative GAP	**397.84**	**492.30**	**1,982.63**	**3,587.36**	**4,884.76**	**4,898.05**	

Risk Management

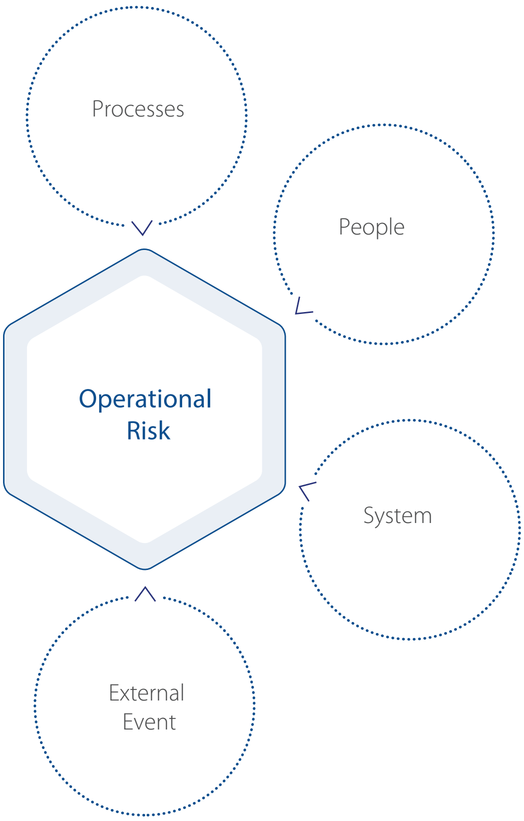
Capital Adequacy

Description	2020	2019
Total Risk Weighted Amount (LKR Mn.)	9,939.91	11,544.32
Tier 1 Capital (LKR Mn.)	2,954.45	2,668.68
Total Capital (LKR Mn.)	2,954.45	2,749.10
Tier 1 Capital Adequacy Ratio	29.72%	23.12%
Total Capital Adequacy Ratio	29.72%	23.81%

The Company's Total Capital Ratio of 29.72% is well above the required minimum regulatory Total Capital Ratio of 10.5% as stipulated by the Central Bank of Sri Lanka. The total capital amount of Rs 2.9 billion as at end December 2020 is also well above the required minimum core capital requirement. Whilst keeping a comfortable margin above the regulatory requirements on Total Capital Ratio, the Company is well capitalized to achieve an accelerated growth in the future.

Operational Risk

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



Operational risk management

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

Corporate Governance

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

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

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

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

	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
	(In accordance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008, Finance Companies (Corporate Governance- Amendment) Directions No. 04 of 2008 and No. 06 of 2013 issued under the Finance Companies Act No. 78 0f 1988 and Finance Business Act, No. 42 of 2011 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 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 which covers all stakeholders is in place and reviewed, as and when required.
e)	Reviewing the adequacy and integrity of the company's internal control systems and management information system.	Complied with The adequacy and integrity of the Company's internal control systems and management information systems are reviewed by the Board through the Audit Committee. The Audit Committee reports are submitted to the Board for further action.
f)	Identifying and designating key management personnel, who are in a position to- (i) influence policy (ii) direct activities (iii) exercise control over business activities operations and risk management	Complied with Identification and designation of Key Management Personnel (KMP) is in place. Board members including the CEO and functional heads have been identified and designated as KMPs.

Corporate Governance

	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
g)	Defining the areas of authority and key responsibility for the Board and for key management personnel.	**Complied with** Articles 95 - 103 of the Articles of Association defines the powers and duties of the Board of Directors and the areas of authority and key responsibilities of other Key Management Personnel are enumerated in their job.
h)	Ensuring that there is appropriate oversight of the affairs of the Company by key management personnel (which is consistent with the finance company's policy)	**Complied with** Performance of the Company is regularly discussed at Board level and operational reviews at management level.
i)	Periodically assessing the effectiveness of its governance practices including – (i) The selection, nomination and election of directors and appointment of key management personnel; (ii) The management of conflicts of interests and (iii) The determination of weakness and implementation of changes where necessary.	**Complied with** CBSL approval is sought prior to appointment of Directors. Directors are selected and nominated to the Board according to skills and experience in order to bring about an objective judgment on issues of strategy, performance and resources. Election of Directors is effected in accordance with the requirements of the directions issued by CBSL and Companies Act in force. The Directors declare their interest wherever applicable and refrain from partaking in such decision. Effectiveness of this process is ascertained by their contribution at Board meeting in their respective fields. Self-Assessment of Directors is carried out annually. KMP also declare their interests annually.
j)	Ensuring that the Company has an appropriate succession plan for key management personnel.	**Complied with** A documented succession plan is in place for all key management personnel.
k)	Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives.	**Complied with** Key management personnel are invited by the Board Members during Board, Board sub-committees and other management committee meetings when the need arises to take part in discussions on the respective areas of responsibility.
l)	Understanding the regulatory environment.	**Complied with** All Directions from Regulatory Authorities are circulated to the Board and all key management personnel. Contents are noted and where applicable appropriate decisions taken. A compliance report is tabled at monthly Board Meetings. All weekly, monthly and annual submissions are made to CBSL and other statutory authorities.
m)	Exercising due diligence in the hiring and oversight of external auditors	In accordance with Group Policy. Re-appointment is at the AGM of the Company.
2.2	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve functions and responsibilities of the Chairman and the CEO in line with requirements of this Direction.	**Complied with** The Board has appointed the Chairman and Chief Executive Officer (CEO). The roles of Chairman and Chief Executive Officer (CEO) are separated from inception as required by the Rule 7 (1) of the CBSL Direction.
2.3	There shall be a procedure determined by the Board to enable Directors, upon reasonable request to seek independent professional advice in appropriate circumstances, at the company's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.	**Complied with** The Board Directors in performance of their duties are permitted to obtain independent professional advice from third parties whenever deemed necessary at the Company's expense if considered appropriate.

CORPORATE GOVERNANCE PRINCIPLE		LEVEL OF COMPLIANCE
2.4	A director shall abstain from voting on any Board Resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested and he shall not be counted in the quorum for the relevant agenda item at the Board Meeting.	All Directors exercise their independent and objective judgment on issues of strategy, policy, resources and standards of conduct. The Board is conscious of its obligation to ensure that Directors avoid conflicts of interest between their duty to the Company and their own interests. The Board has adopted a procedure to ensure that conflicts of interests of Directors are disclosed to the Board and also Board members are required to disclose all transactions with the Company. All related party transactions (if any) are disclosed in the Financial Reports Section of the Annual Report.
2.5	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Company is firmly under its authority.	Complied with The Board has put in place systems and controls to facilitate the effective discharge of Board functions. Pre-set agendas for all meetings ensure the direction and control of the Company is firmly under Board control and authority. The agenda of the monthly Board Meetings includes reports on the performance and on compliance with relevant regulations. This ensures full compliance and optimum performance of the company.
2.6	The Board shall, if it considers that the Company is likely to be unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Department of Supervision of Non-Bank Financial Institutions of the situation of the Company prior to taking any decision or action.	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 Meetings 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.
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 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.

Corporate Governance

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

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 Five Directors of whom Two Directors are Independent Non-Executive Directors. (Mr. R C J De Silva Munasinghe was appointed as Director/CEO with effect from 10 March 2020 and is included in the above computation).
4.2	The total period of service of a director other than a Director who holds the position of Chief Executive Officer or Executive Director shall not exceed nine years. The total period in office of a Non-Executive Director shall be inclusive of the total period of service served by such Director up to the date of this Direction.	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 The Board comprised of 5 Directors (of whom 2 are Independent Non-Executive, 2 are Non-Executive) as at end of financial year.
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	Complied with At end of financial year under review, the Board had 2 Independent Non-Executive Directors, thereby complying with this requirement.
	a) Has shares exceeding 2% of the paid up capital of the Company or 10% of the paid up capital of another Finance Company; b) Has or had during the period of two years immediately preceding his appointment as a director, any business transactions with the Finance Company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the Finance Company as shown in its last audited balance sheet; c) Has been employed by the Finance Company during the two year period immediately preceding the appointment as a director; d) Has a relative who is a Director or Chief Executive Officer or a Key Management Personnel or holds shares exceeding 10% of the paid up capital of the Finance Company or exceeding 12.5% of the paid up capital of another finance Company; e) Represents a shareholder, debtor, or such other similar stakeholder of the Finance Company;	The Directors or their families or connected parties do not hold any shares in the Company.

Corporate Governance

	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
	f) Is an employee or a director or has a shareholding of 10% or more of the paid up capital in a Company or business organization; (I) Which has a transaction with the finance Company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance Company or; (ii) In which any of the other directors of the finance Company is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the finance Company or; (iii) In which any of the other directors of the finance Company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company.	
4.5	In the event an Alternate Director is appointed to represent an Independent Non-Executive Director, the person so appointed shall also meet the criteria that apply to the Independent Non-executive Director.	No Alternate Directors appointed.
4.6	Non-Executive Directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	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 Page 10 to 11.
4.7	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless at least one half of the number of Directors that constitute the quorum at such meeting are Non-Executive Directors.	As per Article 109 of the Articles of Association, this requirement is complied with.
4.8	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the name of Directors of the finance company. The Finance Company shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the Annual Corporate Governance Report which shall be an integral part of its Annual Report.	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) - appointed w.e.f:10.03.20 Mr. B P Morris (Non-Executive Director) Mr. J D N Kekulawala (Independent Non-Executive Director) Mr. B E Schwendtke (Non-Executive Director) Mr. R Kassaby (Non-Executive Director) - resigned w.e.f:28.12.20 Mr. C W Cordery (Non-Executive Director) - resigned w.e.f:17.01.20
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.	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.

	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
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 Changes in directorate are informed to the relevant authorities and also given in the Annual Report. The following Directors have resigned during the year under review: Mr. C W Cordery - resigned w.e.f: 17.01.20 Mr. R Kassaby - resigned w.e.f: 28.12.20
5. CRITERIA TO ASSESS THE FITNESS AND PROPRIETY OF DIRECTORS		
5.1	Subject to the transitional provisions contained herein, a person over 70 years shall not serve as a Director of a finance company.	Complied with All Directors are below the age of 70 years as at 31 December 2020.
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.

Corporate Governance

	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
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 Company Secretary draws up an agenda approved by the Chairman prior to circulation to the Board.
7.6	The Chairman shall ensure that all Directors are informed adequately and in a timely manner of the issues arising at each Board Meeting.	**Complied with** The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings through the submission of the Agenda and the Company Secretary ensures the timely dissemination of Board Papers to all Directors to ensure sufficient preparation for meetings.
7.7	The Chairman shall encourage each Director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the company.	**Complied with** Active participation is encouraged, Reports on performance along with Financials, Audit and Risk Reports are presented at each Board Meeting to encourage a cross section of opinions and for sound decision making.
7.8	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relationship between Executive and Non-Executive Directors.	**Complied with** Executive and Non-Executive Directors work together with the best interest of the Company. Non-Executive Directors participate in Board Subcommittees to provide further opportunities for active participation.
7.9	Subject to the transitional provisions contained herein, the Chairman shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever	**Complied with** The Chairman is an Independent Non-Executive Director and does not engage in activities involving direct supervision of key management personnel or any other executive duties.
7.10	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	**Complied with** The Board approved Policy of Communication satisfies the requirement under this Direction. Effective Communication is maintained at the Annual General Meeting of the Company and periodic submissions to Colombo Stock Exchange also contributes towards complying with this Direction.
7.11	The Chief Executive Officer should function as the apex executive-in-charge of the day-to-day operations and business.	**Complied with** The CEO is responsible for the day-to-day operations and business of the Company with the support of the Executive Directors and members of the Corporate Management.

