CAPITAL LEASING

YOUR DESIRE. OUR PASSION.

ANNUAL REPORT 2019

AMW CAPITAL LEASING AND FINANCE PLC

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Financial Reports

VISION

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

MISSION

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

CORPORATE VALUES

- **Respect**

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

- **Integrity**

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

- **Collaboration**

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

- **Excellence**

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

MILESTONES

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 Centers were opened in Panadura and Wattala
- Relocated Badulla Branch
- Celebrated 10th year anniversary

2017
- Recorded highest ever Execution and Profits

2018
- Embraked on restructuring the Company's Capital Structure
- Raised Rs.3Bn Securitization loan on Company's own balance sheet strength

2019
- Best Capitalized Mid-Size NBFI

CHAIRMAN'S MESSAGE

"Despite an extremely challenging business environment AMW Capital Leasing and Finance PLC has been able to maintain its resilience earning an after tax profit of Rs.342.7 Mn."

It is with great pleasure that I present to you the Annual Report and Audited Financial Statements of AMW Capital Leasing and Finance PLC for the year ended 31st December 2019. I am happy to report that in a challenging year the Company mobilized all its experience and expertise to build the necessary resilience to turn in an admirable performance and recorded an after tax profit of Rs. 342.7 Mn.

Global Economy

After a sharp slowdown during the last three quarters of 2018, global growth stabilized albeit at a much slower pace in the first half of 2019. US-China Trade tensions, which had abated earlier in the year, rose again sharply, resulting in significant tariff increases and hurting business sentiment and confidence globally. While financial market sentiment has been undermined by these developments, a shift towards increased monetary policy accommodation in the United States and many other advanced and emerging market economies has been a counterbalancing force. As a result, financial conditions remained generally accommodative during the year. As per the International Monetary Fund the world economy was projected to grow at 3.0% in 2019 compared to 3.6% in 2018.

Global growth although projected to increase to 3.4% in 2020 as per previous IMF forecast mainly on account of a few Emerging Market Economies, the Coronavirus pandemic is likely to have a severe adverse impact on all market economies without exception affecting on global supply chains, trade, tourism business travel etc. In the circumstances a global recession seems more likely although all economies and governments are providing whatever financial and other incentive measures to keep industries afloat. Beyond 2020, global growth for the medium term is projected at about 3.6%. Advanced economies are expected to continue into modest potential growth levels, while recovery in distressed Emerging Market Economies is projected by the IMF in the medium term. The economic uncertainties are very high and the social impact is another aspect which will also need to be considered.

Sri Lankan Economy

The Sri Lankan economy faced significant challenges in 2019, emanating from movements in the global economy as well as domestic developments. Fiscal and monetary measures put in place in the

CHAIRMAN'S MESSAGE

past to stabilize balance of payments and fiscal balances, and adverse consequences of the Easter Sunday terrorist attacks, combined with the then prevailing political uncertainties have substantially weighed down on the performance of the Sri Lankan economy. The spillover effects of the Easter Sunday attacks in particular, were felt across almost all spheres of economic activity, especially in the second quarter of the year. Consequently, below potential economic growth performance continued through 2019. The economy grew at a slow pace of 2.6% in real terms in the first nine months of 2019. The rate of growth for the whole year is likely to be around 2.8%.

Policy uncertainty led to weak investor confidence and low levels of investment. Recurring natural disasters worsened conditions. The inability to address structural issues leading to a weak production economy, caused this persistent slowdown.

In spite of monetary policy easing, market interest rates remained high in both nominal and real terms. Private sector credit growth decelerated sharply, particularly during the first half of 2019. On the inflation front, the country experienced single digit levels of inflation. Timely actions taken to contain the trade balance appears to have shown some results in the year 2019 with an improved balance of payment position compared to the year 2018.

The Coronavirus pandemic has already taken its toll at the macro level with Industry, Tourism Services and the whole economy almost at a standstill. The currency depreciation together with Central Bank reducing policy rates to their lowest levels has seen a severe impact on foreign outflows adversely impacting on the country's foreign reserves. Towards the latter part of the year the sovereign has a debt repayment in excess of USD 4.6 Bn although some arrangements have already been made with bi-lateral loan agreements to meet such payments and wherever possible a combination of roll-overs and debt repayment moratoriums will require to be negotiated and another sovereign bond issue although cost of debt servicing is likely to increase.

Fiscal and monetary actions have already been taken to formulate policies that will support a sustained revival of real economic activity through improved utilization of domestic resources, both physical and human. In this regard incentives such as loan repayment moratoriums. Interest deferment, tax reduction and in some cases complete waivers, reduction in Bank's statutory reserve and removal of Debt Repayment Levy have been implemented. However, some of the tax incentives previously granted are being reconsidered and import controls on non-essentials is being implemented. In this regard several white goods imports and vehicle imports have been suspended to preserve foreign currency reserves, which was affected due to the foreign currency outflows since the last quarter of the year and then with the uncertainty brought about by the pandemic. The year is likely to end with negative growth as export markets, expatriate worker remittances, tourism and the service sectors are likely to take a big hit.

The Parliamentary Elections, which was scheduled to be held in April this year, is likely to be postponed to a later date due to the Coronavirus crisis. However, the ruling party is expected to make a clean sweep in view of the opposition parties being in somewhat disarray. Hopefully this will create some stability and an enabler for much needed reforms to take place to take the country forward at an accelerated pace.

The Industry

The sector recorded an after tax profit of Rs. 14.54 Bn for the year 2019 compared to Rs. 21.36 Bn on in the year 2018. With the revision of import duty on motor vehicles upwards and tightening of Loan to Value Ratios, the vehicle market got affected badly in the year 2019. The NBFIs' assets grew by 0.09% in the year 2019 compared to 5.63% in the year 2018. The growth in sector assets was funded mainly through fixed deposits, which grew by 6.01% in 2019 compared to a growth rate of 3.91% in 2018.

The Industry witnessed a deteriorating asset quality with Non-Performing Loans increasing from 7.66% in 2018 to 10.59% in 2019. The annualized ROA (PBT) and ROE (PAT) ratios were at 1.82% and 5.66% respectively, compared to 2.65% and 11.38% respectively, in the year 2018. The sector by and large maintained adequate capital levels which is reflected by the average Capital Adequacy Ratio (CAR) of 12.52%.

Company Performance

Despite an extremely challenging business environment AMW Capital Leasing and Finance PLC has been able to maintain its resilience earning an after tax profit of Rs.345.48 Mn. While Industry's profits after tax have declined by 31.9% in the year 2019, the Company has just posted a decline of 3.0% in its profits for the year, which is indicative of the Company's prudent management of risks in an extremely challenging environment.

The operating environment necessitated a prudent revision of aggressive growth plans and making the right choices became a key imperative. We focused our efforts on enhancing the credit culture and laying a sustainable framework to improve asset quality. In light of this the Company's asset base declined by 12.0% to Rs. 10.25 Bn in the financial year while maintaining the Non-Performing Loan (NPL) ratio at 5.18% which is much lower than the industry average. The foremost aim of the Company was to build asset "quality over quantity" and I'm delighted to announce that we have managed to maintain the quality of our portfolio and managed risks prudently in a market where there was a sharp deterioration in asset quality. As for impairment our provisioning standards are conservative and the Company has fully complied with the requirements of the Sri Lanka Financial Reporting Standards No.9 (SLFRS 09).

The Return on Assets (ROA) and Return on Equity (ROE) were 3.13% and 13.84% respectively. The fixed deposit base stood at Rs. 2.26 Bn. I am happy to report that the cost to income ratio 51.36% is one of the best among peer competitors in the industry indicative of the tight cost controls that are in place.

We are a strongly capitalized Company and this is reflected in our Total Capital Adequacy ratio of 23.81% which is well above the regulatory minimum of 10.5%.

Outlook

We welcome the measures taken by the newly elected Government to drive economic growth by way of supporting the SME sector through moratoriums and believe that the sector should make the best use of these concessions to revive their businesses. The removal of the Debt Repayment Levy, NBT and the reduction in corporate taxes and VAT will undoubtedly provide more capacity for the finance and other sectors to support national development. However, many of these concessions are likely to be revised in view of the challenges to the economy due to the pandemic.

In the light of the extremely volatile economic conditions, the Company has taken effective steps to manage costs, emphasize on prudent credit culture and enhancing portfolio quality, managing liquidity while managing the associated risks effectively through introduction of lending caps and also constantly monitoring and reviewing the funding mix to ensure that liquidity and market risks are managed effectively and prudently.

The Presidential Election was concluded successfully in the latter part of 2019 and parliamentary elections are due in 2020. The business community is optimistic of a stable government and expects the new government to spell clear policy direction.

The Coronavirus pandemic is a serious issue today and one that has already taken its toll on the economy. We are yet uncertain as to how things will pan out in the near to medium term and pending clarity we will take a cautious approach in our business strategies with emphasis on recoveries, debt collection and liquidity management. The recently imposed restrictions on all type of vehicle imports is going to severely impact on our business model and we will need to reconsider same to enable us to address this strategically.

Notwithstanding these challenges and uncertainties I have full confidence in the Management team to continue to deliver strong performances and successfully respond in a timely manner to changes in risk in the market environment. We have kept the team reasonably lean to enable us to be agile in the face of adversity with staff being required to multi-task and re-skill and redeploy to other areas which are a priority e.g. collections and recoveries from marketing.

Appreciation

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

Trevine Fernandopulle
Chairman
23 March 2020

CEO'S MESSAGE

"A Mid Scale, well Governed Finance Company with a Committed Team Delivering High Returns"

It is with great pleasure that I present the Annual Report of AMW Capital Leasing and Finance PLC (AMWCL) for the financial year ended 31st December 2019. The Company once again proved the sustainability of its business model by demonstrating its ability to withstand in volatile market conditions.

The year 2019 was an extremely challenging year for the NBFI industry due to several reasons including subdued economy, political instability and the changes in the regulatory environment. However, the Company outperformed many of its peers in terms of financial KPIs, thus showing our resilience and earning the confidence of its stakeholders.

The Economy

The year 2019 started with spill overs from a constitutional crisis that took place in the third quarter of 2018 and the devastating terror attack in April 2019 became a severe blow to the already ailing economy. The constitutional crisis itself cost the economy US$1 billion reduction in foreign reserves, 3.8% currency devaluation and treasury bonds & bills worth around US$ 350 million leaving the country. The tourism industry which is one of the key foreign revenue generators to the country was predicted to be a booming sector after globally recognized Company Lonely Planet named Sri Lanka as the number-one travel destination for the year. However, the Easter Sunday terror attack shattered this dream, though marginal recovery was visible in the latter part of the year.

Further, the country's heavy medium to long-term foreign debt settlement obligations were another major challenge during the year 2019. The foreign debt increased to US$ 56 billion in 2019 which represents 64% (approx.) of the country's GDP. The currency collapse which took place in 2018 from 152 to 182 relative to the US$, did not see any recovery in 2019.

A significant reduction in trade deficit from US$ 10.3 billion to around US$ 8 billion was one of the remarkable achievements in the economic front. However, this gain was not reflected in balance of payments due to decrease in tourist income, inadequate foreign investments and capital outflows.

The GDP growth for the year 2019 which was projected to be 4.2% slipped to 2.7% which is even lower than the 3.8% growth achieved in 2018. The economic growth in 2019 is one of the lowest in the recent years due to the multiple challenges encountered.

However, the country is in the path of reviving the economy by addressing the weaknesses in the macroeconomic fundamentals and is expecting a growth rate of 3.7% in 2020.

Industry

The loan growth of the sector was adversely impacted due to tightened regulations on vehicle financing such as lower allowable LTV ratios and increased tariffs on vehicle importation. The sector recorded a negative credit growth with declining profitability and an increase in Non-Performing Loans (NPL) during 2019. As of December, the sector NPL ratio rose to 10.59%, inching closer to double digits.

A sharp decline in motor vehicle registrations was noticed during the year 2019 when compared with the previous year due to prevailing LTV ratio, upward revision of taxes for motor vehicles and increase of vehicle cost due to the depreciation of the Rupee. The Government thereby reached its objective of controlling foreign exchange going out of the country to manage its trade deficits. However, it has been claimed that this decline has negatively affected the revenue collected in the form of taxes imposed on vehicle imports.

The NBFI sector which was predominantly engaged in vehicle financing showed a shift towards expanding into non-core lending segments such as Microfinance, unsecured short-term working capital loans and mortgage loans on real estates in the recent years. However, with the spike in NPLs most of these companies resorted back to the core business of vehicle financing during 2019, creating fierce competition among the companies. The contraction in vehicle demand led to a decline in the credit growth in leasing/ hire purchase product to 1.5% at the end of September 2019 when compared to 13.8% at the corresponding period of 2018.

Nearly 25% of LFCs and specialized leasing companies failed to meet the Rs 2 billion minimum capital adequacy requirement imposed by the CBSL by the end of 2019. Increase in impairment provisioning with the implementation of SLFRS 9 lowered the capital position of some of the companies.