	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.	**Complied with** The Company has established and Audit Committee and an Integrated Risk Management Committee. Reports of such committees are presented to the Board at Board Meetings. A report from both committees for the year under review will be included in the Annual Report of the Company.
8.2	Audit Committee a) The Chairman of the committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	**Complied with** The Chairman of the Audit Committee is Mr. J D N Kekulawala who is an Independent Non-Executive Director. 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 is disclosed on page 10 of this Annual Report.
	b) The Board members appointed to the committee shall be Non-executive Directors.	**Complied with** All Members of the Audit Committee are Non-Executive Directors.
	c) The Committee shall make recommendations on matters in connection with: (i) The appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) The implementation of the CBSL guidelines issued to the auditors from time to time; (iii) The application of the relevant accounting standards; and (iv) The service period, audit fee and any resignation or dismissal of the Auditor, provided that the engagement of an Audit Partner shall not exceed five years, and that the particular Audit Partner is not re-engaged for the audit before the expiry of three years from the date of completion of the previous term.	**Complied with** The Audit Committee meets every other month and reviews the monthly, quarterly and annual financials of the Company prior to recommending same to the Board. The Audit Committee makes the following recommendations to the Board regarding: (i) The Appointment of External Auditor for audit services provided in compliance with the relevant statutes. (ii) The implementation of the Central Bank Guidelines issued to Auditors from time to time. (iii) The application of the relevant accounting standards and (iv) The service period, audit fee and any resignation or dismissal of the Auditor. The engagement of the Audit Partner does not exceed 5 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.	**Complied with** The Board is responsible for the External Auditors independence, objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements. The Board has the primary responsibility for making a recommendation on the appointment, re-appointment or removal of the External Auditor in line with professional standards and regulatory requirements.

Corporate Governance

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

CORPORATE GOVERNANCE PRINCIPLE		LEVEL OF COMPLIANCE
	h) The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters that the Auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel if necessary.	**Complied with** The Committee met the External Auditors in relation to the audit in the absence of the Executive Management on 06 February 2020, 08 September 2020 and 11 December 2020.
	i) The Committee shall review the External Auditor's Management Letter and the management response thereto.	**Complied with** The Committee reviewed the External Auditor's management letter for the financial year ended 31 December 2020 and the management responses thereto.
	j) The Committee shall take the following steps with regard to the internal audit function of the finance company.	**Complied with**
	(i) Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work.	The Committee has considered the scope of the internal audit function, necessary authority and resources allocated to carry out its work.
	(ii) Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department.	The Committee ensures that a sound system of internal control is maintained in the following manner: • An internal audit programme is prepared covering all operations. • Internal and External Audit Reports are reviewed by Management on a timely basis and control weaknesses are corrected.
	(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit Department;	Complied as per Group Policy.
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the Chief Internal Auditor and any outsourced service providers and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning.	**Complied with** Mr. R C J De Silva Munasinghe was appointed as the Director/ CEO w.e.f: 10.03.2020. This was communicated to CBSL and approval obtained.
	(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;	**Complied with** Internal Audit reports directly to the Board Audit Committee and hence they are Independent and the audits are performed with impartiality and professional due care.
	k) The Committee shall consider the major findings of internal investigations and management's responses thereto;	**Complied with** The Committee considers the major findings of the Internal Audit Department and the Management responses thereto.

Corporate Governance

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
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.	**Complied with** The meetings of the committee are held as required including meeting of External Auditors without the Executive Directors.
m) The Committee shall have: (i) Explicit authority to investigate into any matter within its terms of reference; (ii) The resources which it needs to do so; (iii) Full access to information; and (iv) Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	**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.
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.	**Complied with** Regular meetings are held by the Committee and an Agenda for discussion is given with due notice. Proper minutes are recorded and the Chairman of the Audit Committee gives a Report to the Board for further action and recommendation.
o) The Board shall, in the Annual Report, disclose in an informative way (i) Details of the activities of the audit committee (ii) The number of audit committee meetings held in the year; and (iii) Details of attendance of each individual member at such meetings.	**Complied with** During financial year ended 31 December 2020, the Committee held 06 meetings and an Audit Report on the issues discussed at each meeting was presented to the Board.
p) The Secretary to the Committee (either the Company Secretary or the Head of the Internal Audit function) shall record and keep detailed minutes of the committee meetings.	**Complied with** The Company Secretary serves as the Secretary to the Audit Committee.
q) The Committee shall review arrangements by which employees of the finance Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the External Auditor.	**Complied with** A Board approved whistle-blower code is in place.

	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
8.3	**Integrated Risk Management Committee:**	
	a) This Committee shall consist of at least one Non-Executive Director, CEO and Key Management Personnel supervising broad risk categories i.e. credit, market, liquidity, operational and strategic risks. The Committee shall work with Key Management Personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	**Complied with** The Integrated Risk Management Committee comprises of : Mr. T S A Fernandopulle - Chairman Mr. B P Morris Mr. J D N Kekulawala Mr. C Munasinghe - appointed w.e.f:25.05.20 Mr. D P V Mendis Mr. W K A S Jayarathna - appointed w.e.f:26.10.20 Mrs. D Tillekeratne - resigned w.e.f: 01.03.20 Mr. H N Wijayatunga - appointed w.e.f:07.012.20 Mr. S Fernando - resigned w.e.f : 21.09.20 Mr. S U Thenuwara Mr. P R M Perera Ms. R E Weerasinghe Matters discussed at IRMC level are referred to the Board for further action and recommendations.
	b) The Committee shall assess all risks, i.e. credit, market, liquidity, operational and strategic risks to the finance Company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance Company basis and group basis.	**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.
	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	**Complied with** Specific risks and limits are identified by relevant committees such as ALCO, Fixed Deposits, Credit, Recoveries. The Committee reviews the minutes of the ALCO and Credit Policy Committee on a regular basis.
	d) The Committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	**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.
	e) The Committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	**Complied with** 06 meetings were held for the financial year ended 31 December 2020.
	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.	**Complied with** The Committee takes collective decisions when managing the specific risk.
	g) The Committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	**Complied with** Approved Committee Minutes and a Report consisting the risk inherent to the Company are tabled at the subsequent Board Meeting seeking the Board's views and specific direction.

Corporate Governance

	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
	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.	**Complied with** The Head of Risk & Compliance officer reports to the Audit and Risk Committees on the compliance of regulatory requirement and internal controls..
9. RELATED PARTY TRANSACTIONS		
9.1	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction No 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction No 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.	
9.2	The Board shall take necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance Company with any person and particularly with the following categories of persons who shall be considered as "related parties" for the purpose of this Direction. a) A subsidiary of the finance company; b) Any associate Company of the finance company; c) A director of the finance company; d) A key management personnel of the finance company; e) A relative of a director or a key management personnel of the finance company; f) A shareholder who owns shares exceeding10% of the paid up capital of the finance company; g) A concern in which a director of the finance Company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest.	**Complied with** During the year under review, the Board appointed 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.
9.3	The transactions with a related party that are covered in this Direction shall be the following: a) Granting accommodation, b) Creating liabilities to the finance Company in the form of deposits, borrowings and investments. c) Providing financial or non-financial services to the finance Company or obtaining those services from the finance company, d) Creating or maintaining reporting lines and information flows between the finance Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party.	**Complied with** Board approved process is in place to identify the related party transactions and the Related Party Transactions Review Committee will ensure that all transactions with related parties are on arm's length basis.

<table>
<tr><th colspan="2">CORPORATE GOVERNANCE PRINCIPLE</th><th>LEVEL OF COMPLIANCE</th></tr>
<tr><td>9.4</td><td>The Board shall ensure that the finance Company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, "more favourable treatment" shall mean:

a) Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the finance company's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company's share capital and debt instruments with a remaining maturity of years or more.
b) Charging of a lower rate of interest than the finance company's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty.
c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/ commissions, that extends beyond the terms granted in the normal course of business with unrelated parties.
d) Providing or obtaining services to or from a related party without a proper evaluation procedure;
e) Maintaining reporting lines and information flows between the finance Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.</td><td>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.</td></tr>
<tr><th>10</th><th colspan="2">DISCLOSURES</th></tr>
<tr><td>10.1</td><td>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.</td><td>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 sent to the CSE and posted on the CSE website.

Such statements are published in the newspapers as required.</td></tr>
<tr><td>10.2</td><td>The Board shall ensure that at least the following disclosures are made in the Annual Report:

a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.</td><td>

Reference – Report of the Board of Directors on the Affairs of the Company (in this Annual Report)</td></tr>
</table>

Corporate Governance

CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE
b) A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	Reference – Directors Statement on Internal Controls over financial reporting.
c) The External Auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31st 2010.	PwC given an assurance on the Directors statement on the effectiveness of the internal controls.
d) Details of directors, including names, transactions with the finance company.	Reference – Notes to the Financial Statements on Related Party Transactions (in this Annual Report)
e) Fees/ remuneration paid by the finance Company to the directors in aggregate, in the Annual Reports published after Jan 1 2010.	Reference – Notes to the Financial Statements on Related Party Transactions (in this Annual Report)
f) Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	Related Party / Net Accommodation (Rs. Mn) / Net Accommodation as a % of Capital Funds Directors / Nil / Nil Key Management Personnel / Nil / Nil
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.46,405,860.00 Deposits made – Rs.3,628,732.00 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.	Reference - Report of the Board of Directors on the Affairs of the Company.
i) A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non-compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance Company to address such concerns.	No such situation has arisen.
j) The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the Annual Corporate Governance reports published after January 1,2011.	PwC given an assurance on the Directors statement on the effectiveness of the internal controls.

Sec.	Rules of the Colombo Stock Exchange	Level of Compliance
(Disclosures pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.c and 7.10.6c of S7 of the rules.		
7.10	**Corporate Governance** Statement confirming that at the date of the annual report that the Company is in compliance with these rules.	Complied with The Company is in compliance with the Listing Rules of the Colombo Stock Exchange, as explained below.
7.10.1	**Non-Executive Directors** The Board of Directors of a listed entity shall include at least two Non-Executive Directors; or such number of Non-Executive Directors equivalent to one third of the total number of directors whichever is higher.	Complied with As at 31 December 2020 the Board comprised of 2 Non-Executive Directors.
7.10.2	**Independent Directors** Where the constitution of the Board of Directors includes only two non-executive directors in terms of 7.10.1, both such Non-Executive Directors shall be Independent. In all other instances two or 1/3rd of the Non-Executive Directors appointed to the Board, whichever is higher shall be Independent. The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Complied with As at 31 December 2020, the Board comprised of 2 Independent Directors and signed declaration of independence were obtained.
7.10.3	**Directors Disclosures** Annual determination as to the independence or non-independence of each non-executive director.	Complied with The Board has determined the independent/non - independent status based on the criteria set out by the CSE.
7.10.4	**Remuneration Committee** Shall comprise of a minimum of two Independent Non-Executive Directors of or Non-Executive Directors a majority of whom shall be independent, which ever shall be higher.	Complied with The Members of the Committee are independent Non-Executive Directors. The Committee Members are as follows: 1) Mr. J D N Kekulawala - Chairman (Independent Non-Executive Director) 2) Mr. T S A Fernandopulle - Independent Non-Executive Director
7.10.6	**Audit Committee** Shall comprise of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, which ever shall be higher.	Complied with As at 31 December 2020, the Committee comprised 2 Independent Non-Executive Directors and one Non-Executive Director.

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 2020 are given below.

Board Meetings

Names	Directorship Status	Number of Meetings
Number of meetings held		12
Mr. T S A Fernandopulle	Chairman (Independent Non-Executive Director)	12/12
Mr. B P Morris	Non-Executive Director	11/12
Mr. J D N Kekulawala	Independent Non-Executive Director	12/12
Mr. R C J De Silva Munasinghe (appointed w.e.f: 10.03.20)	Director/CEO	10/10
Mr. B E Schwendtke	Non-Executive Director	12/12
Mr. R Kassaby (resigned w.e.f: 28.12.20)	Non-Executive Director	12/12

Audit Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		06
Mr. T S A Fernandopulle	Member	6/6
Mr. J D N Kekulawala	Member	6/6
Mr. B P Morris	Member	6/6

Integrated Risk Management Committee

Names	Directorship Status	Number of Meetings
Number of meetings held		04
Mr. T S A Fernandopulle	Chairman	4/4
Mr. B P Morris	Member	4/4
Mr. J D N Kekulawala	Member	4/4
Mr. R C J De Silva Munasinghe (appointed w.e.f: 25.05.20)	Member	3/3
Mr. D P V Mendis	Member	4/4
Mr. W K A S Jayarathna (appointed w.e.f: 26.10.20)	Member	1/1
Mrs. D Tillekeratne (resigned w.e.f: 01.03.20)	Member	1/1
Mr. S Fernando (resigned w.e.f: 21.09.20)	Member	3/3
Mr. P R M Perera	Member	4/4
Mr. S U Thenuwara	Member	4/4
Mrs. R E Weerasinghe	Member	4/4

Related Party Transactions Review Committee

Names	Directorship Status	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	Member	4/4
Mr. R C J De Silva Munasinghe (appointed w.e.f: 25.05.20)	Member	3/3

Report of the Directors

The Directors are pleased to present their Report for the Financial Year Ended 31 December 2020 together with the Audited Statement of Financial Position and the Statement of Comprehensive Income for the period under review.

Review of the Period

The Chairman's message along with the 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 65 to 114 in this Annual Report.

Independent Auditors Report

The Auditors Report on the Financial Statements is given on page 62 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements are given on pages 69 to 79.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for Financial Statements is given on page 60.

Stated Capital

The Stated Capital of the Company on 31 December 2020 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

In accordance with the Articles of Association Mr. Bernd Schwendtke 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 2020, 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 99 to 100 to the Financial Statements and Report of the Related Party Transactions Review Committee on pages 58 and 59.

Directors' Remuneration

Details of the remuneration received by the Directors are set out in Note 26 to the Financial Statements on page 97.

Auditors

Messrs. PricewaterhouseCoopers have expressed their willingness to continue in office as Auditors of the Company for the year ending 31 December 2021. 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

Ms. Ruvini E Weerasinghe
Company Secretary
30 March 2021

Directors' Statement on Internal Control Over Financial Reporting

RESPONSIBILITY

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

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at AMW Capital Leasing and Finance PLC. ("Company"). The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place, is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

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

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

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

- Various Committees are established by the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the Internal Control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit Department are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the Management; and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of the same. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Further details of the activities undertaken by the Board Audit Committee of the Company are set out in the Board Audit Committee Report on page 55.
- The Company adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2012. Based on the feedback received from the external auditors, internal auditors, regulators and the Audit Committee, the aforementioned Accounting Standards were further strengthened during the period from 2013 to 2020.
- 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 comments made by the External Auditors in connection with internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2020 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 2020 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

24 May 2021
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. Brandon Morris (Resigned w.e.f. 28 February 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 Group IT Head and the support staff are present as and when required to discuss IT issues. 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	06
Mr. B P Morris	06

Nihal Kekulawala
Chairman - Audit Committee
30 March 2021

Report of the Integrated Risk Management Committee

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

Mr. Trevine Fernandopulle
Independent Non-Executive Director

Mr. Nihal Kekulawala
Independent Non-Executive Director

Mr. Brandon Morris
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 & Compliance

Mr. Sanjaya Thenuwara
General Manager - Marketing

Mr. Rajitha Perera
Head of Internal Audit

Ms. Ruvini Weerasinghe
Head of Legal/Company Secretary

Charter of the Committee

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

The Charter of the IRMC approved by the Board, sets out the membership, source of authority, duties and responsibilities of the IRMC. The functions of the IRMC in managing the risks of the Company have been discussed in detailed under the "Risk Management" from pages 24 to page 34 of this Annual Report.

Committee Meetings and Methodology

The IRMC met 04 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 if the risk management framework of the Company.

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

Activities and Functions of the Committee

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

In particular, the IRMC discussed, analyzed and advised on the various macro and micro level risks which could impact the business and reviewed management.

Trevine Fernandopulle
Chairman
Integrated Risk Management Committee.
30 March 2021

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 and Mr. Trevine Fernandopulle.

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 10 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 2021

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Company was formed in February 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. Brandon Morris (Resigned w.e.f. 28 February 2021) and an Executive Director Mr. Chamath Munasinghe.

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

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

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. Brandon Morris	Non-Executive Director	4/4
Mr. Chamath Munasinghe (Appointed w.e.f. 25.05.2020)	Executive Director	3/3

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.

Related Party Transactions During 2020

Details of related party transactions during the period under review are disclosed under Note 32 on pages 99 to 100 of Financial Statements.

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year (Rs. 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	52.30	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
			767.45	**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 no 53 of this Annual Report.

Nihal Kekulawala
Chairman
Related Party Transactions Review Committee
30 March 2021

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 2020 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

Ms. Ruvini E Weerasinghe
Company Secretary
30 March 2021

Financial Reports

Independent Auditors' Report

INDEPENDENT AUDITORS' 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 2020, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company, which comprise:

- the statement of financial position as at 31 December 2020;
- 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.

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 issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the 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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T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda FCA,MsWD A S U Perera ACA

Key Audit Matter	How our audit addressed the key audit matter
Impairment of loans and advances, and rentals receivable on lease and hire purchase assets **Refer to the accounting policy Section 2.2.2: Impairment losses on loans and receivables and Notes 6, 7 and 25 to the financial statements.** As at 31 December 2020, total gross amount of loans and advances, and rentals receivable on lease and hire purchase assets amounted to LKR 8,523 Million, with a total allowance for impairment of LKR 742 Million. Total net amount of loans and advances contribute 85% to the total assets. 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. 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 factors such as: - The use of the ECL model which involves complex calculations and requires significant management judgment. - The magnitude of the reported amounts of loans and advances, and rentals receivable on lease and hire purchase assets and the impairment allowances thereof. - The determination of loss rates based on historical and forward-looking information.	The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and advances to customers and rentals receivable on lease and hire purchase assets in line with SLFRS 9 adopted, included the following: - Understanding, evaluating and testing the design and operating effectiveness of controls in the lending and credit risk mitigation process. - Assessing the appropriateness of the criteria used by management to determine whether the customer credit facilities are impaired. - Assessing the design and application of the ECL model, including reasonability of significant assumptions made by management and the quality of observable data, which included, cash flow estimates, discount rates and expected recoveries when defaults occur. - Comparing the macro-economic and other forward-looking information used by the management, against reliable publicly available information. - Checking the underlying calculations and data on a sample basis for accuracy and completeness. - Assessing the accuracy and sufficiency of disclosures relating to impairment allowance for credit losses on loans and advances to customers and rentals receivable on lease and hire purchase assets as at the year end. Based on the procedures performed as mentioned above, we considered the assumptions and judgments made by the management to be reasonable.

Other information

Management is responsible for the other information. The other information comprises the information included in the AMW Capital Leasing and Finance PLC 2020 Annual Report ("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 do not and 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 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 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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka Membership Number: 4084
Colombo

Date: 30 March 2021

Statement of Financial Position

As at 31 December	Note	2020 Rs.	2019 Rs.
ASSETS			
Cash and Bank	3	432,495,187	254,934,938
Other Financial Assets	4	73,533,687	74,785,758
Other Non - Financial Assets	5	4,902,703	9,843,509
Rentals Receivable on Lease and Hire Purchase Assets	6	2,797,074,803	3,847,454,176
Loans and Advances	7	4,983,138,643	5,526,124,117
Equity Instruments at Fair Value Through Other Comprehensive Income	8	2,098,266	1,981,382
Debt Instruments at Amortised Cost	9	759,224,727	437,185,444
Property, Plant and Equipment	10	20,958,191	23,676,136
Intangible Assets	11	744,328	2,375,611
Right of Use Assets	12	73,236,739	75,828,734
Total Assets		9,147,407,274	10,254,189,805
EQUITY AND LIABILITIES			
Liabilities			
Bank Overdraft	3	114,216,408	17,415,790
Trade and Other Payables	13	401,333,514	468,175,592
Time Deposits	14	2,099,863,518	2,265,482,274
Amounts due to Related Parties	15	99,336,769	1,171,289,033
Interest Bearing Borrowings	16	3,011,583,067	3,227,974,834
Lease Liability	12	73,514,101	73,942,968
Income tax payable	17	288,440,892	195,354,555
Deferred Tax Liability	18	69,929,392	136,719,982
Employee Benefit Obligation	19	33,991,294	29,152,744
Total Liabilities		6,192,208,955	7,585,507,772
Equity			
Stated Capital	20	200,000,000	200,000,000
Retained Profit		2,606,860,081	2,334,832,987
Fair Value through OCI Reserve		1,452,864	1,368,707
Statutory Reserve Fund	21	146,885,374	132,480,339
Total Equity		2,955,198,319	2,668,682,033
Total Equity and Liabilities		9,147,407,274	10,254,189,805

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

Shanuka Jayarathna
General Manager - Finance

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

Chamath Munasinghe
Director

Trevine Fernandopulle
Director

Accounting Policies and Notes on pages 69 to 114 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Comprehensive Income

Year ended 31 December	Note	2020 Rs.	2019 Rs.
Interest Income	22	1,636,284,210	1,968,208,589
Less : Interest Expenses	23	(674,854,588)	(988,244,860)
Net Interest Income		**961,429,622**	**979,963,729**
Other Operating Income	24	292,221,552	379,960,070
Total Operating Income		1,253,651,174	1,359,923,799
Credit Loss Expense	25	(270,538,366)	(121,721,612)
Net Operating Income		**983,112,808**	**1,238,202,187**
Less: Operating Expenses			
Administration Cost		(204,780,867)	(251,033,531)
Personnel Cost		(197,323,753)	(240,342,934)
Distribution Cost		(21,699,420)	(39,355,658)
Operating Profit before Value Added Tax (VAT) on Financial Services and Debt Repayment Levy		**559,308,768**	**707,470,064**
Less: Value Added Tax on Financial Services		(92,669,172)	(104,003,297)
Debt Repayment Levy		(2,040,212)	(63,656,737)
Profit Before Taxation	26	**464,599,384**	**539,810,030**
Income Tax Expenses	27	(176,498,684)	(197,046,301)
Profit for the year		**288,100,700**	**342,763,729**
Other Comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial Gain/(Loss) on Employee Benefit Obligation	19	(2,317,459)	1,880,919
Fair Value Gain/(Loss) on Equity Instruments	8	116,884	1,900,982
Income tax relating to Other Comprehensive income	27	616,160	(1,058,933)
		(1,584,415)	2,722,968
Total Comprehensive Income for the year		**286,516,285**	**345,486,697**
Basic / Diluted Earnings Per Share	28	14.41	17.14
Dividend Per Share	29	-	-

Accounting Policies and Notes on pages 69 to 114 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

	Note	Stated Capital Rs.	Retained Profit Rs.	Statutory Reserve Fund Rs.	Fair Value through OCI Reserve Rs.	Total Equity Rs.
Balance as at 01 January 2019		**200,000,000**	**2,007,853,183**	**115,342,153**	**-**	**2,323,195,336**
Profit for the year		-	342,763,729	-	-	342,763,729
Other Comprehensive Income net of tax		-	1,354,261	-	1,368,707	2,722,968
Dividend Paid	29	-	-	-	-	-
Transfers	21	-	(17,138,186)	17,138,186	-	-
Balance as at 31 December 2019		**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**	**2,955,198,319**

Statement of Cash Flows

Year ended 31 December	Note	2020 Rs.	2019 Rs.
Cash Flows from / (Used In) Operating Activities			
Net Profit before Income Tax		464,599,384	539,810,030
Adjustments for :			
Interest Income on Debt Instruments at Amortized Cost	22	(48,535,840)	(60,499,196)
Accrued Loan Interest	16	384,489,704	422,483,505
Dividend Income	24	(320,000)	(280,000)
Retiring Gratuity - Charge for the year	19	7,256,388	8,040,144
Gain on disposal of Property, Plant and Equipment	24	-	(4,958,500)
Loss on disposal of Property, Plant and Equipment	12	9,471,004	11,608,659
Depreciation & Amortization	10, 11 & 12	40,655,505	42,665,376
Operating Profit Before Changes in Working Capital		857,616,145	958,870,018
Increase / (Decrease) in Trade & Other Payables		(66,842,077)	(169,719,306)
(Increase) / Decrease in Other Financial Assets & Non - Financial Assets		4,068,878	11,273,833
Net Investment in Lease, Hire Purchase and Loans and Advances		1,593,364,847	1,402,491,206
Net Deposits from Customers		(165,618,756)	(93,913,546)
Net Cash generated from /(used in) Operations		2,222,589,038	2,109,002,205
Gratuity Paid	19	(4,735,296)	(2,722,764)
Income Tax Paid	17	(146,688,633)	(240,438,810)
ESC Paid	17	(2,898,146)	(12,159,733)
WHT Paid	17	-	(672,548)
Net Cash generated from/ (used in) Operating Activities		2,068,266,963	1,853,008,350
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Dividends Received	24	320,000	280,000
Acquisition of Plant, Equipment and Intangible Assets	10	(7,272,982)	(9,397,788)
Sale Proceed from Disposal of Plant and Equipment	10	-	4,958,500
Net Investments made during the Year		(322,039,283)	95,698,597
Interest Received from Debt Instruments at Amortized Cost	22	48,535,840	60,499,196
Net Cash generated from/ (used in) Investing Activities		(280,456,425)	152,038,505
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Lease payments during the year	12	(34,217,171)	(33,311,592)
Loans Obtained	16	-	-
Loan Settlements made	16	(600,881,472)	(626,141,305)
Net Borrowing from Related Parties		(1,071,952,264)	(1,275,055,947)
Net Cash generated from/ (used in) Financing Activities		(1,707,050,907)	(1,934,508,844)
Net Increase / (Decrease) in Cash & Cash Equivalents		80,759,631	70,538,011
Cash & Cash Equivalents at the beginning of the year		237,519,148	166,981,137
Cash & Cash Equivalents at the end of the year	3	318,278,779	237,519,148

Accounting Policies and Notes on pages 69 to 114 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements
Year ended 31 December 2020

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 2020 were authorised for issue by the Directors on 29 March 2021.