The credit risk aggravated with higher non-performing loans and advances. However, market and liquidity risk were at bearable levels. It is expected that improvements of economic activities, investor confidence, political stability and ongoing regulatory actions will have a positive impact on the outlook of the sector in the medium term. Further, the overall liquidity position of NBFIs improved from January 2019, leading excess liquidity position of the industry to a minimum funding risk. The NBFI sector however, remained resilient during the year amidst subdued economic activities and political uncertainty.

Company Performance

When the Company was preparing its 3 year strategic plan for 2019-2021, we set a theme of "A Mid Scale, Well Governed Finance Company With A Committed Team Delivering High Returns" & all our business strategies were focused around this. This was a timely and well thought objective agreed by the management team anticipating the tough operating environment of NBFI sector. I am very happy to mention that we successfully reached this objective. AMWCL's Key Performance Indicators among NBFIs having asset base between Rs 10 billion – 30 billion stands as testimony to it.

2019 was a turbulent year for the NBFI sector not only due to the economic set-backs but also due to regulatory changes and the changes in accounting standards applicable that took place to improve the overall soundness of the NBFI sector. This changed the entire landscape of the sector compelling the companies to redraw their business models. The introduction of 7% Debt Repayment Levy (DRL) towards the latter part of 2018, further impacted the profitability of the Company during the year and scooped away Rs 64 million out of the Company profit.

However, AMWCL reported a revenue of Rs 2.34 billion with a Profit Before Tax (PBT) and Profit After Tax (PAT) of Rs 539.8 million and Rs 342.7 million respectively for the year 2019. The average portfolio yield increased by 2.36% Compared with the previous year. The net interest margin improved marginally by 0.68% and return on assets (PAT) also showed a marginal increase irrespective of the challenging market environment. The cost to income ratio increased to 51.36% from 47.1% compared with the previous year mainly due to the additional DRL tax imposed by the government.

The tightening of the overall credit underwriting process benefitted the Company by way of sustaining the portfolio quality in a non-supportive market environment where industry NPLs sky-rocketed. AMWCL capitalized on group synergies and a sizeable portion of its advances comprises of facilities granted to acquire vehicles from our parent Company. However, tightening credit selection parameters impacted the lending portfolio growth during the year.

The performance of the Company resulted in Fitch Ratings Lanka Ltd, affirming a credit rating of BBB+ (lka), Outlook stable.

Outlook

Although the economy and business environment was expected to improve by 2020, the newly emerged Covid-19 outbreak seems to be impacting both the global and local economy, and the business environment. The year 2020 will continue to be challenging due to ongoing weak operating environments and additional tighter regulatory measures. The classification and measurement of credit facilities for NBFIs under SLFRS 9 will accelerate recognition of bad debt provisioning, indirectly affecting the capitalization and profitability of companies. The demand for motor vehicles can expected to remain at the levels of 2019 since its unlikely that any event will boost the demand.

In light of this, the Company will keep improving its risk management approach and credit underwriting processes to improve lending quality. At the same time, the Company will diversify its portfolio with proper risk-return matrices to improve the top line and the bottom line thereby reassuring its sustainability. Improving our market share on captive business through capitalizing on parental synergies would be given a higher priority since the portfolio of captive business is currently giving a higher net return to the Company. We feel that a changing business model to align it with regulatory and operating environment changes, is crucial. The Company will strengthen its risk framework to eliminate any and all unwarranted risk.

The Company's improved performance during 2019 irrespective of the poor operating environment is demonstrative of the capability of our team.

Appreciation

I take this opportunity to thank the Chairman and the Board of Directors for their invaluable support and guidance provided to me and the corporate management team in maneuvering the Company successfully towards its corporate goal during the year under review.

Our parent Company, Associated Motorways (Pvt) Ltd. has always been a strength to us and I would like to record my gratitude to the Directors and the management team for their unstinted support.

My sincere appreciation goes out to the Governor of the Central Bank of Sri Lanka, the Director and the officials of the Non-Bank Supervision for their valuable advice and the support extended.

A special note of thank you to all our stakeholders, customers, depositors, suppliers, business introducers for their continued loyalty and lenders for the confidence placed on the Company.

Nothing would have been possible without the support and the dedication of the AMWCL team of employees who worked passionately to achieve goals irrespective of the poor business environment.

Finally, I wish to reassure that AMWCL is geared to face both the market and the regulatory challenges that we foresee and drive it towards building more value for all our stakeholders in the year 2020.

Pramuditha Mendis
Acting CEO
23 March 2020

BOARD OF DIRECTORS

Mr. Trevine Sylvester Anthony 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 and Union Bank Ltd. He was appointed as a Non-Executive Director of Continental Insurance Lanka Ltd effective February 2020.

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. 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.

Mr. Brandon Philip Morris
Non-Executive Director

Mr. 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 27 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 is currently 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 Institute of Management (PIM), University of Sri Jayewardenepura and a Postgraduate 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).

Mr. 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.

Mr. 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.

Mr. Richard Kassaby
Non-Executive Director

Mr. Richard Kassaby is the Chief Financial Officer of the Al Futtaim Automotive Group and previously served as the Managing Director of Al Futtaim Finance Pv JSC a finance Company regulated by the Central Bank of the UAE and is responsible for automotive financial services across six geographies for the Al Futtaim Group.

Mr. Kassaby has worked in the finance industry for more than 20 years with broad experience in treasury, capital markets and regulatory structuring across a range of industry sectors in both developed and emerging markets. Prior to joining the Al Futtaim Group, Mr. Kassaby was a Director of Sturt Capital and an Executive Vice President, Institutional Banking at Commonwealth Bank of Australia.

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

Mr. Colin William Cordery
Non-Executive Director

Mr. Colin William Cordery is a British national. He was the Senior Managing Director – International, Al-Futtaim Private Co. LLC with strategic P&L responsibility for ten automotive entities covering nine international markets across the GCC, East Africa & Asia.

In total, he has spent the last eleven years serving the UAE headquartered conglomerate. His prior roles within Al-Futtaim included spells as Regional Managing Director, Al-Futtaim Honda, Managing Director, Trading Enterprises UAE and General Manager – Financial Services UAE. In total, he offers more than 20 years' experience in the automotive sector with past assignments at the European manufacturer Peugeot and in the retail dealership sector in the UK.

Mr. Cordery is a graduate of the University of Edinburgh where he attained a Master of Arts with Honours. Outside of work, he is an avid golfer, walker and reader.

Ms. 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 24 years' experience in litigation and Notarial work, and over 20 years' of experience in the Finance Leasing Industry.

SENIOR MANAGEMENT TEAM

1 **Mr. Pramuditha Mendis**
Acting CEO/General Manager – Credit and Operations

2 **Mr. Sanjaya Thenuwara**
General Manager – Marketing

3 **Mr. Sujith Fernando**
Head of Risk & Compliance

4 **Mr. Uma Maheswaran**
Head of Fixed Deposits

5 **Mr. Chinthaka de Alwis**
Head of Operations

6 **Mr. Sujeewa Sooriyarachchi**
Manager Recovery

7 **Ms. Dimuthu Tillekeratne**
Head of Finance

8 **Mr. Rajitha Perera**
Manager Internal Audit and Compliance

9 **Mr. Jagath Abeysinghe**
Head of IT

10 **Ms. Manindra Wickramanayaka**
Manager Legal

11 **Ms. Shaline Asirwatham**
HR Business Partner

1 **Mr. Pramuditha Mendis**
Acting CEO/General Manager – Credit and Operations

Mr. Pramuditha Mendis has over 25 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).

2 **Mr. Sanjaya Thenuwara**
General Manager – Marketing

Mr. Sanjaya Thenuwara serves as the General Manager- Marketing, counts over 22 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 presently serves as a Director of Leasing Association of Sri Lanka (LASL).

3 **Mr. Sujith Fernando**
Head of Risk & Compliance

Mr. Sujith Fernando joined the Company in August 2015 as the Head of Risk & Compliance. He holds an MBA from the University of Colombo.

He is also an Associate Member of the Chartered Institute of Management Accounts (CIMA-UK) and an Associate Member of the Institute of Bankers of Sri Lanka (IBSL). Mr. Fernando has 25 years of experience in Banking & Finance Sector including two years of experience in UK. He started his career as a clerk in Commercial Bank of Ceylon PLC. He has 16 years of service at Commercial Bank which encompassed Branch Operations, Credit, Finance & Planning and Recoveries. Thereafter, in 2011, he joined Capital Consultancy & Investments - London UK as a Finance Analyst. During the two year stint at Capital Consultancy he gained experience in preparation of project proposals, restructuring proposals and investment appraisal. Prior to joining AMW Capital Leasing and Finance PLC he was the Assistant General Manager - Risk & Compliance at Sarvodaya Development Finance.

4 **Mr. 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 AMW CL. He has over 22 years of experience in the finance industry, out of which 15 years in management, particularly in fixed deposit mobilization and operations.

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

5 **Mr. Chinthaka de Alwis**
Head of Operations

Mr. Chinthaka de Alwis, the Head of Operations, has a Diploma in Litigation Systems to the law. Mr. de Alwis has over 27 years' experience in the Finance sector. He was the head of the division of Compliance at Peoples 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 divisions, responsible for Internal and Information Systems Auditing processes of the organization.

SENIOR MANAGEMENT TEAM

6 **Mr. 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.

7 **Ms. Dimuthu Tillekeratne**
Head of Finance

Ms. Dimuthu Tillekeratne joined AMWCL in the year 2008. She is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds a First class special degree in Accounting from the University of Sri Jayewardenapura.

She counts over ten years of post-qualifying experience in the financial services and more than three years of experience in auditing. She has also completed level two of the Chartered Financial Analyst Program. Prior to joining AMWCL, she was attached to Ernst & Young and held the position of Qualified Assistant at the timing of leaving the firm.

8 **Mr. Rajitha Perera**
Manager Internal Audit and Compliance

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 Jayewardanepura. He is also a finalist of the Chartered Accountants of Sri Lanka (CA).

He counts over eight 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 Peoples Leasing and Finance PLC and Alliance Finance PLC. Prior to joining AMWCL, he held the position of Manager Internal Audit at Alliance Finance PLC.

9 **Mr. Jagath Abeysinghe**
Head of IT

Mr. Jagath Abeysinghe, the Head of IT, an experienced IT expert counting over 18 years of experience in IT industry while having served in diversified specialized extents. He started his career from software development and inquisitively navigated his interest into Enterprise IT management. He joined the company in 2007 as the Systems Administrator. With his passion and commitment towards work, he progressively reached his current position showcasing his expertise and capabilities.

Mr. Abeysinghe holds an MSc in Technology Management from Staffordshire University UK. Further, he is a Professional Member of BCS (MBCS), The Chartered Institute for IT, UK and a Microsoft Certified Professional (MCP). His imperishable contribution towards the company was well recognized in 2018, where he was rewarded with the Al-Futtaim Recognition Award of "Best Employee of AMW Group" for living with Al-Futtaim Values.

10 **Ms. 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.

11 **Ms. Shaline Asirwatham**
HR Business Partner

Ms. Shaline Asirwatham counts for over 14 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 Telecom 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 possesses a National Diploma in Human Resource Management from CIPM and a Masters in Business Administration from the University of Wales.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment:

The year 2019 witnessed a general slowdown in economy with GDP posting subdued growth of 2.6%. The Easter Sunday Terror attack, overall slowdown in the economy and global growth concerns all made a challenging environment for businesses when compared to the year 2018. The asset quality of both Banking and Finance companies deteriorated at a sharp rate in the year 2019. However, the interest rates eased a bit in the latter part of the year and removal of debt repayment levy was a welcome move to the sector.

NBFI industry

The continuous efforts on tightening the regulatory framework for NBFI sector has been visible throughout the year under review. The long due, unsolved issues related to public deposit holders of number of distressed finance companies can be seen as the obvious reason for these new developments. The Central Bank of Sri Lanka initiated some regulatory action on some of the distressed institutions during the year. Further, the revision of import duty on motor vehicles had an impact on the vehicle market.

Due to the easing of interest rates and placing of interest rate caps based on tenor by the Central Bank of Sri Lanka the Finance Companies have been able to bring down the funding cost at the latter part of the year. However, any gains from lower interest cost could be eroded by the pressure to reduce lending rates proportionately.

Assets

The total assets of the NBFI industry increased to Rs. 1,432.6 billion in 2019 from Rs. 1,431.5 billion in 2018. Further, loans & advances declined to Rs. 1,102.7 billion in 2019 from Rs. 1,137.0 billion in 2018. The lease portfolio which is the dominant product in the industry recorded a decline of 0.61% and the lease portfolio stood at Rs. 631.8 billion. The pawning grew by 35.3%. However, both the total asset base and the loans & advances of the sector experienced a sharp deceleration in its growth and asset quality during the year 2019. The total assets which grew at 5.6% during 2018 declined to 0.09% in 2019, the lowest recorded during last five years. Due to deteriorating asset quality which resulted higher impairment, Profit After Tax (PAT) declined by 31.93% from Rs. 21.3 billion in 2018 to Rs. 14.54 billion in 2019 challenging the operational efficiencies of the industry.

Portfolio Quality

With the slowing down of the economy and banks offering very competitive interest rates, NBFI sector had to resort to many other alternative products such as unsecured lending, loans against property mortgages etc., without having proper infrastructure and business model to manage risks of these products. This has resulted a deterioration of the asset quality of the industry and NPAs have spiked to 10.59% in December 2019.