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 (SLFR's), Sri Lanka Accounting Standards ("LKAS"s), 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.

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 2020;
- 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 34. 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 2020 were authorised for issue by the Board of Directors on 29 March 2020. 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 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

Notes to the Financial Statements

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
- Selection 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.

2.3 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 2020.

i. Definition of Material – Amendments to LKAS 1 and LKAS 8
ii. Covid-19-related Rent Concessions – Amendments to SLFRS 16

(i) Definition of Material – Amendments to LKAS 1 and LKAS 8

The amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout Sri Lanka Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in LKAS 1 about immaterial information.

In particular, the amendments clarify:

a) that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
b) the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need

This amendment is effective for the annual periods beginning on or after 1 January 2020.

(ii) COVID-19-related Rent Concessions – Amendments to SLFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. According to the amendment to SLFRS 16 Leases which provides lessees with an option to treat qualifying 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 concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

This amendment is effective for the annual periods beginning on or after 1 June 2020.

2.4.2 Accounting standards/ amendments issued but not effective

The following standards and interpretations had been issued by IASB (not yet adopted by CA Sri Lanka) but not mandatory for annual reporting periods ending 31 December 2020.

(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 (e.g. the receipt of a waver 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.

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

The amendment to LKAS 16 Property, Plant and Equipment 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.

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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 LKAS 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:

- SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- 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.
- 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.
- LKAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under LKAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

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 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. 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 has 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 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.

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

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

c) Sales tax

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

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

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

d) Value Added Tax on Financial Services

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

e) Withholding Tax on Dividends

Dividend distributed out of taxable profit of the local companies attracts a 14% deduction at source and is not available for set off against the tax liability of the Company. Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividends is recognised.

f) Debt Repayment Levy

Debt Repayment Levy has been imposed by the Finance Act No 35 of 2018 for a limited period of time from 1 October 2018. A levy of 7% is charged monthly on the value addition attributable to the supply of financial services. This tax was abolished by the government with effect from 1st January 2019.

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 derecognised 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.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, 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:

- 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 derecognized.

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

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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 Amortised cost:

The Company only measures loans, receivables, and other financial investments at amortised 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 inorder 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 Amortised 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:

- 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 de recognition, 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

Notes to the Financial Statements

Effective Interest Rate method (EIR) amortization process.

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

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 and any shortfall or excess of contributions payable over amounts paid is recognized as liability or asset.

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 recognised 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 recognised 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 recognised as interest expense.

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.

Notes to the Financial Statements

		2020 Rs.	2019 Rs.
3.	**CASH AND BANK**		
	Cash in Hand	80,474,084	46,966,052
	Cash at Bank	352,021,103	207,968,886
		432,495,187	254,934,938
	Bank Overdraft	(114,216,408)	(17,415,790)
	Cash & Cash Equivalents	318,278,779	237,519,148
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	318,278,779	237,519,148
	Borrowings		
	- Amounts due to Related Parties	(99,336,769)	(1,171,289,033)
	- Interest Bearing Borrowings	(3,011,583,067)	(3,227,974,834)
	- Lease Liability	(73,514,101)	(73,942,968)
	Net debt	(2,866,155,158)	(4,235,687,687)
	Cash & Cash Equivalents	318,278,779	237,519,148
	Gross debt – fixed interest rates	(1,926,731,807)	(1,805,481,151)
	Gross debt – variable interest rates	(1,257,702,130)	(2,667,725,684)
	Net debt	(2,866,155,158)	(4,235,687,687)

	Liability from financing activities		Assets	Total
	Borrowings	Lease Liability	Cash & Cash Equivalents	
Net debt as at 1 January 2019	(5,877,977,614)	(78,992,135)	166,981,137	(5,789,988,612)
Cash flows	-	-	70,538,011	70,538,011
Loans obtained from related parties	1,275,055,947	-	-	1,275,055,947
Securitization Loan obtained from banks	-	-	-	-
Securitization Loan Interest	(422,483,505)	-	-	(422,483,505)
Repayment of Securitization Loans	626,141,305	-	-	626,141,305
Interest Charge on Lease Liability	-	(11,608,659)	-	(11,608,659)
New Lease Liability	-	(16,653,766)	-	(16,653,766)
Lease payments during the year	-	33,311,592	-	33,311,592
Net debt as at 31 December 2019	(4,399,263,867)	(73,942,968)	237,519,148	(4,235,687,687)
Recognised on adoption of SLFRS 16 (see Note 12)	-	-	-	-
	(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 Loan obtained from banks	-	-	-	-
Securitization Loan Interest	(384,489,704)	-	-	(384,489,704)
Repayment of Securitization Loans	600,881,472	-	-	600,881,472
Interest Charge on Lease Liability	-	(9,471,004)	-	(9,471,004)
New Lease Liability	-	(24,317,299)	-	(24,317,299)
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)

		2020 Rs.	2019 Rs.
4.	**OTHER FINANCIAL ASSETS**		
	VAT Receivable on lease rentals	7,279,522	7,554,688
	Insurance Receivable on Lease and Hire Purchase	27,626,164	28,144,842
	Insurance Receivable on Loans and Advances	23,366,044	18,021,164
	RMV charges receivable	4,755,859	3,894,999
	Staff Loans	-	366,625
	Refundable Deposits	18,951,544	18,291,544
	Operating Lease Rentals Receivable	316,538	316,538
	Seizing Charges Receivable	1,160,857	2,958,838
	Lawyer Fee Receivable	9,019,782	7,894,965
	Advance on Domestic Creditors	3,357,198	2,660,615
	Miscellaneous Receivables	16,951,246	11,759,257
	Less : Impairment provision for Other Financial Assets	(39,251,067)	(27,078,317)
		73,533,687	**74,785,758**
5.	**OTHER NON - FINANCIAL ASSETS**		
	Input VAT Receivable	7,809,941	8,739,592
	Prepayment	997,817	5,008,972
		8,807,758	13,748,564
	Less: Impairment provision for Other Non Financial Assets	(3,905,055)	(3,905,055)
		4,902,703	**9,843,509**
6.	**RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS**		
6.1	**Rentals Receivable on Lease Assets**		
	Receivable after five years		
	Rentals Receivable	8,233,908	5,193,925
	Unearned Income	(523,021)	(506,898)
		7,710,887	4,687,027
	Receivable from one to five years		
	Rentals Receivable	1,792,527,017	2,343,084,445
	Unearned Income	(321,632,401)	(391,013,393)
		1,470,894,616	1,952,071,052
	Receivable within one year		
	Rentals Receivable	1,643,988,227	2,366,644,885
	Unearned Income	(403,341,489)	(560,400,847)
		1,240,646,738	1,806,244,038
	Overdue Rental Receivable		
	Rentals Receivable	488,374,092	363,149,210
		488,374,092	363,149,210
	Total		
	Future Rentals Receivable	3,444,749,152	4,714,923,254
	Overdue Rentals Receivable	488,374,092	363,149,210
	Total Rentals Receivable	3,933,123,244	5,078,072,464
	Unearned Income	(725,496,911)	(951,921,138)
		3,207,626,333	4,126,151,326
	Less : Provision for Credit Loss Expenses	(410,551,530)	(279,821,547)
	Balance as at 31 December	**2,797,074,803**	**3,846,329,779**

Notes to the Financial Statements

		2020 Rs.	2019 Rs.
6.	**RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS (Contd…)**		
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	-	777,570
	Unearned Income	-	(44,473)
		-	733,097
	Overdue Rental Receivable	43,269,175	47,605,278
	Rentals Receivable	43,269,175	47,701,012
	Total		
	Future Rentals Receivable	-	777,570
	Overdue Rentals Receivable	43,269,175	47,605,278
	Total Rentals Receivable	43,269,175	48,382,848
	Unearned Income	-	(44,473)
		43,269,175	48,338,375
	Less : Provision for Credit Loss Expenses	(43,269,175)	(47,213,977)
	Balance as at 31 December	-	**1,124,399**
	Total Rentals Receivable on Lease Assets and Hire Purchase Assets		
	Future Rentals Receivable	3,444,749,152	4,715,700,824
	Overdue Rental Receivable	531,643,267	410,754,487
	Total Rentals Receivable	3,976,392,419	5,126,455,311
	Unearned Income	(725,496,911)	(951,965,611)
		3,250,895,508	4,174,489,700
	Less : Provision for Credit Loss Expenses (6.3)	(453,820,705)	(327,035,523)
	Balance as at 31 December	**2,797,074,803**	**3,847,454,176**
6.3	**Provision for Credit Loss Expenses**		
	Balance as at 01 January	327,035,523	267,984,944
	Provisions made during the year	116,632,679	48,631,076
		443,668,202	316,616,020
	Charged against Interest in Suspense (as required by CBSL)	10,152,503	10,419,503
	Balance as at 31 December	**453,820,705**	**327,035,523**

	2020 Rs.	2019 Rs.

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

6.4 Maturity analysis of lease rentals receivable on Lease and Hire Purchase Assets

	2020 Rs.	2019 Rs.
Less than 1 year	1,643,988,227	2,367,422,454
1 to 2 years	960,219,752	1,422,798,080
2 to 3 years	495,378,138	603,175,568
3 to 4 years	240,833,029	242,757,061
4 to 5 years	96,096,098	74,353,735
More than 5 years	8,233,908	5,193,925
	3,444,749,152	4,715,700,824
Less: Unearned Interest Income	(725,496,911)	(951,965,611)
Gross Rentals Receivable	2,719,252,241	3,763,735,212
Overdue Rental Receivable	531,643,267	410,754,487
Less : Provision for Credit Loss Expenses	(453,820,705)	(327,035,523)
Balance as at 31 December	2,797,074,803	3,847,454,176

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 2020 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 (%)	(2,783,720)	1,659,023
Inflation (YoY Average)	1,970,552	(2,023,221)
Interest Rate (PLR)	808,082	(250,957)
Exchange Rate-YE (US$:LKR)	206,498	(250,385)
Unemployment (% of Labor Force)	687,309	(3,420,866)

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 31.12.2020 amounts to Rs.449,680,483 (As at 31.12.2019 amounts to Rs.332,037,722/-).

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

Notes to the Financial Statements

		2020 Rs.	2019 Rs.
7.1	**Instalments Receivable on Auto Loans**		
	Receivable after five years		
	Instalments Receivable	5,308,369	3,835,563
	Unearned Income	(288,878)	(200,146)
		5,019,491	3,635,417
	Receivable from one to five years		
	Instalments Receivable	4,261,912,684	4,880,594,321
	Unearned Income	(884,446,029)	(1,066,732,703)
		3,377,466,655	3,813,861,618
	Receivable within one year		
	Instalments Receivable	2,235,339,763	2,464,149,171
	Unearned Income	(749,042,700)	(877,156,718)
		1,486,297,063	1,586,992,453
	Overdue Instalment Receivable		
	Instalments Receivable	378,615,792	216,919,947
		378,615,792	216,919,947
	Total		
	Instalments Receivable	6,502,560,816	7,348,579,055
	Overdue Instalments Receivable	378,615,792	216,919,947
	Total Instalments Receivable	6,881,176,608	7,565,499,002
	Unearned Income	(1,633,777,605)	(1,944,089,567)
		5,247,399,003	5,621,409,435
	Less: Provision for Credit Loss Expenses (7.3)	(288,971,646)	(130,419,790)
	Balance as at 31 December	**4,958,427,357**	**5,490,989,645**
7.2	**Loans Against Fixed Deposits**	24,711,286	35,134,472
	Total Loans and Advances	**4,983,138,643**	**5,526,124,117**
7.3	**Provision for Credit Loss Expenses**		
	Balance as at 01 January	130,419,790	76,076,373
	Provisions made during the year	141,652,937	46,012,218
	Charged against Interest in Suspense (as required by CBSL)	16,898,920	8,331,199
	Balance as at 31 December	**288,971,647**	**130,419,790**
7.4	**Maturity analysis of lease rentals receivable on Loans and Advances**		
	Less than 1 year	2,235,339,763	2,464,149,171
	1 to 2 years	1,822,197,570	2,073,481,118
	2 to 3 years	1,336,290,942	1,556,036,886
	3 to 4 years	784,192,160	933,506,727
	4 to 5 years	319,232,012	317,569,590
	More than 5 years	5,308,369	3,835,563
		6,502,560,816	7,348,579,055
	Less: Unearned Interest Income	(1,633,777,605)	(1,944,089,567)
	Gross Rentals Receivable	4,868,783,211	5,404,489,488
	Overdue Rental Receivable	378,615,792	216,919,947
	Loans Against Fixed Deposits	24,711,286	35,134,472
	Less : Provision for Credit Loss Expenses	(288,971,646)	(130,419,790)
	Balance as at 31 December	**4,983,138,643**	**5,526,124,117**

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 quaterly basis.

Forward-looking economic assumptions - The most significant period-end assumptions used for ECL estimate as at 31 December 2020 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 (%)	(2,254,770)	1,360,223
Inflation (YoY Average)	1,645,657	(1,659,963)
Interest Rate (PLR)	373,705	(276,826)
Exchange Rate-YE (US$:LKR)	138,778	(168,288)
Unemployment (% of Labor Force)	737,081	(2,846,420)

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 31.12.2020 amounts to Rs. 279,622,795 (As at 31.12.2019 amounts to Rs. 147,341,809/-).

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

8. EQUITY INSTRUMENTS AT OTHER COMPREHENSIVE INCOME

		No of shares		2020	2019
	Holding %	2020	2019	Rs.	Rs.
Unquoted Investments					
Credit Information Bureau of Sri Lanka	0.04%	100	100	2,098,266	1,981,382
				2,098,266	**1,981,382**

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 2019 and 31 December 2020:

Opening balance as at 1 January 2019	**80,400**
Acquisitions	-
Gains recognised in other comprehensive income	1,900,982
Closing balance as at 31 December 2019	**1,981,382**
Acquisitions	-
Gains recognised in other comprehensive income	116,884
Closing balance as at 31 December 2020	**2,098,266**

Notes to the Financial Statements

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.

	Fair value		Unobservable input	
Description	2020	2019	2020	2019
Unlisted equity securities	2,098,266	1,981,382	Adjusted net assets value per share	Adjusted net assets value per share

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:

	2020	2019
	Rs.	Rs.
Gains/(losses) recognised in other comprehensive income		
Related to equity investments	116,884	1,900,982
Dividends from equity investments held at FVOCI recognised in profit or loss in other operating income (see Note 24)	320,000	280,000

9. DEBT INSTRUMENTS AT AMORTISED COST

	2020	2019
Quoted Investments		
Government Debt Securities	22,496,598	21,922,665
Treasury Bills Repurchases	736,728,129	415,262,779
	759,224,727	437,185,444

10. PROPERTY, PLANT & EQUIPMENT

As at 31 December 2020

	As at 01.01.2020	Additions during the year	Disposals during the year	As at 31.12.2020
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

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

As at 31 December 2020

	As at 01.01.2020 Rs.	Charge for the year Rs.	On disposals Rs.	As at 31.12.2020 Rs.
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

	As at 01.01.2019 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2019 Rs.
As at 31 December 2019				
Cost				
Computer Equipment	44,386,615	378,200	-	44,764,815
Office Equipment	27,135,406	1,935,943	-	29,071,349
Furniture & Fittings	17,101,396	1,029,388	-	18,130,784
Motor Vehicles	85,000	-	-	85,000
Motor Vehicles on Hire	26,785,715	-	(7,165,179)	19,620,536
Fixtures	26,411,886	3,957,014	-	30,368,900
	141,906,018	7,300,545	(7,165,179)	142,041,384

	As at 01.01.2019 Rs.	Charge for the year Rs.	On disposals Rs.	As at 31.12.2019 Rs.
Depreciation				
Computer Equipment	37,018,879	3,657,295	-	40,676,174
Office Equipment	20,945,618	3,029,429	-	23,975,047
Furniture & Fittings	12,754,887	1,553,953	-	14,308,840
Motor Vehicles	85,000	-	-	85,000
Motor Vehicles on Hire	26,785,715	-	(7,165,179)	19,620,536
Fixtures	19,523,468	2,672,278	-	22,195,746
	117,113,567	10,912,955	(7,165,179)	120,861,343

Notes to the Financial Statements

	As at 01.01.2019 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2019 Rs.
10. PROPERTY, PLANT & EQUIPMENT (Contd...)				
Capital Work In Progress	398,852	7,817,678	(5,720,435)	2,496,095
	398,852	7,817,678	(5,720,435)	2,496,095

	2020 Rs.	2019 Rs.
Written Down Value		
Computer Equipment	1,797,004	4,088,641
Office Equipment	4,242,738	5,096,302
Furniture & Fittings	2,448,091	3,821,944
Fixtures	11,216,862	8,173,154
	19,704,695	21,180,041
Capital Work In Progress	1,253,496	2,496,095
	20,958,191	23,676,136

10.1 During the financial year, Company acquired Plant & Equipment to the aggregate value of Rs. 7,272,982 /- (2019 - Rs. 9,397,788/-). Cash payments amounting to Rs. 7,272,982 /- (2019 - 9,397,788/-) 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. 100,714,739 (2019 - Rs. 90,269,149)

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

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

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

	As at 01.01.2019 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2019 Rs.

11. INTANGIBLE ASSETS (Contd…)

As at 31 Decemeber 2019

	As at 01.01.2019 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2019 Rs.
Cost/Carrying Value				
Computer Software	73,320,660	-	-	73,320,660
	73,320,660	**-**	**-**	**73,320,660**

	As at 01.01.2019 Rs.	Amortization during the year Rs.	Disposals during the year Rs.	As at 31.12.2019 Rs.
Amortization				
Computer Software	68,445,565	2,499,484	-	70,945,049
	68,445,565	**2,499,484**	**-**	**70,945,049**

	2019 Rs.	2018 Rs.
Written Down Value		
Computer Software	2,375,611	4,875,095
	2,375,611	**4,875,095**

11.1 During the financial year, Company has not acquired Intangible Assets. 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. 68,553,542/- (2019 - Rs. 63,291,514/-).

	2020 Rs.	2019 Rs.

12. LEASES

12.1 Amounts recognised in the statement of financial position

	2020 Rs.	2019 Rs.
Right-of-use assets		
Buildings	73,236,739	75,828,734
	73,236,739	**75,828,734**
Lease liabilities		
Current	23,071,823	23,692,824
Non-current	50,442,278	50,250,144
	73,514,101	**73,942,968**

The additions to the right-of-use assets during the year is Rs. 26,441,299/-

Notes to the Financial Statements

12. LEASES (Contd…)

12.2 Amounts recognised in the statement of profit or loss

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

	2020 Rs.	2019 Rs.
Depreciation charge of right-of-use assets		
Buildings	29,033,295	29,252,938
Interest on Lease Liability	9,471,004	11,608,659
The total cash outflow for leases	34,217,171	33,311,592

12.3 Maturity Analysis of undiscounted cash flows of Lease Liability

	2020 Rs.	2019 Rs.
Less than 1 year	30,781,228	32,502,682
1 to 5 years	56,501,840	59,932,907
More than 5 years	2,270,244	490,933
	89,553,312	92,926,522

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.

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).

13. TRADE & OTHER PAYABLES

	Relationship	2020 Rs.	2019 Rs.
Trade Creditors - Related (13.1)		3,300,668	39,091,720
- Non - Related		61,418,317	45,298,673
Other Payables - Related (13.2)		34,134,038	56,380,396
- Non - Related - Advances Received from Customers		143,154,524	121,509,939
- Non - Related - Others		159,325,967	205,894,864
		401,333,514	468,175,592

13.1 Trade Creditors - Related Parties

	Relationship	2020 Rs.	2019 Rs.
Associated Motorways (Pvt) Ltd	Parent	1,755,668	37,607,720
Associated Motor (Lanka) Ltd	Other Related Party	1,545,000	1,484,000
		3,300,668	39,091,720

		Relationship	2020 Rs.	2019 Rs.
13.	**TRADE & OTHER PAYABLES (Contd…)**			
13.2	**Other Payables - Related**			
	Interest Payable on Current Account - Associated Motorways (Pvt) Ltd	Parent	771,817	11,811,653
	Other Payable - Associated Motorways (Pvt) Ltd	Parent	7,560,827	8,094,867
	Other Payable - Orient Insurance Limited	Other Related Party	1,480,291	1,480,291
	Insurance Payable - Orient Insurance Limited	Other Related Party	24,321,103	34,993,585
			34,134,038	**56,380,396**

		2020 Rs.	2019 Rs.
14.	**TIME DEPOSITS**		
	Balance as at 01 January	2,133,491,234	2,259,763,616
	Fixed Deposits during the year	710,992,903	1,312,438,415
	Interest capitalized for renewals	77,108,933	11,294,493
	Top up's (additions by customer to original deposit)	50,453,360	71,387,414
	Withdrawals during the Year	(972,355,710)	(1,521,392,704)
	Balance as at 31 December	1,999,690,720	2,133,491,234
	Interest Payable	100,172,798	131,991,040
	Total	2,099,863,518	2,265,482,274

		Relationship	Interest Rate	Repayment	2020 Rs.	2019 Rs.
15.	**AMOUNT DUE TO RELATED PARTIES**					
	Associated Motorways (Pvt) Ltd	Parent	AWPLR + 1%	No fixed terms	99,336,769	1,171,289,033
					99,336,769	**1,171,289,033**

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

16. INTEREST BEARING BORROWINGS

	2020 Within One Year Rs.	2020 After One Year Rs.	2020 Total Rs.	2019 Total Rs.
Securitization Loan (16.1)	1,250,868,781	1,760,714,286	3,011,583,067	3,227,974,834
	1,250,868,781	1,760,714,286	3,011,583,067	3,227,974,834

16.1 Securitization Loan

	As at 01.01.2020 Rs.	Loans Obtained Rs.	Accrued Interest Rs.	Repayment Rs.	As at 31.12.2020 Rs.	Term of the Loan	Interest Rate	Security Offered
Securitization (NDB) 1500 M	1,731,538,183	-	218,654,523	96,975,000	1,853,217,706	60 months	IRR at 12.13%	Lease Portfolio
Securitization (HNB)1500 M	1,496,436,651	-	165,835,181	503,906,471	1,158,365,361	60 months	AWPLR + (2.25%-2.75%)	Auto Loan Portfolio
	3,227,974,834	-	384,489,704	600,881,471	3,011,583,067			

16.2 Unutilised Funding Facilities

Bank Name	Type of Facility	Interest Rate	Rs.	Security Offered
Commercial Bank	Over Draft	AWPLR + 2.5%	200,000,000	Lease Portfolio
Hatton National Bank	Contingency Fund	AWPLR + 1%	500,000,000	Auto Loan Portfolio
			700,000,000	

		2020 Rs.	2019 Rs.
17.	**INCOME TAX PAYABLE**		
	Balance as at 01 January	195,354,555	231,621,952
	Provision for the year	246,033,116	217,511,706
	Over/(Under) provision in respect of previous year	(3,360,002)	(508,012)
		438,027,669	448,625,646
	Payments made during the year	(146,688,633)	(240,438,810)
	Withholding Tax	-	(672,548)
	ESC setoff against Income Tax	(2,898,146)	(12,159,733)
	Balance as at 31 December	**288,440,892**	**195,354,555**
18.	**DEFERRED TAX**		
	Balance as at 01 January	136,719,982	155,618,443
	Provision/ (reversal) made during the year	(66,174,430)	(19,957,393)
	Charge/(Reversal) for the year through Statement of Other Comprehensive Income	(616,160)	1,058,933
	Balance as at 31 December	**69,929,392**	**136,719,982**
18.1	**DEFERRED TAX LIABILITY**		
	The closing Deferred Tax Liability balance relates to the following	96,454,750	3,861,453
	Accelerated Depreciation for tax purposes	2,473,516	139,961,008
	Future Rentals Receivable - Lease	(9,517,559)	(8,162,768)
	Employee Benefit Obligation	(20,123,979)	-
	Expected Credit Loss Expenses	565,002	532,275
	Fair Value Gain/(Loss) on Equity Instruments	77,662	528,014
	Right-of-use assets	**69,929,392**	**136,719,982**
19.	**EMPLOYEE BENEFIT OBLIGATION**		
	Balance as at 01 January	29,152,744	25,716,283
	Current Service Cost	4,673,548	5,501,947
	Interest for the Year	2,582,840	2,538,197
	Benefits Paid	(4,735,296)	(2,722,764)
	Actuarial (Gain)/Loss	2,317,459	(1,880,919)
	Balance as at 31 December	**33,991,295**	**29,152,744**

Employee Benefit Plan of the Company is not externally funded.