Loan provisioning and suspended interest escalated to Rs. 91.92 billion in 2019 from Rs. 67.9 billion in 2018.

Future Outlook

The profitability of the industry will be under pressure due to squeezing margins, higher impairment and stiff competition from Banking sector. NBFIs' risk appetite is likely to remain high in light of their rising exposure to riskier non-core lending segments outside of vehicle financing. Further, competitive rates offered by banks for lending products might be another barrier to the industry. The revision of taxes by the government was a welcome move and abolition of Debt Repayment Levy will improve the retained profits of the companies. The increase of minimum capital requirements might force some companies to go for mergers or infusion of fresh capital.

Company Performance

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

Indicator	Industry	AMWCL
Loans and Advances (Rs. Bn.)	1,102.7	9.4
Deposits (Rs. Bn.)	756.6	2.2
Capital & Reserves (Rs. Bn.)	203.2	2.7

Profitability	Industry	AMWCL
Return on Assets % (Before Tax)	1.82%	4.93%
Return on Equity % (After Tax)	5.56%	13.84%
Net Interest Margin %	7.61%	9.28%
Total Capital Ratio %	11.07%	23.81%
Use of Funds		
Loans and Advances %	76.97%	91.41%
Investments %	9.22%	4.28%
Other Assets %	2.14%	3.57%
Asset Quality		
Gross NPA Ratio %	10.59%	5.18%
Net NPA Ratio %	3.36%	1.05%

Sales & Marketing

The year 2019 was a year of challenges. The unexpected Easter Sunday Terror attack affected the economy badly. Due to increase of import duty on cars below 1000 cc and other vehicles classes the year 2019 experienced a subdued demand for motor vehicles. 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 together with the appetites for credit. 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's sales & marketing strategy has always been to get more from "captive brands" which has been of high credit quality while increasing the volume from non-AMW (Associated Motorways (Pvt) Ltd) brands (both pre-owned and unregistered) as well to support the Company's growth plans. The sluggish vehicle market during the year due to the facts mentioned above badly affected AMW's sales volumes. AMW Capital Leasing & Finance PLC (AMWCL) also got affected due to not achieving the projected volumes from captive brands. The overall business volume derived from captive brands decreased by 35.5% in 2019 when compared to that of in 2018. The brands that contributed badly to this drop were Suzuki, Renault and Yamaha.

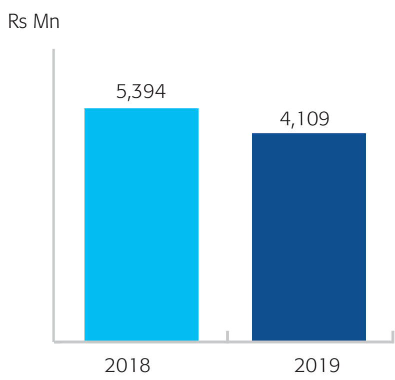
MANAGEMENT DISCUSSION AND ANALYSIS

The Company maintained its Net Interest Margin (NIM) at 9.28%, which is above the industry average, and continues its thrust of increasing the NIM by focusing more on high yielding products, competitive pricing and prudent management of funding costs. Further, regional sales concept was further strengthened by appointing dedicated 05 Regional Managers to concentrate & focus more on sales, branch governance structure and productivity which brought satisfactory results. The continuous focus, concentrated efforts together with overall business strategies used assisted the Company to improve its PBT.

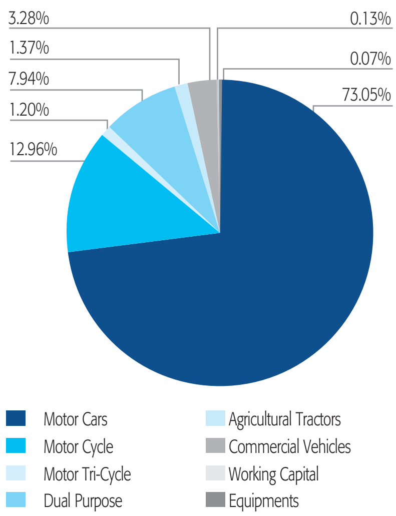
Funding

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 to the Company. However, in line with the Company's strategy to be independent in funding, the reliance for funding from Parent was reduced to 17.5% in 2019 from 30% in 2018. The Company's funding structure comprise of 70% of loans at variable interest rates linked to AWPLR. Therefore Company could look forward to enhance its interest spread with further easing of interest rates. With rates easing the deposits also became more attractive source of funding and Company hopes to introduce new deposit schemes to tap this sector. However, in the year 2019 the deposits from public decreased slightly to Rs. 2.2 billion in 2019 from Rs. 2.3 billion in 2018. 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.

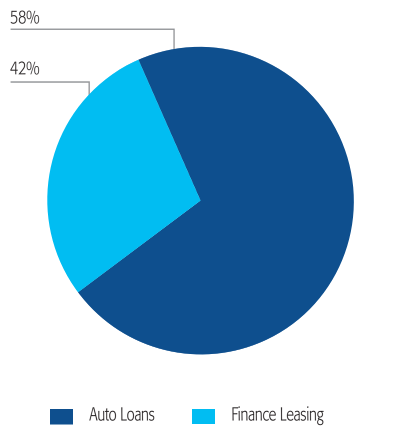
Disbursements 2018 vs 2019



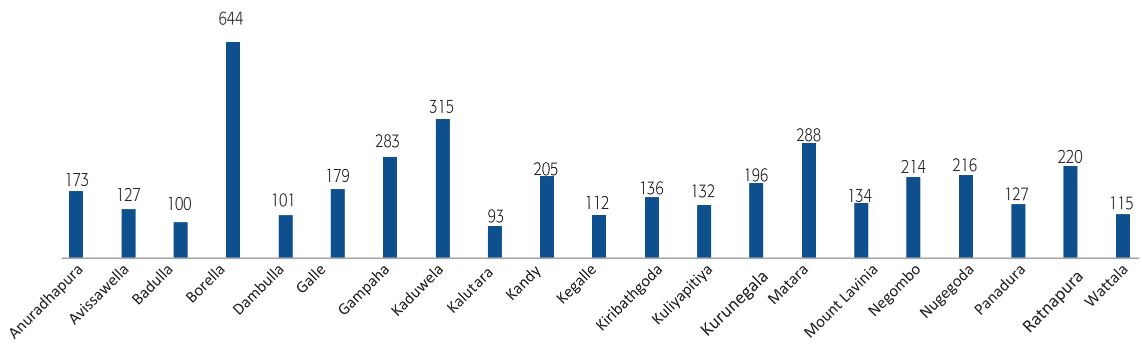
Portfolio Asset Class - 2019



Exposure Based on Product Class - 2019



Branch-wise Executions - 2019 (Rs. Mn.)

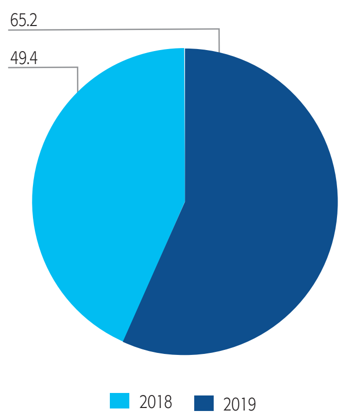


Insurance

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 the 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 65.2 million in year 2019. The total insurance commission income represented 17.15% of the total other operating income during 2019. The Company also commenced automatic renewal notices sending process using SMS alert to inform customers to renew their insurance promptly. The Company is planning to upgrade its insurance module to handle non-leasing, outside insurance in the future to increase the commission income further.

Insurance Commission Income



Portfolio Quality

The Company is blessed with a management team who very well understand the underlying concept and the importance of credit management in lending business. The strong credit culture which has been prevailing since inception of the Company enabled the Company to maintain extremely good quality portfolio. The NPA ratio although increased a bit during the year, it still remains at low level of 5.18% (gross) as at end December 2019 when the industry average is around 10.59% 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 13.84% 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 accelerated the decision making process to provide a better service to our customers.

Recovery

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

Information and Communication Technology (ICT)

ICT has always been in the top of the mind of the Company's management team and it constantly gets the knowledge and the support of new technology from Al-Futtaim Group, the major shareholder of AMW and one of the largest business conglomerates in UAE.

AMWCL introduced many first among NBFIs in the past such as "paperless on-line credit approvals", "Customer Portal to check their account balances" etc. The Company also has taken measures to automate many operational activities and report customization to provide better management information.

Presently, the Company is seriously evaluating the emerging IT needs and gaps in the existing system with the business requirements. Company intends to close these gaps either by upgrading the present software systems or migrating into an advanced system which satisfies business requirements.

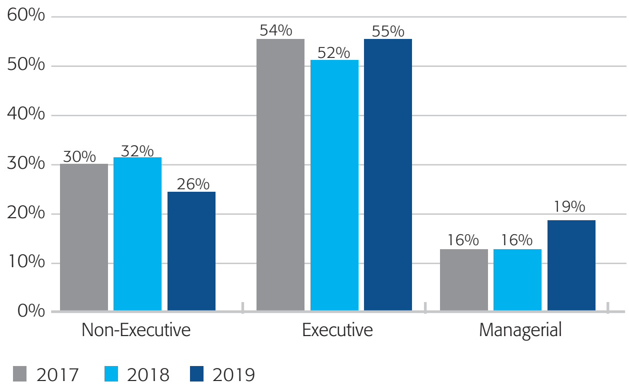
HUMAN RESOURCE ENGAGEMENT

Manpower Statistics

As at 31.12.2019, AMW Capital Leasing & Finance PLC's Total Cadre stood at 223, in comparison to 2017 and 2018 which stood at 237 & 221 respectfully.

Year	Non-Executive	Executives	Managerial
2017	30%	54%	16%
2018	32%	52%	16%
2019	26%	55%	19%

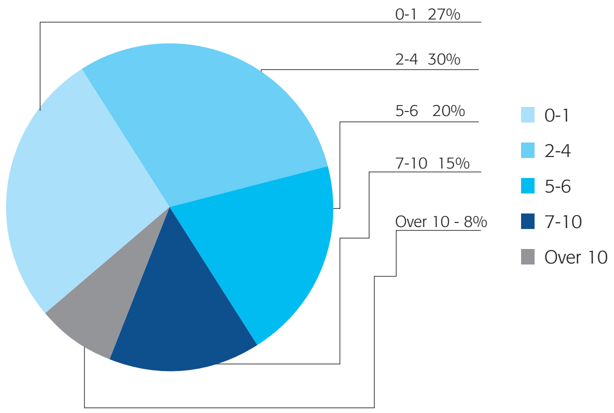
Staff Category



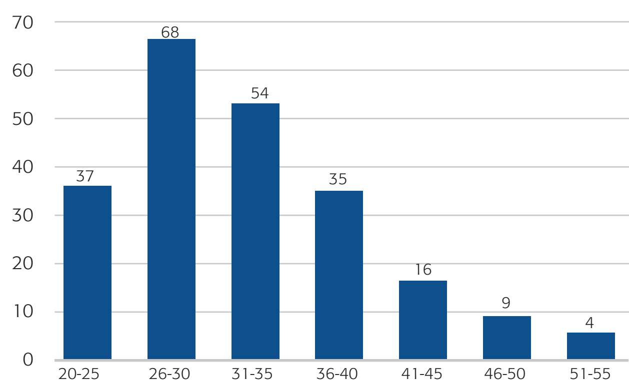
Within the AMW Capital Leasing framework, we promote a culture of honesty and fair dealing, and constantly encourage employees to observe ethical business practices at all times by providing them with the necessary training to enable them to understand the corporate values which incorporates the following: RESPECT, INTEGRITY, COLLABORATION and EXCELLENCE.

As at 31.12.2019 employees service and age analysis

Years of Service



Head Count



Our Team of diversified associates, with their dedication to service and excellence, play a vital role in the success of our business. They have shown that, when dedication and resilience are given an immense importance to their capacity, it will become facile to deal with the Market conditions and the numerous competitors each and every day; surpassing any form of obstacle and still managing to stand out from the rest.

Within the AMW Capital Leasing framework, we promote a culture of honesty and fair dealing, and constantly encourage employees to observe ethical business practices at all times by providing them with the necessary training to enable them to understand the corporate values which incorporates the following: RESPECT, INTEGRITY, COLLABORATION and EXCELLENCE. We have the necessary platforms to ensure that corporate culture, business principles, standards and norms of behavior are practiced at all forums and at any instance which is unique to AMW. Further, we have implemented strict ethics and an integrity control framework to ensure that the highest level of ethical behavior is practiced across the business.

A key initiative for the year 2019 was focusing on employee Engagement which included an Outbound Training for all staff of Capital Leasing, which turned out to be a great success. Through this, we were able to strengthen the bond amongst the Associates and build strong bridges between departments and teams, with the intention of intensifying human networking and develop high standard communication levels. There was a participation of 158 employees together with the Management Team. This Outbound Training which was provided to the Capital Leasing Team helped them in understanding the dynamics of the various levels of associates in the organization and to simultaneously create a solid connection between each other.

AMWCL Team 2019"

CL OBT 2019

HUMAN RESOURCE ENGAGEMENT

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

The Capital Leasing Team was able to cover up a Cross Functional Training & Workshop on the 4th and 11th of September 2019, for the internal staff, with the intent of productively enhancing the scope of knowledge of the individuals. In order to mitigate the internal problems which could arise amongst employees such as, doubts related to career growth, recognition, raising one's opinions, etc. a new program called MINT was brought up from the month of October 2019. Where the target group for the sessions being managerial level and above.

Employees were given the opportunity to join in programmes such as Yoga, Christmas Carols, Vesak Lantern Competition arranged in-house. Also, an Annual Staff Health Checkup, in collaboration with a Leading Hospital to conduct the Basic Tests for the associates was held in the month of November 2019. There was also a follow up session with General Physicians to give advice based on the test results.

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

CL OBT 2019

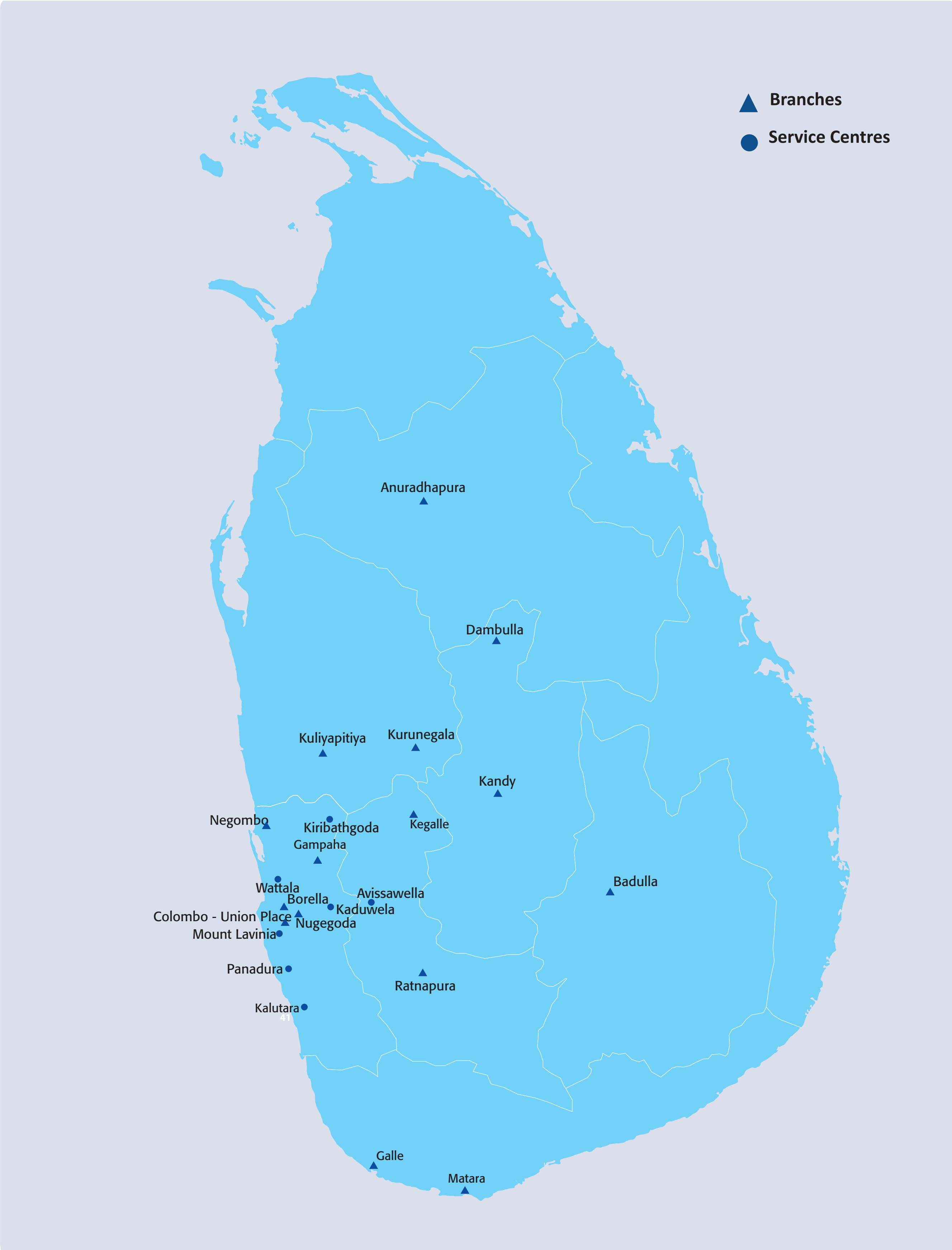
CL OBT 2019

BRANCH NETWORK

Information of Company Branch Network and Service Centres

Location	District	Province	Address	Contact Person	Telephone	Fax	Type of Operation
Avissawella	Colombo	Western	AMW Capital Leasing and Finance PLC No. 8, Colombo Road, Ukwatta, Avissawella	Mr. Krishan Hettiarachchi	036-2231110-13-14-15	036-2231116	Service Centre
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
Borella	Colombo	Western	AMW Capital Leasing and Finance PLC No. 445, Bauddhaloka Mawatha, Colombo 08	Mr. Mahesh Karunathilake	011-2671371	011-2671272	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
Dambulla	Dambulla	Central	AMW Capital Leasing and Finance PLC No. 22, Kurunegala Junction, Dambulla	Mr. Tharinda Samarawickrama	066-2285760-61-63	066-2285364	Branch
Gampaha	Gampaha	Western	AMW Capital Leasing and Finance PLC No. 163/A, Ja-Ela Road, Gampaha	Mr. Eroshan Anuradha	033-7609608-640-41-42-43	011-2829524	Branch
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
Kurunegala	Kurunegala	North Western	AMW Capital Leasing and Finance PLC No. 204, Colombo Road, Wanduragala, Kurunegala	Mr. A. B. T. M. S. S. Bandaranayake	037-7609608	037-2229867	Branch
Kandy	Kandy	Central	AMW Capital Leasing and Finance PLC No. 400, Katugastota Road, Kandy	Mr. Dineeth Premachandra	081-7609608-43	081-2212952	Branch
Kuliyapitiya	Kurunegala	North Western	AMW Capital Leasing and Finance PLC No. 463/A, Madampe Road, Kuliyapitiya	Mr. Niranjan Wijayasiri	037-7609650-51	037-7609658	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
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
Kegalle	Kegalle	Sabaragamuwa	AMW Capital Leasing and Finance PLC No. 509, Colombo Road, Ranwala, Kegalle	Mr. Asanka Senavirathne	035-2232903	035-2232893	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
Mount Lavinia	Colombo	Western	AMW Capital Leasing and Finance PLC No. 231, Galle Road, Mount Lavinia	Mr. Indimal Hewavitharana	011-2737452, 011-2737426, 011-2737630, 011-2737631	011-2737632	Service Centre
Negombo	Gampaha	Western	AMW Capital Leasing and Finance PLC No. 262, Suzuki Maruti Showroom, Chilaw Road, Periyamulla, Negombo	Mr. Indika Jayamanne	031-2221775	031-2225552	Branch
Nugegoda	Colombo	Western	AMW Capital Leasing and Finance PLC No. 311, High Level Road, Nugegoda	Mr. Manoj U. Perera	011-2829525-26	011-2829521	Branch
Panadura	Kalutara	Western	AMW Capital Leasing and Finance PLC No. 18, Horana Road, Panadura	Mr. Pathum De Zoysa	038-2230565	038-2230747	Service Centre
Ratnapura	Ratnapura	Sabaragamuwa	AMW Capital Leasing and Finance PLC No. 510, Colombo Road, Weralupa, Ratnapura	Mr. S. Rajapaksha	045-5677677/ 045-3465095	045-2226940	Branch
Union Place	Colombo	Western	AMW Capital Leasing and Finance PLC No. 185, Union Place, Colombo 2	Mr. Mahesh Karunathilaka	011-2307739	011-2307749	Branch
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

Indicator		2019	2018	Change	%
Profitability Rs'000					
Interest Income		1,968,209	2,034,384	(66,176)	-3%
Net Interest Income		979,964	970,465	9,499	1%
Profit Before Tax		539,810	664,197	(124,387)	-19%
Profit After Tax		342,764	355,415	(12,651)	-4%
Financial Position Rs'000					
Total Assets		10,254,190	11,659,129	(1,404,939)	-12%
Lending Portfolio		9,373,578	10,776,069	(1,402,491)	-13%
Deposits		2,265,482	2,359,396	(93,914)	-4%
Borrowings		4,399,264	5,877,978	(1,478,714)	-25%
Equity		2,668,682	2,323,195	345,487	15%
Statutory Ratios					
Core Capital Ratio	> 6	23.12%	18.09%		
Total Capital Ratio	> 10.5	23.81%	18.69%		
Equity to Deposits	< 10	0.85	1.02		
Other Ratios					
Return of Assets		3.13%	3.07%		
Return on Equity		13.84%	16.46%		
Net Interest Margin		9.28%	8.61%		
Cost to Income Ratio		51.36%	47.09%		
Non-Performing Loans		5.18%	2.98%		

10.2

TOTAL ASSETS (Rs. Bn)

539.8

PROFIT BEFORE TAX (Rs. Mn)

9.3

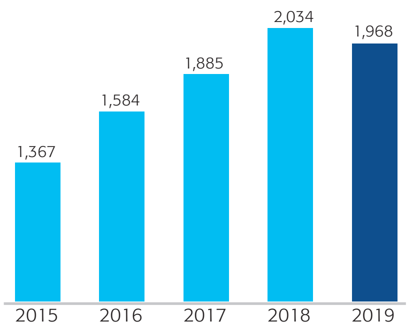
LENDING ASSETS (Rs. Bn)

BBB+

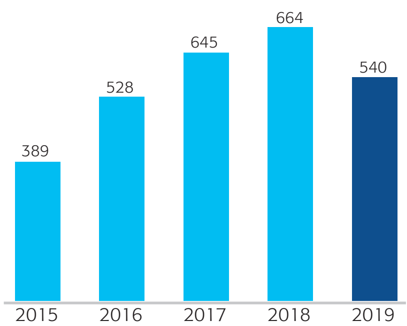
FITCH

Five Year Performance Summary (Rs. Mn.)

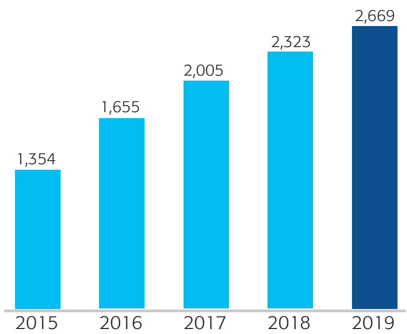
Interest Income



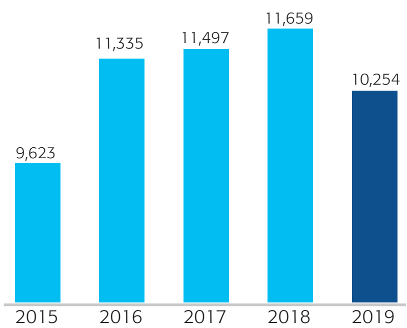
PBT



Total Equity



Total Assets



FINANCIAL REVIEW

Introduction

The financial performance of the Company in the year 2019 is considered noteworthy considering the difficult financial conditions under which it was achieved.

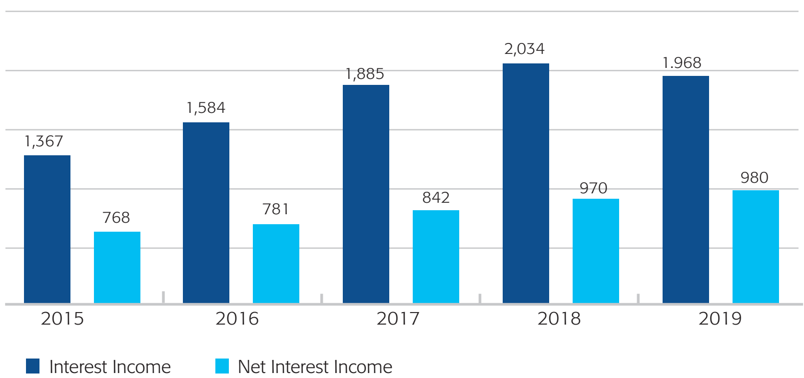
All subsectors of the economy witnessed significant slowdown in the year 2019 due to a series of setbacks. The spillover effects of the political turmoil during the latter part of 2018 and the Easter attacks in April 2019 put the growth trajectory of the economy on a slowdown and reaching a mere 2.6% in compared to 4.2% of the preceding period in 2018.

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.