The Employee Benefit Liability is based on the actuarial valuation carried out as at 31 December 2020 by Milliman Limited. The principal assumptions used in determining the cost of employee benefits were:

	2020	2019
Discount rate	6.60%	9.87%
Future Salary Increment	8%	8%
Staff Turnover	20.00%	21.51%
Retirement age	55	55

Notes to the Financial Statements

19. EMPLOYEE BENEFIT OBLIGATION (Contd...)

A sensitivity was carried out as follows.

	2020		2019	
Effect on the present value of Defined Benefit Obligation	+1%	-1%	+1%	-1%
One percentage point change in the discount rate	(1,394,244)	1,522,537	(1,174,294)	1,235,393
One percentage point change in the salary escalation rate	1,497,282	(1,397,985)	1,245,509	(1,204,983)

Information about Maturity Profile of the Defined Benefit Obligation

	2020 Rs.	2019 Rs.
Future Working Life Time		
Within the next 12 months	5,174,790	-
Between 1-5 years	16,400,228	29,152,744
Between 5-10 years	8,317,885	-
Beyond 10 years	4,098,392	-
	33,991,295	29,152,744

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	132,480,339	115,342,153
Transfers during the year	14,405,035	17,138,186
Balance as at 31 December	146,885,374	132,480,339

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.

		2020 Rs.	2019 Rs.
22.	**INTEREST INCOME**		
	Lease	649,505,732	894,459,751
	Hire Purchase	1,210,415	722,087
	Term Loan	932,354,888	1,007,875,506
	FD Loan Interest	4,677,335	4,652,049
	Interest Income on Debt Instruments at Amortized Cost	48,535,840	60,499,196
		1,636,284,210	1,968,208,589
23.	**INTEREST EXPENSES**		
	Inter Company Loan	-	-
	Inter Company Current Account	52,299,021	254,783,885
	Securitization Loan	382,665,451	426,326,963
	Bank Borrowings	190,947	34,907
	Interest on Time Deposits	230,228,165	295,490,446
	Interest on Lease Liability	9,471,004	11,608,659
		674,854,588	988,244,860
24.	**OTHER OPERATING INCOME**		
	Overdue Interest Income	47,216,724	105,540,732
	Profit from Pre-Termination	157,484,076	151,921,230
	Dividend income	320,000	280,000
	Commission from Insurance	51,356,925	65,226,193
	Income from additional charges	18,928,418	27,721,766
	Bank Charges Claimed on cheque returns	306,948	1,276,704
	Rental Income - Inter Company	20,000	380,000
	Administration Income - Inter Company	90,000	1,885,000
	Miscellaneous Income	16,498,461	20,769,945
	Gain on Disposal of Property, Plant & Equipment	-	4,958,500
		292,221,552	379,960,070

Notes to the Financial Statements

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 31.12.2020					
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
Portfolio as of 31.12.2019					
Loans and advances					
Motor Car	3,507,434,257	1,089,351,675	220,943,896	99,093,570	4,916,823,398
Other	452,318,079	159,722,570	47,993,184	27,472,236	687,506,069
Lease and Hire Purchase					
Motor Car	1,728,660,824	362,009,096	49,610,909	57,181,170	2,197,461,999
Motor Cycle	762,536,255	317,854,025	88,666,227	90,461,750	1,259,518,257
Motor Tricycle	66,057,293	26,136,748	3,972,021	18,790,225	114,956,287
Other	298,865,400	108,197,670	27,127,819	129,299,000	563,489,889
Total Portfolio as of 31.12.2019	6,815,872,108	2,063,271,784	438,314,055	422,297,951	9,739,755,899
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
Impairment for Non - 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

	2020 Rs.	2019 Rs.

26. PROFIT BEFORE TAXATION

is stated after charging :		
Staff Salaries	162,510,291	148,412,179
Defined Contribution Plan Cost - E.P.F & E.T.F	25,786,460	23,250,067
Directors' Emoluments	30,867,265	-
Auditors' Remuneration		
- Audit	1,440,000	1,383,000
- Non - Audit	340,000	673,000
Management Fee	1,200,000	1,222,480
Defined Benefit Plan - Expense	7,256,388	8,040,144
Provision for Impairment losses	270,538,366	121,721,612
Depreciation & Amortization	40,655,505	42,665,376

27. INCOME TAX

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

	2020 Rs.	2019 Rs.
Current Income Tax		
Current Income Tax Charge (27.1)	242,673,114	217,003,694
Deferred Income Tax		
Deferred Taxation Charge / Reversal (27.2)	(66,174,430)	(19,957,393)
Income tax expense reported in the Income Statement	**176,498,684**	**197,046,301**

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

	2020 Value Rs.	2020 Tax at 28% Rs.	2019 Value Rs.	2019 Tax at 28% Rs.
Profit Before Tax	464,599,384	130,087,827	539,810,030	151,146,809
Aggregate Accounting Profit	**464,599,384**	**130,087,827**	**539,810,030**	**151,146,809**
Aggregated Disallowed Expenses	1,264,396,224	354,030,943	1,923,844,033	538,676,329
Aggregated Allowed Expenses	(850,305,907)	(238,085,654)	(1,686,826,543)	(472,311,432)
Adjusted Profit	878,689,700	246,033,116	776,827,520	217,511,706
Taxable Income	**878,689,700**	**246,033,116**	**776,827,520**	**217,511,706**
Income Tax at the rate of 28% on Taxable Income (2019 -28%)	246,033,116		217,511,706	
Under /(Over) provision in respect of previous year	(3,360,002)		(508,012)	
Current tax on profit for the year	242,673,114		217,003,694	
Deferred tax charge for the year	(66,174,430)		(19,957,393)	
Tax expense for the year	**176,498,684**		**197,046,301**	
At the effective Income Tax Rate of 38.01% (2019- 36.79%)				

Notes to the Financial Statements

	2020 Rs.	2019 Rs.
27. INCOME TAX (Contd…)		
27.2 Deferred Tax		
Income Statement		
Deferred Tax arising from		
Accelerated Depreciation for tax purposes	92,593,297	(1,544,787)
Future Rental Receivable	(137,487,493)	(17,451,753)
Employee Benefit Obligation	(705,903)	(1,488,867)
Right-of-use assets and Lease Liabilities	(450,352)	528,014
Expected Credit Loss Expenses	(20,123,979)	-
	(66,174,430)	**(19,957,393)**
Other Comprehensive Income		
Actuarial Gain/Loss on Employee Benefit Obligation	(648,888)	526,658
Fair Value gain/(Loss) on Equity Instruments	32,728	532,275
	(616,160)	1,058,933
	(66,790,590)	**(18,898,460)**

Deferred Tax has been computed using the current tax rate of 28%. (2019 - 28%)

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.

	2020 Rs.	2019 Rs.
Amounts Used as the Numerators:		
Net Profit Attributable to Ordinary Shareholders	288,100,700	342,763,729
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	14.41	17.14

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.

	2020 Rs.	2019 Rs.
29. DIVIDEND PER SHARE		
Declared and Paid during the year	-	-
Dividend Per Share	-	-

30. CAPITAL COMMITMENTS AND CONTINGENCIES

30.1 Capital Commitments

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.

	2020 Rs.	2019 Rs.
32. RELATED PARTY DISCLOSURES		
32.1 Transaction with Related Entities		
Associated Motorways Private Limited - Parent		
Transactions during the period		
Management fees paid	1,200,000	1,222,480
Rent Paid	10,442,900	12,119,510
Interest Paid	52,299,021	254,783,885
Fees paid for repair services	672,265	697,632
Salary Reimbursements	2,540,000	6,112,600
Loan Repayment	-	33,923,634
Inter Company Vehicle Purchases	700,302,385	958,892,600
	767,456,571	1,267,752,341
Rental Income Received	20,000	380,000
Administration Income Received	90,000	1,885,000
Commission Received	-	-
	110,000	2,265,000
Amounts Due to		
Trade Creditors	3,300,668	39,091,720
Loans and Accrued Interest Payable	771,817	11,811,653
Current Account with parent	99,336,769	1,171,289,033
Other Payable	7,560,827	8,094,867
	110,970,080	1,230,287,273
Associated Motor (Lanka) Private Limited - Affiliate		
Transactions during the period		
Inter Company Vehicle Purchases	14,586,999	1,484,000
Amounts Due to		
Trade Creditors	1,484,000	1,484,000
Orient Insurance Limited - Other Related Company		
Transactions during the Year		
Insurance Commission Income	23,257,623	38,062,821
Insurance Premiums Paid on Fixed Assets Insured	1,363,336	1,487,208
	24,620,959	39,550,029
Amounts Due to		
Insurance premium payable	24,321,103	34,993,585
	24,321,103	34,993,585
Fixed Deposit	220,703,233	225,401,205

Notes to the Financial Statements

	2020 Rs.	2019 Rs.

32. RELATED PARTY DISCLOSURES (Contd…)

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

	2020 Rs.	2019 Rs.
Transactions with Key Management Personnel		
Key Managerial Persons' Remuneration	30,867,265	-
Deposit Made	-	-
Deposits Withdrawn	-	-

	31.12.2020 Rs.	31.12.2019 Rs.
Amounts Due To Key Management Personnel		
Fixed Deposits	-	-

	2020 Rs.	2019 Rs.
Fixed Deposits Made	400,000	-
Fixed Deposits Withdrawn	-	-
Amounts Due to Close Family Members of the Key Management Personnel		
Fixed Deposits	400,000	-

32.3 Terms and Conditions of Transactions with Related Parties

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

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	649,505,732	894,459,751	1,210,415	722,087	937,032,223	1,012,527,555	48,535,840	60,499,196	1,636,284,210	1,968,208,589
Other Operating Income	97,556,943	150,110,546	190,746	1,045,250	140,597,297	150,275,268	53,876,567	78,529,006	292,221,552	379,960,070
Rental Income	-	-	-	-	-	-	-	-	-	-
Total Revenue	**747,062,675**	**1,044,570,297**	**1,401,161**	**1,767,337**	**1,077,629,520**	**1,162,802,823**	**102,412,407**	**139,028,202**	**1,928,505,762**	**2,348,168,660**
Interest Expenses	(245,149,953)	(409,068,742)	(104,374)	(249,312)	(429,600,260)	(578,926,806)	-	-	(674,854,588)	(988,244,860)
Depreciation and Amortization	-	-	-	-	-	-	(40,655,505)	(42,665,376)	(40,655,505)	(42,665,376)
Unallocated Expenses	-	-	-	-	-	-	(477,857,919)	(655,726,781)	(477,857,919)	(655,726,781)
Credit Loss Expense	(125,164,509)	(79,921,937)	2,722,292	7,319,984	(144,151,444)	(49,119,659)	(3,944,705)	-	(270,538,366)	(121,721,612)
Profit Before Tax									**464,599,384**	**539,810,030**
Taxation									(176,498,684)	(197,046,301)
Profit After Tax									**288,100,700**	**342,763,729**
Segment Assets	2,843,965,902	3,893,942,287	1,210,839	2,373,210	4,983,759,841	5,510,828,229	-	-	7,828,936,582	9,407,143,725
Unallocated Assets	-	-	-	-	-	-	1,318,470,691	847,046,080	1,318,470,691	847,046,080
Total Assets	**2,843,965,902**	**3,893,942,287**	**1,210,839**	**2,373,210**	**4,983,759,841**	**5,510,828,229**	**1,318,470,691**	**847,046,080**	**9,147,407,274**	**10,254,189,805**
Segment Liabilities	2,252,554,539	3,186,579,789	1,692,201	2,586,593	3,542,015,928	4,097,891,123	-	-	5,796,262,668	7,287,057,505
Unallocated Liabilities	-	-	-	-	-	-	395,946,287	298,450,267	395,946,287	298,450,267
Total Liabilities	**2,252,554,539**	**3,186,579,789**	**1,692,201**	**2,586,593**	**3,542,015,928**	**4,097,891,123**	**395,946,287**	**298,450,267**	**6,192,208,955**	**7,585,507,772**

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.