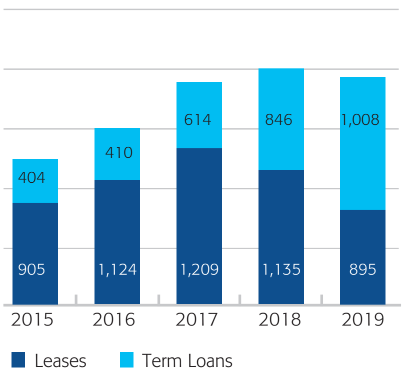
In order to circumvent these adverse developments, the Central Bank of Sri Lanka (CBSL) took a series of prudential measures and followed a loose monetary policy stance during the period. The policy rates were reduced in three separate instances up to August 2019 with the intention of resolving liquidity shortages and boosting credit growth. As interest rates failed to come down to the required levels, the CBSL further imposed a 200bp cut on lending rates in October 2019 for the Banking sector, while removing the previously imposed deposit cap on banks. However, expected changes were not materialized during the year 2019.

Income Statement Analysis

Interest Income and Net Interest Income



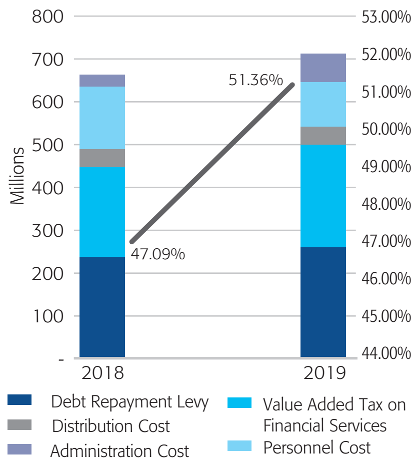
Income Composition of Leases & Term Loans



Gross Interest Income for the year decreased by 3.25% compared to the year 2018. The reduction in Interest Income is predominantly through the Interest Income on Leases. Compared to the year 2018, Lease book depleted by 31.7%. Showing a similar trend, Interest Income from lease portfolio reduced by 20.9%. 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.

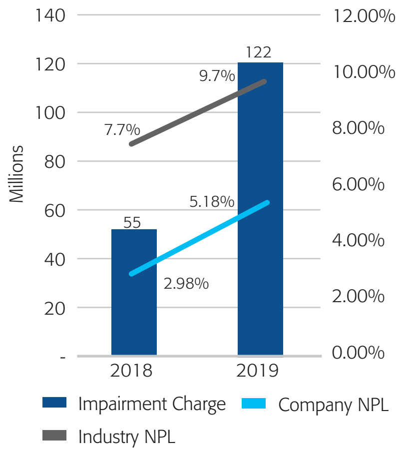
Despite the reduction in Gross Interest Income, Net Interest Income continued to increase continuing the growth momentum. This increase in Net Interest Income was supported by the low interest rate environment prevailed during the second half of the year resulted by reduced policy rates by the Central Bank. Supported by the above, Net Interest Margin of the Company also improved to 9.28% from 8.61% in the year 2018.

Operating Expenses & Cost to Income



Cost to Income Ratio of the Company increased 426 bsp during the year. The significant increase in comparison to the year 2018 was due to the full year financial impact on Debt Repayment Levy introduced w.e.f 01 Oct 2018.

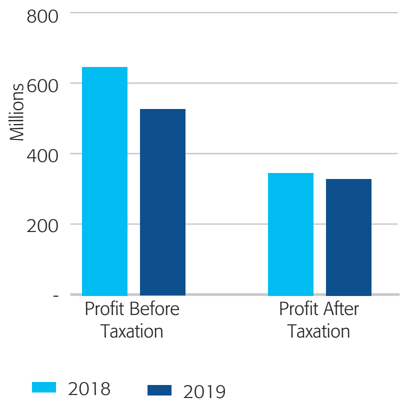
Impairment Charge and NPL



Impairment charge in the Income Statement increased by 123% compared to the year 2018. Significant increase in the Impairment charge is a reflection of poor 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

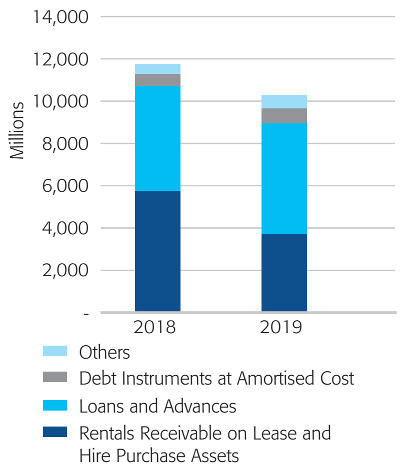
Profit Before Tax and Profit After Tax



Profit before Tax for the Company reduced by 18.7% during the year compared to 2018. Significant reduction caused due to the higher impairment provisioning and the impact on the Debt Repayment Levy. Decrease in profit after tax reported at 3.5% compared to 2018. Higher Corporate tax reported in the year 2018 was due to a settlement of taxes pertaining to a prior year.

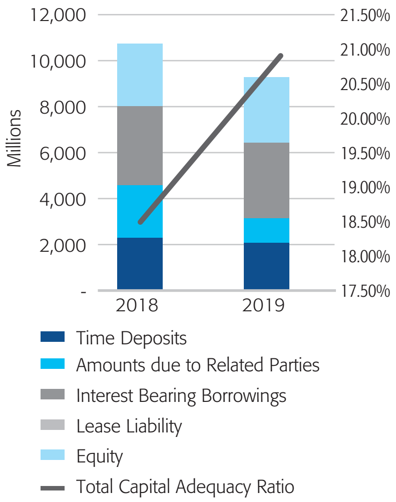
Balance Sheet Analysis

Composition of Total Assets



Total Assets of the Company reduced by 12% compared to the year 2018. 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.

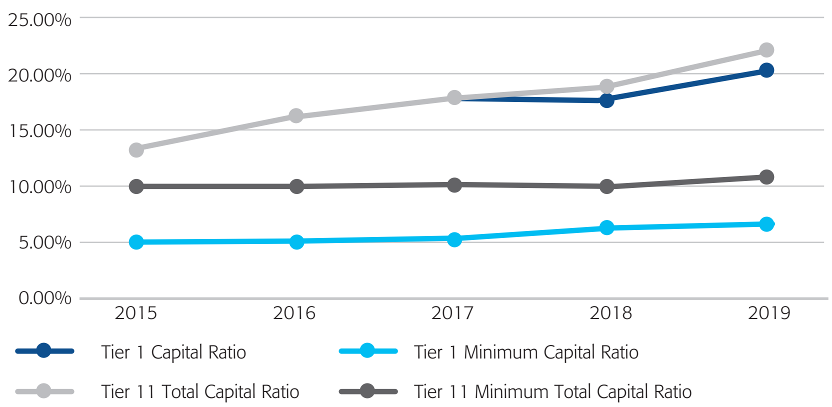
Capital Structure



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 losing of high value institutional investors to the Banks. Central Bank imposed new direction on the maximum rates that could be offered to the customers to both Banks and Finance Companies in April 2019 resulting lowered gaps between rates offered by Banks and Finance Companies. However, deposit cap introduced to banks was removed by the Central Bank in the latter part of the year.

It is notable that the Company is well capitalized as reflected by its strong capital adequacy ratio of 23.81% in the year 2019 as against the minimum requirement of 10.5%.

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 during the year 2019. The Company has maintained its capital ratio well above the minimum regulatory requirement.

Closing Remarks

Financial results of the Company during the year 2019 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: Strategic Risk, Credit Risk, Liquidity Risk, Interest Rate Risk, Market Risk, Operational Risk, Compliance Risk and Reputation Risk.

Risk Management Process and Framework

The Company's risk management framework provides the foundation for achieving 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), Senior Corporate Management and Head of Risk management, are responsible for risk management under the oversight of the Board. The Head of Risk Management, who oversees the risk management unit of the Company, reports to the Integrated Risk Management Committee (IRMC) of the Board but also has a reporting line to the CEO.

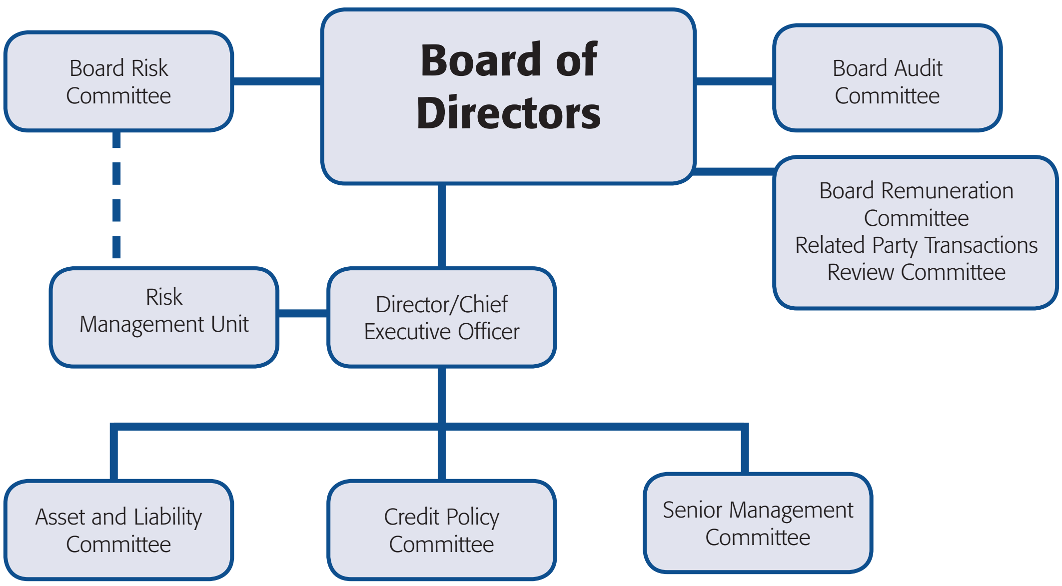
Senior management is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with laws and regulations on both a long-term and day-to-day basis. Accordingly, management will be fully involved in the business activities and possess 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

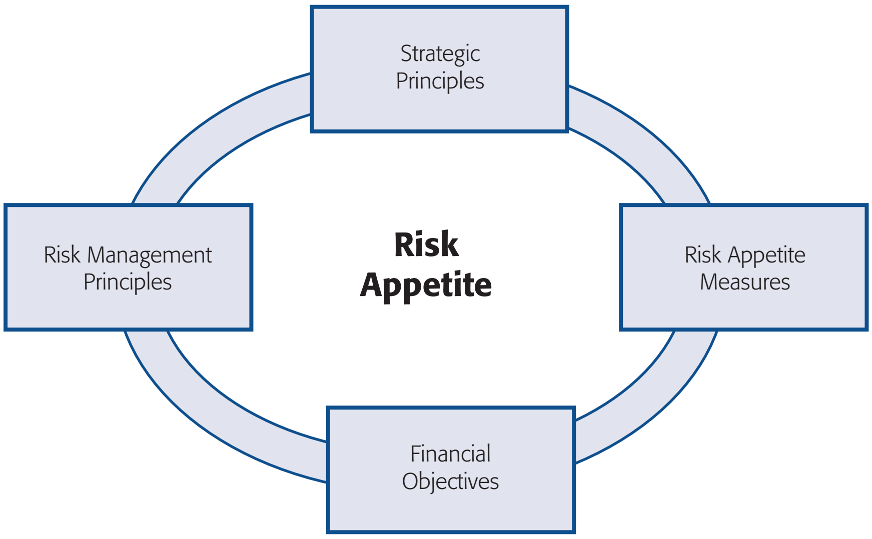
Risk Governance Structure

The Company's Risk Governance Structure is as follows.



RISK MANAGEMENT

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 consist of two Non-Executive independent Directors, one Non-Executive Director and CEO, General Manager, Internal Auditor, GM-Marketing, Senior Manager - Finance, and Head of Risk who supervise broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee works with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee. The scope of the Committee is given in the Risk Report by the Board of Directors on page 57 in this Annual Report.

2 Risk Appetite

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

Strategic Principles

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

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

Risk Management Principles

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

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

Financial Objectives

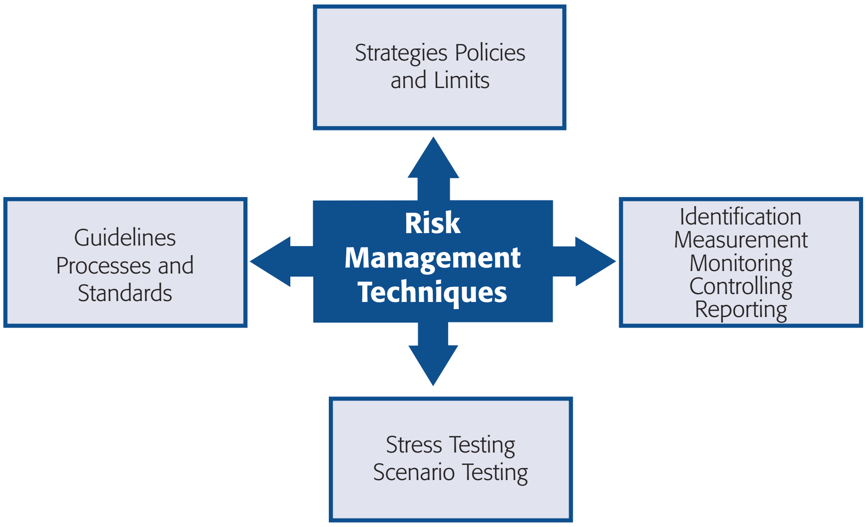
Focus on long-term shareholder value. These objectives include sustainable earnings growth, maintenance of adequate capital in relation to the AMWCL's risk profile, and availability of financial resources to meet financial obligations on a timely basis at reasonable prices.

Risk Appetite Measures

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

3 Risk Management Techniques

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



Strategies, Policies and Limits

Strategies

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

Policies

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

Limits

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

Guidelines, Processes and Standards

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

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

Guidelines

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

Processes

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

Standards

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

Identification Measurement, Monitoring, Controlling and Reporting

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

RISK MANAGEMENT

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 measures 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.

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

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

Risk Control

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

Internal Control

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

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

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

The Company ensures that;

- its internal controls and internal audit appropriate to the type and level of risks posed by the nature and scope of AMWCL's activities.
- the organizational structure establishes clear lines of authority and responsibility for monitoring adherence to policies, procedures, and limits.
- reporting lines provide sufficient independence of the control areas from the business lines and adequate separation of duties throughout the institution such as those relating to evaluation of credit approval, monitoring and back-office activities.
- financial, operational, and regulatory reports are reliable, accurate and timely; wherever applicable, exceptions are noted and promptly investigated.
- adequate procedures for ensuring compliance with applicable laws and regulations are in place.

- Internal audit and other control review practices provide for independence and objectivity.
- Internal controls and information systems are adequately tested and reviewed; the coverage, procedures, findings, and responses to audits and review tests are adequately documented; management's actions to address material weaknesses are objectively verified and reviewed.
- AMWCL's audit committee or Board of Directors review the effectiveness of internal audits and other control review activities on a regular basis.

Risk Reports

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

Stress Testing and Scenario Testing

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

Risk Management Culture

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

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

Risks and their management

Strategic Risk

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

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

Credit Risk

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

Credit Risk Management

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

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

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

RISK MANAGEMENT

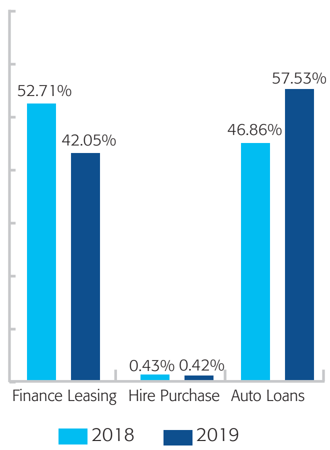
performance of the collection staff as well as draw inferences of different segments, asset classes which are useful in the lending process.

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 2019 had been a year of challenges. The industry asset quality deteriorated significantly in 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 and credit selection parameters in the year 2019. Due to this rational approach and emphasis on quantity over quality the year 2019 witnesses a decline of Rs1.3 Bn, in portfolio. Our credit portfolio is primarily made up of finance leases with over 42% 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-wise exposure

Portfolio Mix



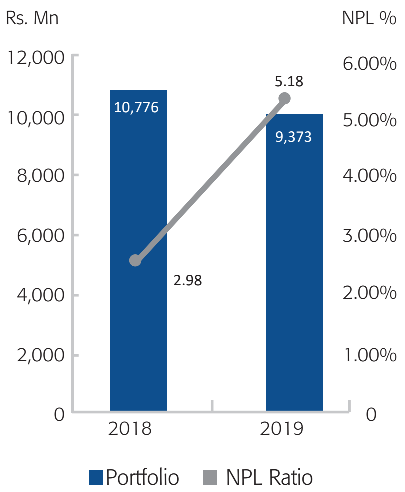
Portfolio Quality

Despite a contraction in lending portfolio, Company's NPL ratio was kept at a comparatively low level of 5.18% as at December 2019, as compared to the industry average of over 10.59%. 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 2019 was due to the overall slowdown in the economy. The Company reviewed its credit policy in the year 2019 and implemented several measures to ensure asset quality. The Company has also taken several measures to contain NPLs. Some of these measures include setting up of a dedicated recovery team to monitor two wheelers, strengthening of branch recovery teams, process changes to fall in line with IFRS 9 and strengthening of the legal arm. Company also intends to set up a call centre to follow up arrears facilities closely.

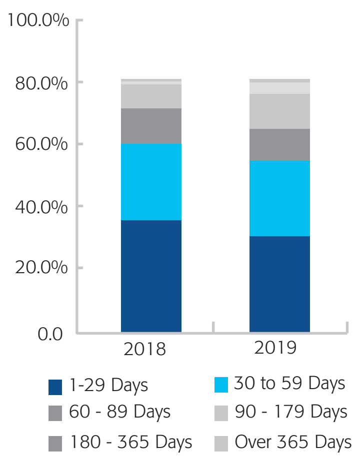
Exposure based on asset class

Product	As at 31 Dec 2019		As at 31 Dec 2018	
	Exposure Rs. Mn	%	Exposure Rs. Mn	%
Motor cars	7,114.48	73.05%	7,889.47	71.31%
Two wheelers	1,262.20	12.96%	1,584.92	14.33%
Three wheelers	116.02	1.20%	145.75	1.32%
Dual purpose vehicles	773.37	7.94%	864.86	7.82%
Commercial vehicles	319.86	3.28%	376.62	3.40%
Working capital loans	13.03	0.13%	25.36	0.23%
Equipment	6.61	0.07%	30.45	0.28%
Agricultural tractors	133.40	1.37%	146.40	1.32%
Total	**9,740**	**100.00%**	**11,063.79**	**100.00%**

Portfolio vs NPL Ratio



Age Analysis of Past Due

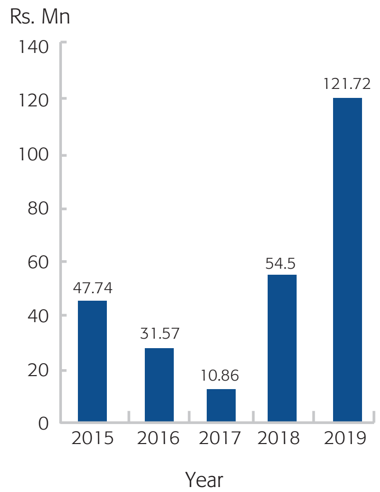


Impairment

The Company uses a model developed by an external expert party to calculate allowance for expected credit losses. The parameters used are highly conservative compared to some other peers in the sector. The model uses both collective and individual impairment method and take account Probability of Default (PD) and Loss Given Default (LGD) and Economic Factor Adjustment (EFA). Expected loss allowance is assessed collectively for leases, auto loans and hire purchase facilities with similar characteristics.

Individually significant leases, auto loans and hire purchase accommodations are assessed on individual basis. The higher impairment resulted in the year 2019 was mainly due to the overall slowdown in economy.

Expected Credit Loss Expense (Rs.Mn)



Asset Liability Management (ALM)

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

Mismatch Risk

In common with the finance industry practice the structural position of AMWCL consists of primarily lending for longer maturities at fixed rates while the funding is primarily made up of short term floating rate liabilities linked to an index and fixed rate long term borrowings. The mismatch between maturities and interest rate will generate both liquidity risk and interest rate risk. If loans are under-funded, there will be positive gaps, or deficits, at future dates. These deficits generate both liquidity risk and interest rate risk since there is a limitation of knowing at which rate the funds that balance the loans will be raised.

Capital Adequacy

(Rs.'000)	2019
Total Risk Weighted Amount (Rs Mn)	11,544.3
Tier 1 Capital (Rs Mn)	2,668.6
Total Capital (Rs. Mn)	2,749.1
Tier1 Capital Adequacy Ratio	23.12%
Total Capital Adequacy Ratio	23.81%

The Company's Total Capital Ratio of 23.81% 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. 2.7 billion as at end December 2019 is also well above the required minimum core capital requirement of Rs. 2.0 billion effective from 01st of January 2020. 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.

If there is excess funding, there is no liquidity risk, since liquidity was raised in advance, but there is interest rate risk, since we do not know at which rate those excess funds will be lent at future dates.

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

RISK MANAGEMENT

Liquidity Risk

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

Liquidity Risk Management

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

Liquidity management is aimed at target time profile of gaps after raising new resources, which complies with liquidity gap limits. Further, diversification of the funding sources with different maturities enables better management of liquidity risks and its impact on the operations of the Company. Currently the main funding sources of the Company are 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.

The Company's short term liquidity gap stood at Rs.1.0 billion, during the year 2019. The Company had been tapering down its funding from Parent gradually over the year 2019.

Interest Rate Risk

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

Static Maturity Gap Analysis as at 31December 2019 (Rs Mn.)

As at 31 December 2019	Less than 01 Month	01 to 03 Months	03 to 12 Months	01 to 03 Years	03 to 05 Years	Over 05 Years	Total
Financial Assets							
Cash and Bank	254.9	-	-	-	-	-	254.9
Other Financial Assets	0.1	56.3	6.1	4.4	5.3	2.7	74.8
Rentals Receivable on Lease and Hire Purchase Assets	601.6	661.1	1,476.9	2,026.0	317.1	5.2	5,049.5
Loans and Advances	426.2	638.1	1,599.1	3,629.5	1,251.1	3.8	7,530.2
Equity Instruments	-	-	-	-	-	2.0	2.0
Debt Instruments at Amortised Cost	0.6	418.2	1.4	25.1	-	-	445.2
Total Undiscounted Financial Assets	**1,283.4**	**1,773.7**	**3,083.4**	**5,684.9**	**1,573.5**	**13.7**	**13,356.5**
Financial Liabilities							
Bank Overdraft	17.4	-	-	-	-	-	17.4
Trade and Other Payables	362.5	60.8	44.8	-	-	0.1	468.2
Time Deposits	320.3	694.6	852.6	514.4	89.6	-	2,471.6
Amounts due to Related Parties	171.3	300.0	700.0	-	-	-	1,171.3
Interest Bearing Borrowings	-	-	622.4	1,845.9	1,845.6	-	4,313.9
Lease Liability	2.8	5.6	24.1	48.7	11.2	0.5	92.9
Total Undiscounted Financial Liabilities	**874.4**	**1,061.1**	**2,243.9**	**2,409**	**1,946.4**	**0.6**	**8,535.3**
GAP	**409**	**712.6**	**839.5**	**3,275.9**	**(372.9)**	**13.2**	**4,877.4**
Cumulative GAP	**409**	**1,121.6**	**1,961.1**	**5,237.1**	**4,864.2**	**4,877.4**	**-**

Interest Rate Risk Management

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

Interest Rate Sensitivity Gaps as at 31 December 2019 (Rs Mn)

As at 31 December 2019	Less than 07 days	01-30 days	01-03 Months	03-06 Months	06-12 Months	Over 01 Year	Total
Sensitive Assets							
Rentals Receivable on Lease, Hire Purchase and Auto loan Assets	12.05	503.77	596.53	294.58	2,192.39	5,774.26	9,373.58
Debt Instruments at Amortised Cost	0.56	-	414.57	0.14	-	21.92	437.19
Total Sensitive Assets	**12.61**	**503.77**	**1,011.09**	**294.71**	**2,192.39**	**5,796.18**	**9,810.76**
Sensitive Liabilities							
Bank Overdraft	17.42	-	-	-	-	-	17.42
Time Deposits	75.59	239.54	671.77	327.44	441.74	509.40	2,265.50
Amounts due to Related Parties	171.29	300.00	700.00	-	-	-	1,171.29
Interest Bearing Borrowings	-	-	-	-	641.07	2,586.91	3,227.97
Total Sensitive Liabilities	**264.29**	**539.54**	**1,371.77**	**327.44**	**1,082.81**	**3,096.31**	**6,682.18**
GAP	**(251.68)**	**(35.77)**	**(360.67)**	**(32.72)**	**1,109.58**	**(2,699.85)**	**(3,128.59)**
Cumulative GAP	**(251.68)**	**(287.45)**	**(648.12)**	**(680.84)**	**428.73**	**(3,128.59)**	**-**

The Company's short term negative interest rate gap of Rs. 648.12 Mn is within manageable level.

Operational Risk

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

Operational Risk Management

We have in place adequate internal audit coverage to verify that operating policies and procedures have been implemented effectively.

The Board (either directly or indirectly through its audit committee) ensures that the scope and frequency of the audit program is appropriate to the risk exposures.

Internal Audit periodically validates that the Company's operational risk management framework is being implemented effectively across the Company. Further, with the setting up of the Risk Management function more focus will be given to operational risk management needs of the Company in addition to the current operational risk management process. By implementing Business Continuity Plan (BCP) including Disaster Recovery Plans will ensure that the critical operations of the Company will function with minimal disruptions thereby reducing operational risk incidences. The core information system performance has stabilized during the year under consideration with the user requirements fulfilled and the IT system is assessed on an on-going basis to ensure that it would be a business enabler without hindering the operations of the Company.

Internal Audit conducts periodic reviews to evaluate the accuracy and reliability of the system and any modification to the system is carried out in a structured manner to ensure that the modifications are in line with the user requirements in addition to ensuring that the required controls are not compromised.