	2020			2019		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Cash and Bank	432,495,187	-	432,495,187	254,934,938	-	254,934,938
Other Financial Assets	73,533,687	-	73,533,687	62,409,214	12,376,544	74,785,758
Other Non - Financial Assets	957,998	3,944,706	4,902,704	9,843,509	-	9,843,509
Rentals Receivable on Lease and Hire Purchase Assets	1,318,469,299	1,478,605,504	2,797,074,803	1,890,696,097	1,956,758,079	3,847,454,176
Loans and Advances	1,594,087,984	3,389,050,658	4,983,138,643	1,693,567,903	3,832,556,214	5,526,124,117
Equity Instruments at Fair Value Through Other Comprehensive Income	-	2,098,266	2,098,266	-	1,981,382	1,981,382
Debt Instruments at Amortised Cost	745,638,865	13,585,862	759,224,727	415,262,781	21,922,663	437,185,444
Property, Plant & Equipment	-	20,958,191	20,958,191	-	23,676,136	23,676,136
Intangible Assets	-	744,328	744,328	-	2,375,611	2,375,611
Right of Use Assets	25,236,975	47,999,763	73,236,739	27,411,042	48,417,691	75,828,734
As at 31 December	**4,190,419,995**	**4,956,987,277**	**9,147,407,274**	**4,354,125,484**	**5,900,064,319**	**10,254,189,805**
Liabilities						
Bank Overdraft	114,216,408	-	114,216,408	17,415,790	-	17,415,790
Trade & Other Payables	401,333,514	-	401,333,514	468,175,592	-	468,175,592
Time Deposits	1,730,458,363	369,405,155	2,099,863,518	1,756,079,263	509,403,011	2,265,482,274
Amounts due to Related Parties	99,336,769	-	99,336,769	1,171,289,033	-	1,171,289,033
Interest Bearing Borrowings	1,250,868,781	1,760,714,286	3,011,583,067	444,420,924	2,783,553,910	3,227,974,834
Lease Liability		73,514,101	73,514,101		73,942,968	73,942,968
Provision for Income Tax	288,440,892	-	288,440,892	195,354,555	-	195,354,555
Deferred Tax Liability	-	69,929,392	69,929,392	-	136,719,982	136,719,982
Employee Benefit Obligation	-	33,991,294	33,991,294	-	29,152,744	29,152,744
As at 31 December	**3,884,654,728**	**2,307,554,227**	**6,192,208,955**	**4,052,735,157**	**3,532,772,615**	**7,585,507,772**

36. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

		Carrying Amount Pledged		
Nature of assets	Nature of Liability	2020 Rs.	2019 Rs.	Included Under
Rentals Receivables	Bank Overdraft-Com Bank	261,001,970	-	Rentals Receivable on Lease Assets
Rentals Receivables	Contingency Fund-HNB	702,370,948	-	Rentals Receivable on Auto Loan Assets
Rentals Receivables	Securitization Loan- NDB	2,312,628,777	2,165,548,256	Rentals Receivable on Lease Assets
Rentals Receivables	Securitization Loan- HNB	1,650,868,749	2,380,063,688	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.

	31 December 2020		31 December 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets	Rs.	Rs.	Rs.	Rs.
Rentals Receivable on Lease and Hire Purchase Assets	2,797,074,803	2,661,813,582	3,847,454,177	4,117,289,324
Loans and Advances	4,983,138,642	4,895,690,501	5,526,124,117	5,696,063,377
Debt Instruments at Amortised Cost	759,224,727	761,410,442	437,185,444	440,982,522
Total Financial Assets	**8,539,438,172**	**8,318,914,525**	**9,810,763,738**	**10,254,335,223**
Financial Liabilities				
Time Deposits	2,099,863,518	2,095,823,811	2,265,482,274	2,262,163,133
Amounts due to Related Parties	99,336,769	98,248,929	1,171,289,033	1,128,012,234
Interest Bearing Borrowings	3,011,583,067	2,843,562,475	3,227,974,834	3,194,027,920
Total Financial Liabilities	**5,210,783,355**	**5,037,635,215**	**6,664,746,141**	**6,584,203,287**

Notes to the Financial Statements

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

	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets measured at amortised cost						
Rentals Receivable on Lease and Hire Purchase Assets	-	2,661,813,582	-	-	4,117,289,324	-
	-		-	-		-
Loans and Advances	-	4,895,690,501	-	-	5,696,063,377	-
Debt Instruments at Amortised Cost	761,410,442	-	-	440,982,521	-	-
Financial Investments - Held-to-Maturity	-	-	-	-	-	-
Financial liabilities measured at amortised cost						
Time Deposits	-	2,095,823,811	-	-	2 ,262,163,133	-
Amounts due to Related Parties	-	98,248,929	-	-	1 ,128,012,234	-
Interest Bearing Borrowings	-	2,843,562,475	-	-	3,194,027,920	-

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.

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 2020.

Credit risk management

AMWCL 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 COVID19 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.

Notes to the Financial Statements

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, 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 an 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 37.74% of exposure, with hire purchase and auto loans being 0.51% and 61.75% respectively as at 31 December 2020.

38.2.2.1 Exposure based on Product class

Product	As at 31 Dec 2020 Exposure Rs.Mn	As at 31 Dec 2020 %	As at 31 Dec 2019 Exposure Rs.Mn	As at 31 Dec 2019 %
Finance Leasing	3,207.63	37.74%	4,126.15	42.12%
Hire Purchase	43.27	0.51%	48.34	0.49%
Auto Loans	5,247.40	61.75%	5,621.41	57.39%
Total	**8,498.29**	**100%**	**9,795.90**	**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 2020 Exposure Rs.Mn	As at 31 Dec 2020 %	As at 31 Dec 2019 Exposure Rs.Mn	As at 31 Dec 2019 %
Motor Cars	6,136	72.45%	7,171	73.05%
Two Wheeler	1,005	11.71%	1,262	12.96%
Three Wheeler	108	1.26%	117	1.20%
Dual Purpose vehicles	767	8.94%	773	7.94%
Commercial vehicles	339	3.95%	320	3.28%
Working capital Loans	10	0.12%	13	0.13%
Equipment	4	0.04%	7	0.07%
Agricultural Tractors	130	1.51%	133	1.37%
Total	8,498	100%	9,796	100%

38.2.2.3 Non - Performing Portfolio

As at 31 Dec	2020	2019
Non-Performing Portfolio	729	513
Total Advances	8,596	9,900
Non-performing %	8.48%	5.18%
Loan loss provisions	**742.79**	**457.46**

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 2020 amounts to Rs 742.79 Mn. (2019 - Rs.457.46 Mn.)

Notes to the Financial Statements

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 2020.

	Maximum Exposure to Credit Risk (Rs)	Net Exposure to Credit Risk (Rs.)
Cash and cash equivalents (excluding cash in hand)	352,021,103	352,021,103
Other financial assets	73,533,687	73,533,687
Loans and receivables	7,780,213,446	574,557,839
Debt Instruments at Amortised Cost	759,224,727	759,224,727
	8,964,992,963	1,759,337,355

Carrying Value of Financial Assets as at 31 December	2020 Rs.	2019 Rs.
Other Financial Assets	73,533,687	74,785,758
Rentals Receivable on Lease and Hire Purchase Assets	2,797,074,803	3,847,454,176
Loans and Advances	4,983,138,643	5,526,124,117
Debt Instruments at Amortised Cost	759,224,727	437,185,444
	8,612,971,860	9,887,530,877

Fair Value of collateral held and Net exposure of credit impaired assets as at 31.12.2020	Fair Value of Collateral (Rs.)	Net Exposure to Credit Risk (Rs.)
Credit impaired assets	11,868,000	226,084,779

The collateral held as security on financial assets that are credit-impaired at the reporting date amounts to Rs.11,868,000 and therefore, net exposure of those credit impaired assets as at 31.12.2020 is Rs.226,084,779.

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.

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

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

As at 31 December 2019	Leases		Hire Purchase		Auto Loans		Total	
Arrears Bucket	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding
1- 29 days	27,297	852,764	29	239	23,726	1,298,202	51,051	2,151,205
30- 59 days	45,130	513,011	-	-	48,540	842,592	93,669	1,355,603
60- 89 days	38,942	242,674	138	363	32,080	337,913	71,160	580,950
90- 179 days	38,942	132,304	274	-	32,229	188,725	71,444	321,029
180- 365 days	24,944	45,852	-	-	11,093	29,198	36,037	75,050
Over 365 days	98,178	20,031	28,311	-	48,116	22,878	174,605	42,909

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 2020		Past due						
	Not Past due	1-29 days	30- 59 days	60- 89 days	90- 179 days	180- 365 days	Over 365 days	Total
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	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 Purchase Assets	1,141,474	524,296	393,639	305,863	412,244	115,351	317,894	3,210,761
Less : Credit Loss Expenses	-	-	-	-	-	-	-	(453,821)
Loans and Advances	2,356,818	976,075	779,050	708,162	676,969	151,209	143,497	5,791,779
Less : Credit Loss Expenses	-	-	-	-	-	-	-	(288,972)
Equity Instruments at Fair Value Through Other Comprehensive Income	2,098	-	-	-	-	-	-	2,098
Debt Instruments at Amortised Cost	759,225	-	-	-	-	-	-	759,225
	4,685,170	1,500,372	1,172,690	1,014,025	1,089,213	266,559	461,390	9,446,626

As at 31 December 2019		Past due						
	Not Past due	1-29 days	30- 59 days	60- 89 days	90- 179 days	180- 365 days	Over 365 days	Total
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank (Excluding Cash in Hand)	207,969	-	-	-	-	-	-	207,969
Other Financial Assets	74,786	-	-	-	-	-	-	74,786
Rentals Receivable on Lease and Hire Purchase Assets	2,065,069	880,329	558,140	282,117	171,519	70,796	146,520	4,174,490
Less : Impairment Charges	-	-	-	-	-	-	-	(327,036)
Loans and Advances	2,706,117	1,325,614	893,710	372,340	226,034	46,675	86,054	5,656,544
Less : Impairment Charges	-	-	-	-	-	-	-	(130,420)
Equity Instruments at Fair Value Through Other Comprehensive Income	1,981	-	-	-	-	-	-	1,981
Debt Instruments at Amortised Cost	437,185	-	-	-	-	-	-	437,185
	5,493,107	2,205,943	1,451,851	654,457	397,553	117,471	232,573	10,095,500

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd…)

38.3 Liquidity Risk

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 and Parent Company 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 2020	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	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	-	2,251,511
Amounts due to Related Parties		99,337					99,337
Interest Bearing Borrowings	-	205,221.58	482,886	2,674,237	-	-	3,362,344
Lease Liability	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**	**1,604,737**	**1,297,402**	**13,290**	**4,898,055**
Cumulative GAP	**397,844**	**492,300**	**1,982,625**	**3,587,362**	**4,884,764**	**4,898,054**	**-**

Notes to the Financial Statements

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 2019	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	214,689	-	-	-	-	-	214,689
Other Financial Assets	-	72,022	9,361	8,315	-	690	90,388
Rentals Receivable on Lease and Hire Purchase Assets	637,962	558,544	2,282,697	3,388,201	531,335	5,314	7,404,053
Loans and Advances	346,329	391,937	1,597,842	3,361,552	1,359,835	4,360	7,061,855
Financial Investments - Available for Sale	-	-	-	-	-	80	80
Financial Investments - Held-to-Maturity	418,300	51,188	118,954	30,135	40,920	-	659,496
Total Undiscounted Financial Assets	**1,617,280**	**1,073,691**	**4,008,854**	**6,788,203**	**1,932,090**	**10,444**	**15,430,562**
Financial Liabilities							
Bank Overdraft	47,708	-	-	-	-	-	47,708
Trade and Other payables	575,147	44,642	18,000	-	-	106	637,895
Time Deposits	483,889	522,161	691,736	856,729	63,699	-	2,618,214
Amounts due to Related Parties	-	2,446,345	-	-	-	-	2,446,345
Interest Bearing Borrowings	33,924	104,918	279,550	1,968,927	2,656,817	-	5,044,135
Total Undiscounted Financial Liabilities	**1,140,668**	**3,118,066**	**989,286**	**2,825,656**	**2,720,516**	**106**	**10,794,297**
GAP	476,612	(2,044,375)	3,019,568	3,962,547	(788,426)	10,338	4,636,264
Cumulative GAP	476,612	(1,567,763)	1,451,805	5,414,352	4,625,926	4,636,264	-

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

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 risk can be classified as:

- Repricing Risk
- Basis risk
- Yield curve risk

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

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

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd…)

38.4.1.1 Interest Rate Sensitivity Gaps (Rs. '000)

As at 31 December 2020	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	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
Total Sensitive Liabilities	165,524	302,412	697,486	308,316	1,308,047	2,543,215	5,325,000
Gap	(153,583)	476,934	318,846	691,096	529,857	3,538,354	5,401,502
Cumulative Gap	(153,583)	323,351	642,197	1,333,293	1,863,150	5,401,504	-

As at 31 December 2019	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	12,053	490,597	596,528	294,579	2,192,390	5,774,255	9,360,403
Financial Investments - Held-to-Maturity	560		414,567	136		21,923	437,185
Total Sensitive Assets	12,613	490,597	1,011,095	294,715	2,192,390	5,796,178	9,797,588
Sensitive Liabilities							
Bank Overdraft	114,216	-	-	-	-	-	114,216
Time Deposits	75,585	239,543	671,767	327,441	441,743	509,403	2,265,482
Amounts due to Related Parties	(900,663)	300,000	700,000	-	-	-	99,337
Interest Bearing Borrowings	-	-	-	-	837,774	2,173,810	3,011,583
Total Sensitive Liabilities	(710,861)	539,543	1,371,767	327,441	1,279,516	2,683,213	5,490,618
Gap	723,474	(48,946)	(360,672)	(32,725)	912,874	3,112,965	4,306,970
Cumulative Gap	723,474	674,529	313,857	281,131	1,194,005	4,306,970	-

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

Notes to the Financial Statements

38. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd…)

38.4.1.2 Income impact from change in interest rates within one month

	Increase in funding cost 2020		Increase in funding cost 2019	
(Rs.'000)	10 bps	25 bps	10 bps	25 bps
P&L impact (Monthly)	323	808	(2,178)	(5,444)

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 2018.

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 2,955,198,317 as at 31 December 2020 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 December	2016 Rs	2017 Rs	2018 Rs	2019 Rs	2020 Rs
Interest Income	1,584,186,324	1,885,042,280	2,034,384,438	1,968,208,589	1,636,284,210
Less : Interest Expenses	(803,425,535)	(1,043,018,929)	(1,063,919,426)	(988,244,860)	(674,854,588)
Net Interest Income	**780,760,789**	**842,023,351**	**970,465,012**	**979,963,729**	**961,429,622**
Rental Income from Operating Leases	5,136,692	3,411,453	438,681	-	-
Other Operating Income	302,693,514	391,159,917	389,852,380	379,960,070	292,221,552
Total Operating Income	**1,088,590,994**	**1,236,594,721**	**1,360,756,073**	**1,359,923,799**	**1,253,651,174**
Provision for Impairment Losses	(31,571,971)	(10,860,226)	(54,509,883)	(121,721,612)	(270,538,366)
Net Operating Income	**1,057,019,024**	**1,225,734,495**	**1,306,246,190**	**1,238,202,187**	**983,112,808**
Less: Operating Expenses					
Administration Cost	(212,171,559)	(224,827,748)	(237,385,822)	(251,033,531)	(204,780,867)
Personnel Cost	(206,808,952)	(212,718,732)	(215,611,353)	(240,342,934)	(197,323,753)
Distribution Cost	(36,270,393)	(34,522,934)	(41,590,466)	(39,355,658)	(21,699,420)
Operating Profit	**601,768,119**	**753,665,081**	**811,658,549**	**707,470,064**	**559,308,768**
Less: Value Added Tax on Financial Services	(73,907,339)	(108,322,695)	(129,424,284)	(104,003,297)	(92,669,172)
Debt Repayment Levy			(18,037,521)	(63,656,737)	(2,040,212)
Profit Before Taxation	**527,860,780**	**645,342,386**	**664,196,744**	**539,810,030**	**464,599,384**
Taxation	(184,373,405)	(262,164,080)	(308,781,782)	(197,046,301)	(176,498,684)
Profit for the year	**343,487,375**	**383,178,306**	**355,414,962**	**342,763,729**	**288,100,700**

Five Year Summary

FIVE YEARS AT A GLANCE - FINANCIAL POSITION

For the Year ended 31 December	2016 Rs	2017 Rs	2018 Rs	2019 Rs	2020 Rs
ASSETS					
Cash and Bank	116,553,569	139,656,733	214,689,348	254,934,938	432,495,187
Other Financial Asset	59,688,203	69,050,060	90,388,541	74,785,758	73,533,687
Other Non - Financial Assets	11,931,324	13,696,999	14,950,330	9,843,509	4,902,703
Rentals Receivable on Lease and Hire Purchase Assets	7,593,019,922	6,624,785,785	5,639,237,678	3,847,454,176	2,797,074,803
Loans and Advance	2,965,897,522	4,179,474,841	5,136,831,821	5,526,124,117	4,983,138,643
Equity Instruments at Fair Value Through Other Comprehensive Income	80,400	80,400	80,400	1,981,382	2,098,266
Debt Instruments at Amortised Cost	524,021,599	425,094,094	532,884,042	437,185,444	759,224,727
Property, Plant and Equipment	50,165,921	35,384,715	25,191,303	23,676,136	20,958,191
Intangible Asset	13,782,883	10,065,754	4,875,095	2,375,611	744,328
Right of Use Assets	-	-	-	75,828,734	73,236,739
Total Assets	**11,335,141,343**	**11,497,289,381**	**11,659,128,558**	**10,254,189,805**	**9,147,407,274**

EQUITY AND LIABILITIES

	2016 Rs	2017 Rs	2018 Rs	2019 Rs	2020 Rs
LIABILITIES					
Bank Overdraft	29,605,770	54,322,705	47,708,211	17,415,790	114,216,408
Trade and Other Payables	898,348,996	595,284,229	637,894,899	468,175,592	401,333,514
Time Deposits	1,691,677,269	2,708,767,163	2,359,395,820	2,265,482,274	2,099,863,518
Amounts due to Related Parties	2,644,546,958	1,407,323,388	2,446,344,980	1,171,289,033	99,336,769
Interest Bearing Borrowing	4,056,725,490	4,341,045,635	3,431,632,634	3,227,974,834	3,011,583,067
Lease Liability				73,942,968	73,514,101
Provision for Income Tax	138,081,580	186,142,494	231,621,952	195,354,555	288,440,892
Deferred Tax Liabilities	201,281,178	177,054,254	155,618,443	136,719,982	69,929,392
Employee Benefit Obligation	19,820,106	21,957,287	25,716,283	29,152,744	33,991,294
Total Liabilities	**9,680,087,347**	**9,491,897,155**	**9,335,933,222**	**7,585,507,772**	**6,192,208,955**
EQUITY					
Stated Capital	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Retained Profit	1,376,641,506	1,707,820,821	2,007,853,183	2,334,832,987	2,606,860,081
Fair Value through OCI Reserve	-	-	-	1,368,707	1,452,864
Statutory Reserve Fund	78,412,490	97,571,405	115,342,153	132,480,339	146,885,374
Total Equity	**1,655,053,996**	**2,005,392,226**	**2,323,195,336**	**2,668,682,033**	**2,955,198,319**
Total Equity and Liabilities	**11,335,141,343**	**11,497,289,381**	**11,659,128,558**	**10,254,189,805**	**9,147,407,274**

FINANCIAL INDICATORS

	2016	2017	2018	2019	2020
Return on Assets % (Before Tax)	5.04%	5.65%	5.74%	4.93%	4.79%
Return on Equity % (After Tax)	20.77%	20.94%	16.42%	13.73%	10.25%
Net Interest Margin %	7.61%	7.55%	8.61%	9.28%	10.48%
Total Capital Ratio %	15.49%	18.37%	18.69%	23.81%	29.72%
Loans and Advances %	93.15%	93.97%	92.43%	91.41%	85.05%
Investments %	4.62%	3.70%	4.57%	4.28%	8.32%
Other Assets %	2.22%	2.33%	3.00%	4.31%	6.62%
Gross NPA Ratio %	1.87%	2.13%	2.98%	5.18%	8.48%
EPS	17.17%	19.16%	17.77%	17.14%	14.41%
DPS	2.13%	1.65%	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 2020 : 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 2020, distributed as follows.

Distribution of shareholders	As at 31st December 2020				As at 31st December 2019			
	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 2020				As at 31 December 2019			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	2	90	18,000,001	90	2	90	18,000,001	0.01
Non-Resident	1	10	1,999,999	10	1	10	1,999,999	99.99
Total	3	100	20,000,000	100	3	100	20,000,000	100

Shareholders	As at 31 December 2020		As at 31 December 2019	
	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 2020		As at 31 December 2019	
	No. of Shares	%	No. of Shares	%
Public	2,000,000	10	2,000,000	10
Controlled Companies	18,000,000	90	18,000,000	90
Total	20,000,000	100	20,000,000	100

DIRECTORS' AND CEO'S SHARE HOLDINGS

Name	Position	No. of shares as at 31 December 2020	No. of shares as at 31 December 2019
Mr. T S A Fernandopulle	Chairman	-	-
Mr. R C J De Silva Munasinghe (Appointed w.e.f:10.03.20)	Director/CEO	-	-
Mr. J D N Kekulawala	Director	-	-
Mr. B P Morris	Director	-	-
Mr. B E Schwendtke	Director	-	-
Mr. R Kassaby (Resigned w.e.f:28.12.20)	Director	-	-
Mr. C W Cordery Resigned w.e.f:17.01.20)	Director	-	-
Total		-	-

SHARE PRICES FOR THE YEAR	31.12.2020 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	31.12.2020	31.12.2019
Dividend Per Share (Rs.)	0.00	0.00
Dividend Payout Ratio	0.00	0.00
Net Asset Value Per Share (Rs.)	147.76	133.43

Corporate Information

Date of Incorporation : 23rd February 2006

Date of Re-registration : 27th June 2007

Company Registration No : PB14PQ

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

Principal Activity : Hire Purchase
Leasing
Auto Loans
Operating Leases
Acceptance of Deposits

Stated Capital : Rs.200,000,000/- (20,000,000 shares)

Legal Form : Quoted on the Diri Savi Board of the CSE with Limited Liability

Board of Directors : Mr. T S A Fernandopulle - Chairman
Mr. R C J De Silva Munasinghe – Director/CEO (appointed w.e.f:10.03.20)
Mr. B P Morris
Mr. J D N Kekulawala
Mr. B E Schwendtke
Mr. R Kassaby - resigned w.e.f : 28.12.20
Mr. C W Cordery - resigned w.e.f : 17.01.20

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. B P Morris

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. B P Morris
Mr. R C J De Silva Munasinghe
(appointed w.e.f : 25.05.20)
Mr. J D N Kekulawala
Mr. D P V Mendis
Mrs. D Tillekeratne
(resigned w.e.f : 01.03.20)
Mr. W K A S Jayarathna
(appointed w.e.f : 26.10.20)
Mr. S Fernando
(resigned w.e.f : 21.09.20)
Mr. H N Wijayatunga
(appointed w.e.f : 07.12.20)
Mr. S U Thenuwara
Mr. P R M Perera
Ms. R E Weerasinghe

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

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. B P Morris
Mr. R C J De Silva Munasinghe – appointed w.e.f:25.05.20

AMW Capital Leasing and Finance PLC
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Fax : 011-2325557
Website : www.capitalleasing.lk