CORPORATE GOVERNANCE

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

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

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

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

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

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

CORPORATE GOVERNANCE

2.4	A director shall abstain from voting on any Board Resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested and he shall not be counted in the quorum for the relevant agenda item at the Board Meeting.	**Complied with** All Directors exercise their independent and objective judgment on issues of strategy, policy, resources and standards of conduct. The Board is conscious of its obligation to ensure that Directors avoid conflicts of interest between their duty to the Company and their own interests. The Board has adopted a procedure to ensure that conflicts of interests of Directors are disclosed to the Board and also Board members are required to disclose all transactions with the Company. All related party transactions (if any) are disclosed in the Financial Reports Section of the Annual Report.
2.5	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** Date convenient to all Directors is decided at the previous meeting and meetings are convened electronically giving due notice.
3.4	A Director who has not attended at least two thirds of the meetings in the period of 12 months immediately preceding or has not attended immediately preceding three consecutive meetings held, shall cease to be a Director. Provided that participation at the Directors meetings through an alternate director shall however, be acceptable as attendance.	**Complied with** All Directors have attended at least two thirds of the meeting held during the year and no Director has been absent from three consecutive regular Board Meetings during the year under review.

3.5	The Board shall appoint a Company Secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	**Complied with** Ms. Ruvini E Weerasinghe is an Attorney-at-Law and registered as Company Secretary with the Registrar General of Companies. She is responsible for supporting and advising the Chairman and the Board on all Board procedures and compliance with applicable rules and regulations.
3.6	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.
4. Composition of the Board		
4.1	The number of directors on the Board shall not be less than 5 and not more than 13.	**Complied with** As at end of Financial year, the Board of AMWCL comprised of Six Directors of whom Two Directors are Independent Non-Executive Directors. (Mr. B E Schwendtke was appointed as a Non-Executive Director with effect from 08 July 2019 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.

CORPORATE GOVERNANCE

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 6 Non-Executive Directors (of whom 2 are independent) 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 a) Has shares exceeding 2% of the paid up capital of the Company or 10% of the paid up capital of another Finance Company; b) Has or had during the period of two years immediately preceding his appointment as a director, any business transactions with the Finance Company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the Finance Company as shown in its last audited balance sheet; c) Has been employed by the Finance Company during the two year period immediately preceding the appointment as a director; d) Has a relative who is a Director or Chief Executive Officer or a Key Management Personnel or holds shares exceeding 10% of the paid up capital of the Finance Company or exceeding 12.5% of the paid up capital of another finance Company; e) Represents a shareholder, debtor, or such other similar stakeholder of the Finance Company; f) Is an employee or a director or has a shareholding of 10% or more of the paid up capital in a Company or business organization; (i) Which has a transaction with the Finance Company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the Finance Company or; (ii) In which any of the other directors of the Finance Company is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the Finance Company or; (iii) In which any of the other directors of the Finance Company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the Finance Company.	**Complied with** At end of financial year under review, the Board had 2 Independent Non-Executive Directors, thereby complying with this requirement. The Directors or their families or connected parties do not hold any shares in the Company.
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 9 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. B P Morris (Non - Executive Director) Mr. J D N Kekulawala (Independent Non - Executive Director) Mr. A D Lakhani (Executive Director) - resigned w.e.f : 08.07.2019 Mr. R Kassaby (Non - Executive Director) Mr. C W Cordery (Non - Executive Director) Mr. B E Schwendtke (Non - Executive Director) - appointed w.e.f : 08.07.2019
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.
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 disclosed in the Annual Report. The following Director has resigned during the year under review: Mr. A D Lakhani - resigned w.e.f: 08.07.19
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 2019.
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.

CORPORATE GOVERNANCE

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.
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.
8. Board appointed Committees		
8.1	Every Finance Company shall have at least the two Board committees set out in paragraph 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a Secretary to arrange its meetings, maintain minutes, record and carry out such other secretarial functions under the supervision of the Chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee at the Annual General Meeting of the Company.	**Complied with** The Company has established and Audit Committee and an Integrated Risk Management Committee. Reports of such committees are presented to the Board at each Board Meeting. A report from both committees for the year under review will be included in the Annual Report of the Company.
8.2	Audit Committee a) The Chairman of the committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	**Complied with** The Chairman of the Audit Committee is Mr. 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 are disclosed on Pg 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.

CORPORATE GOVERNANCE

	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.
	e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an External Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the External Auditors independence or objectivity in relation to the provision of non-audit services, the committee shall consider: (i) Whether the skills and experience of the Auditor make it a suitable provider of the non-audit services; (ii) Whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and (iii) Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the Auditor, pose any threat to the objectivity and/or independence of the External Auditor.	**Complied with** The Board approved policy for provision of Non-Audit Services by the External Auditor is in place. The Policy provides the framework to ensure that the External Auditors are able to maintain objectivity and independence and are suitable to perform the required non-audit services.

	f) The Committee shall before the audit commences discuss and finalize with the External Auditors the nature and scope of the audit including: (i) An assessment of the Finance Company's compliance with the Directions issued under the Act and the management's internal controls over financial reporting. (ii) The preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) The co-ordination between Auditors where more than one auditor is involved.	**Complied with** The engagement of External Auditors and the nature and scope of the audit is discussed by the Committee.
	g) The Committee shall review the financial information of the Finance Company, in order to monitor the integrity of the financial statements of the Finance Company, its Annual Report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the Finance Company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) Major judgmental areas; (ii) Any changes in accounting policies and practices; (iii) Significant adjustments arising from the audit; (iv) The going concern assumption; and (v) The compliance with relevant accounting standards and other legal requirements.	**Complied with** The Committee has reviewed the financial information of the quarterly financials and annual audited accounts, prior to any disclosure requirements.
	h) The Committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters that the Auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel if necessary.	**Complied with** The Committee met the External Auditors in relation to the audit in the absence of the Executive Management on 15 March 2019 and 04 December 2019.
	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 2019 and the management responses thereto.

CORPORATE GOVERNANCE

	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 with**
	(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	**Complied with** Mr. D P V Mendis was appointed as the Acting CEO w.e.f : 06.02.2019. This was communicated to CBSL and approval obtained.
	(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.	
	(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.
	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 2019, the Committee held 06 meetings and an Internal 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.
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. A D Lakhani - resigned w.e.f : 08.07.2019 Mr. D P V Mendis Ms. D Tillekeratne Mr. S Fernando 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.

CORPORATE GOVERNANCE

	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 2019.
	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.
	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 exceeding 10% of the paid up capital of the Finance Company; g) A concern in which a director of the Finance Company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the Finance Company, has substantial interest.	**Complied with** During the year under review, the Board appointed the Related Party Transactions Review Committee to ensure that the Company does not engage in related party transactions as stipulated in this Direction and to enable Directors to avoid conflict of interest that may arise from any transactions with the Company.

9.3	The transactions with a related party that are covered in this Direction shall be the following: a) Granting accommodation, b) Creating liabilities to the Finance Company in the form of deposits, borrowings and investments. c) Providing financial or non-financial services to the Finance Company or obtaining those services from the finance Company, d) Creating or maintaining reporting lines and information flows between the Finance Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party.	**Complied with** Board approved process is in place to identify the related party transactions and the Related Party Transactions Review Committee will ensure that all transactions with related parties are on arm's length basis.
9.4	The Board shall ensure that the Finance Company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the Finance Company. For the purpose of this paragraph, "more favourable treatment" shall mean: a) Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the Finance Company's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the Finance Company's share capital and debt instruments with a remaining maturity of years or more. b) Charging of a lower rate of interest than the Finance Company's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty. c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties. d) Providing or obtaining services to or from a related party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the Finance Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	**Complied with** Monitoring of such transactions will be strengthened for extracting the data and reporting such transactions and to ensure that Company does not engage in transactions with related parties that are deemed as "more favourable treatment". All transactions are carried out as per regulated terms and conditions.
10. Disclosures		
10.1	The Board shall ensure that (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	**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.

CORPORATE GOVERNANCE

10.2	The Board shall ensure that at least the following disclosures are made in the Annual Report:	
	a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Reference – Report of the Board of Directors on the Affairs of the Company (in this Annual Report)
	b) A report by the Board on the Finance Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	Reference – Directors Statement on Internal Controls over financial reporting.
	c) The External Auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31st 2010.	PWC certification given on the effectiveness of the internal controls over financial reporting.
	d) Details of directors, including names, transactions with the Finance Company.	Reference – Notes to the Financial Statements on Related Party Transactions (in this Annual Report)
	e) Fees/ remuneration paid by the Finance Company to the directors in aggregate, in the Annual Reports published after 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 / 5,850,539.00 / 0.22%
	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. 36,158,929.00 Deposits made – Rs. 2,023,714.00 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 certification given on the effectiveness of the internal controls over financial reporting.

Sec.	Rules of the Colombo Stock Exchange	Level of Compliance
(Disclosures pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.c and 7.10.6c of S7 of the rules.		
7.10	**Corporate Governance** Statement confirming that at the date of the annual report that the Company is in compliance with these rules.	**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 2019 the Board comprised of 6 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 2019, 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 2019, the Committee comprised 2 Independent Non-Executive Directors and one Non-Executive Director.

CORPORATE GOVERNANCE

Meetings

The number of meetings of the Board, and the Board appointed sub-committees and the attendance of the committee members during the year are given below.

Board Meetings

Names	Directorship Status	Number of Meetings
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. A D Lakhani (resigned w.e.f : 08.07.19)	Director	05/06
Mr. R Kassaby	Non-Executive Director	11/12
Mr. B E Schwendtke (appointed w.e.f : 08.07.19)	Non-Executive Director	06/06
Mr. C W Cordery	Non-Executive Director	10/12

NUMBER OF MEETINGS HELD

12

Audit Committee

Names	Directorship Status	Number of Meetings
Mr. T S A Fernandopulle	Member	6/6
Mr. J D N Kekulawala	Member	6/6
Mr. B P Morris (appointed w.e.f : 26.02.19)	Member	5/5

NUMBER OF MEETINGS HELD

06

Integrated Risk Management Committee

Names	Directorship Status	Number of Meetings
Mr. T S A Fernandopulle	Chairman	6/6
Mr. B P Morris	Member	6/6
Mr. J D N Kekulawala	Member	6/6
Mr. A D Lakhani (resigned w.e.f : 08.07.19)	Member	2/3
Mr. S Fernando	Member	6/6
Mr. D P V Mendis	Member	6/6
Ms. D Tillekeratne	Member	6/6
Mr. J T P Perera	Member	6/6
Mr. S U Thenuwara	Member	5/6
Ms. R E Weerasinghe	Member	6/6

NUMBER OF MEETINGS HELD

06

Related Party Transactions Review Committee

Names	Directorship Status	Number of Meetings
Mr. J D N Kekulawala	Chairman	4/4
Mr. T S A Fernandopulle	Member	4/4
Mr. B P Morris	Member	4/4
Mr. A D Lakhani (resigned w.e.f : 08.07.19)	Member	1/2

NUMBER OF MEETINGS HELD

04

REPORT OF THE DIRECTORS

The Directors are pleased to present their Report for the Financial Year Ended 31 December 2019 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 Acting 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 67 to 117 in this Annual Report.

Independent Auditors' Report

The Auditors' Report on the Financial Statements is given on page 64 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements are given on pages 71to 83.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for Financial Statements is given on page 61.

Stated Capital

The Stated Capital of the Company on 31 December 2019 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

Mr. Bernd Erich Schwendtke was appointed as a Non-Executive Director to the Board since the last Annual General Meeting.

In accordance with the Articles of Association Mr. Brandon Morris retire, 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 2019, 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 104 to 106 to the Financial Statements and Report of the Related Party Transactions Review Committee on pages 59 and 60.

Directors' Remuneration

Details of the remuneration received by the Directors are set out in Note 26 to the Financial Statements on page101.

Auditors

Messrs. Ernst & Young tendered their resignation as Auditors of the Company during the year. Directors of the Company appointed Messrs. PricewaterhouseCoopers to fill the casual vacancy created therein. Accordingly, Messrs. PricewaterhouseCoopers carried out the statutory audit of the Company for the year ended 31 December 2019.

Messrs. PricewaterhouseCoopers have expressed their willingness to continue in office as Auditors of the Company for the year ending 31 December 2020. A resolution pertaining to ratification of appointment of Messrs. PricewaterhouseCoopers to fill the casual vacancy, appointment of Messrs. PricewaterhouseCoopers as Auditors of the Company for the year ending 31 December 2020 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

23 March 2020

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility

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

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

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

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

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

Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control Over Financial Reporting

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

- Various Committees are established by the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the Internal Control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit Department are submitted to the Board Audit Committee for review at their periodic meetings.
- The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the Management; and evaluates the adequacy and effectiveness the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of the same. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Further details of the activities undertaken by the Board Audit Committee of the Company are set out in the Board Audit Committee Report on page 56.
- 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 2019.
- Necessary steps were taken by the Company to further review the requirements of the Sri Lanka Accounting Standard – SLFRS 9 (Financial Instruments). Designing of processes and controls, implementation of models and training and awareness sessions to stakeholders (including the Board and Senior Management) were made. The Audit Committee continually advises the management on the strengthening of processes and controls required in management information systems to maintain the level of compliance with SLFRS 9 and related disclosures.The Company adopted SLFRS 16 – Leases during the previous financial year and necessary steps were taken to assess its impact on the financial statements and to design suitable internal controls
- The comments made by the External Auditors in connection with internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2019 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 2019 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

Brandon Morris
Director

23 March 2019
Colombo

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee currently 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. 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 Parent Company. They report directly to the Audit Committee. The Acting CEO/General Manager – Credit and Operations of the Company along with General Manager/ Marketing, the Head of Finance, the Head of Risk and the Manager Internal Audit & Compliance attend the Audit Committee meetings by invitation. The Group IT Head and the support staff are present as and when required to discuss the IT issues. An Audit plan for the current year is presented by the General Manager/Internal Audit to the Committee during the 4th Quarter of last year for approval.

The Committee meets once in two months. Quarterly Internal Audit reports were presented to the Committee by the General Manager/Internal Audit as per the format of presentation approved by the Committee. This included a report on Compliance with the Regulatory framework, Compliance with Accounting Standards and Reports on Internal controls on the Operational & Business processes and transactions. In addition to the above, the Quarterly Internal Audit reports also include a Balance Sheet audit. A choice of major branches is selected during the year for review of the Operational and Business procedures. All audit reports from the Internal Audit Division are tabled along with Management responses. The Committee also monitors the submission of the mandatory reports to the Regulator. Positions and movements in Non-Performance Loans and Arrears are brought to the attention of the Board by the Committee.

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

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

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

The Committee met on 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	05

Nihal Kekulawala
Chairman
Audit Committee

23 March 2020

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. Pramuditha Mendis
Acting CEO/General Manager - Credit & Operations

Mr. Sujith Fernando
Head of Risk & Compliance

Ms. Dimuthu Tillekeratne
Head of Finance

Ms. Ruvini Weerasinghe
Head of Legal/Company Secretary

Mr. Sanjaya Thenuwara
General Manager - Marketing

Mr. Rajitha Perera
Manager - Internal Audit & Compliance

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 26 to page 35 of this Annual Report.

Committee Meetings and Methodology

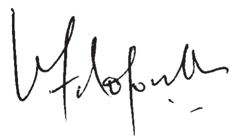
The IRMC met 06 times during the year ended 31st December and its deliberations and conclusions were reported to the Board of Directors. The IRMC assists the Board of Directors in performing its oversight function in relation to different types of risks faced by the Company in its business operations 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

23 March 2020

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 9 to 11.

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

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

Nihal Kekulawala
Chairman
Remuneration Committee

23 March 2020

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

The Board appointed Related Party Transactions Review Committee currently comprises of two Independent Non-Executive Directors, Mr. Nihal Kekulawala as Chairman, Mr. Trevine Fernandopulle together with one Non-Executive Director, Mr. Brandon Morris. Mr. Anil Lakhani who is a member of the Committee left in July 2019.

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	(Ind. Non-Exe. Director)	4/4
Mr. Trevine Fernandopulle	(Ind. Non-Exe. Director)	4/4
Mr. Brandon Morris	(Non-Exe. Director)	4/4
Mr. Anil Lakhani	(Exe. Director)	1/2

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 communicate 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 2019

Details of related party transactions during the period under review are disclosed under Note 32 on pages 104 to 106 of Financial Statements.

Recurrent Related Party Transactions

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	1.22	0.12%	As per the Agreement
		Rent Paid	12.12	1.22%	As per the Agreement
		Interest Paid	254.78	25.69%	As per the Agreement
		Settlement of Current Account	1,300.00	131.10%	Partially Settlement Current Account
		Fees paid for repair services	0.70	0.07%	Normal Commercial Terms
		Salary Reimbursements	6.11	0.62%	As per the Agreement
		Loan Repayment	33.92	3.42%	As per the Agreement
		Inter Company Vehicle Purchases	958.89	96.70%	Normal Commercial Terms
			2,567.75	**258.96%**	
		Rental Income Received	0.38	0.04%	As per the Agreement
		Administration Income Received	1.89	0.19%	As per the Agreement
			2.27	**0.23%**	

*** Loan Repayment excluding Non-Recurrent Related Party Transactions**

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 page 54 of this Annual Report.

Nihal Kekulawala
Chairman
Related Party Transactions Review Committee
23 March 2020

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 2019 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

23 March 2020

Financial Reports

INDEPENDENT AUDITORS' REPORT

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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 2019, 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 2019;
- 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.

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 2019, total gross amount of loans and advances, and rentals receivable on lease and hire purchase assets amounted to LKR 9,831 Million, with a total allowance for impairment of LKR 457 Million. Total net amount of loans and advances contribute 91% to the total assets.	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.

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Partners D T S H Mudalige FCA, C S Manoharan FCA, Ms S Hadgie FCA, Ms S Perera ACA, N R Gunasekera FCA
T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda ACA

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.	- Assessing the design and implementation of the ECL model, including 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 yearend. 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 2019 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.

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.

INDEPENDENT AUDITORS' REPORT

- 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.

CHARTERED ACCOUNTANTS
CA Sri Lanka Membership Number: 1795
COLOMBO
Date: 29 May 2020

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2019 Rs.	2018 Rs.
ASSETS			
Cash and Bank	3	254,934,938	214,689,348
Other Financial Assets	4	74,785,758	90,388,541
Other Non-Financial Assets	5	9,843,509	14,950,330
Rentals Receivable on Lease and Hire Purchase Assets	6	3,847,454,176	5,639,237,678
Loans and Advances	7	5,526,124,117	5,136,831,821
Equity Instruments at Fair Value Through Other Comprehensive Income	8	1,981,382	80,400
Debt Instruments at Amortised Cost	9	437,185,444	532,884,042
Property, Plant and Equipment	10	23,676,136	25,191,303
Intangible Assets	11	2,375,611	4,875,095
Right of Use Assets	12	75,828,734	-
Total Assets		**10,254,189,805**	**11,659,128,558**
EQUITY AND LIABILITIES			
Liabilities			
Bank Overdraft	3	17,415,790	47,708,211
Trade and Other Payables	13	468,175,592	637,894,899
Time Deposits	14	2,265,482,274	2,359,395,820
Amounts due to Related Parties	15	1,171,289,033	2,446,344,980
Interest Bearing Borrowings	16	3,227,974,834	3,431,632,634
Lease Liability	12	73,942,968	-
Income Tax Payable	17	195,354,555	231,621,952
Deferred Tax Liability	18	136,719,982	155,618,443
Employee Benefit Obligation	19	29,152,744	25,716,283
Total Liabilities		**7,585,507,772**	**9,335,933,222**
Equity			
Stated Capital	20	200,000,000	200,000,000
Retained Profit		2,334,832,987	2,007,853,183
Fair Value through OCI Reserve		1,368,707	-
Statutory Reserve Fund	21	132,480,339	115,342,153
Total Equity		**2,668,682,033**	**2,323,195,336**
Total Equity and Liabilities		**10,254,189,805**	**11,659,128,558**

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

Dinuk Baig
Accountant

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

Trevine Fernandopulle
Director

Brandon Morris
Director

Accounting Policies and Notes on pages 71 to 117 form an integral part of these Financial Statements.

23 March 2020
Colombo

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	Note	2019 Rs.	2018 Rs.
Interest Income	22	1,968,208,589	2,034,384,438
Less : Interest Expenses	23	(988,244,860)	(1,063,919,426)
Net Interest Income		**979,963,729**	**970,465,012**
Rental Income from Operating Leases		-	438,681
Other Operating Income	24	379,960,070	389,852,380
Total Operating Income		**1,359,923,799**	**1,360,756,073**
Credit Loss Expense	25	(121,721,612)	(54,509,883)
Net Operating Income		**1,238,202,187**	**1,306,246,190**
Less: Operating Expenses			
Administration Cost		(251,033,531)	(237,385,822)
Personnel Cost		(240,342,934)	(215,611,353)
Distribution Cost		(39,355,658)	(41,590,466)
Operating Profit before Value Added Tax (VAT) on Financial Services and Debt Repayment Levy		**707,470,064**	**811,658,549**
Less: Value Added Tax on Financial Services		(104,003,297)	(129,424,284)
Debt Repayment Levy		(63,656,737)	(18,037,521)
Profit Before Taxation	26	**539,810,030**	**664,196,744**
Taxation	27	(197,046,301)	(308,781,782)
Profit for the year		**342,763,729**	**355,414,962**
Other Comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial Gain/(Loss) on Employee Benefit Obligation	19	1,880,919	1,223,110
Fair Value Gain/(Loss) on Equity Instruments	8	1,900,982	-
Income tax relating to Other Comprehensive income	27	(1,058,933)	(342,471)
Other Comprehensive income for the period, net of tax		**2,722,968**	**880,639**
Total Comprehensive Income for the year		**345,486,697**	**356,295,601**
Earnings Per Share - Basic	28	17.14	17.77
Dividend Per Share	29	-	-

Accounting Policies and Notes on pages 71 to 117 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December

	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 2018		200,000,000	1,669,328,330	97,571,405	-	1,966,899,735
Profit for the year		-	355,414,962	-	-	355,414,962
Other Comprehensive Income net of tax		-	880,639	-	-	880,639
Dividend Paid	29	-	-	-	-	-
Transfers	21	-	(17,770,748)	17,770,748	-	-
Balance as at 31 December 2018		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

Accounting Policies and Notes on pages 71 to 117 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

Year ended 31 December

	Note	2019 Rs.	2018 Rs.
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
		539,810,030	664,196,744
Net Profit before Income Tax			
Adjustments for :			
Interest Income on Debt Instruments at Amortized Cost	22	(60,499,196)	(47,840,953)
Accrued Loan Interest	16	422,483,505	105,501,634
Dividend Income	24	(280,000)	(240,000)
Retiring Gratuity - Charge for the year	19	8,040,144	7,549,174
Gain on disposal of Property Plant and Equipment	24	(4,958,500)	(2,812,500)
Interest on Lease Liability	12	11,608,659	-
Depreciation & Amortization	10, 11 & 12	42,665,376	19,940,088
Operating Profit Before Changes in Working Capital		**958,870,018**	**746,294,187**
Increase / (Decrease) in Trade & Other Payables		(169,719,306)	42,610,670
(Increase) / Decrease in Other Financial Assets & Non-Financial Assets		11,273,833	(22,591,812)
Net Investment in Lease, Hire Purchase and Loans and Advances		1,402,491,206	(10,301,363)
Net Deposits from Customers		(93,913,546)	(349,371,343)
Net Cash generated from / (used in) Operations		**2,109,002,205**	**406,640,339**
Gratuity Paid	19	(2,722,764)	(2,567,068)
Income Tax Paid	17	(240,438,810)	(262,074,040)
ESC Paid	17	(12,159,733)	(23,157,276)
WHT Paid	17	(672,548)	150,713
Net Cash generated from / (used in) Operating Activities		**1,853,008,350**	**118,992,668**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Dividends Received	24	280,000	240,000
Acquisition of Plant, Equipment and Intangible Assets	10	(9,397,788)	(4,556,020)
Sale Proceed from Disposal of Plant and Equipment	10	4,958,500	2,812,500
Net Investments made during the Year		95,698,597	(107,789,947)
Interest Received from Debt Instruments at Amortized Cost	22	60,499,196	47,840,953
Net Cash generated from/(used in) Investing Activities		**152,038,505**	**(61,452,514)**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Lease payments during the year	12	(33,311,592)	-
Loans Obtained	16	-	3,214,280,971
Loan Settlements made	16	(626,141,305)	(4,229,195,606)
Net Borrowing from Related Parties		(1,275,055,947)	1,039,021,592
Net Cash generated from/ (used in) Financing Activities		**(1,934,508,844)**	**24,106,957**
Net Increase / (Decrease) in Cash & Cash Equivalents		70,538,011	81,647,111
Cash & Cash Equivalents at the beginning of the year		166,981,137	85,334,026
Cash & Cash Equivalents at the end of the year	3	**237,519,148**	**166,981,137**

Accounting Policies and Notes on pages 71 to 117 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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 2019 were authorised for issue by the Directors on 23 March 2020.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

2.1.1 Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"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 2019;
- A Statement of Comprehensive Income for the year then ended;
- A Statement of Changes in Equity for the year then ended;
- A Statement of Cash Flows for the year then ended; and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.1.2 Historical cost convention

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

2.1.3 Presentation of Financial Statements

The Company presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in the Note 35. Financial Assets and Financial Liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and Expense is not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

2.1.4 Responsibility for Financial Statements

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

2.1.5 Approval of Financial Statements

The Financial Statements of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 23 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

Such changes are reflected in the assumptions when they occur.

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

2.2.1 Going Concern

The Company's management has made an assessment of the Company's ability to continue as a Going Concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a Going Concern. Therefore, the Financial Statements continue to be prepared on the Going Concern basis.

2.2.2 Impairment Losses on Loans and Receivable

The 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 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 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 2019.

i. SLFRS 16 Leases

ii. Prepayment Features with Negative Compensation – Amendments to SLFRS 9

iii. IFRIC 23 Uncertainty over Income Tax Treatments

iv. Plan Amendment, Curtailment or Settlement – Amendments to LKAS 19

The Company had to change its accounting policies following the adoption of SLFRS 16. This is disclosed in Note 12. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(i) SLFRS 16 Leases

SLFRS 16 Leases will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the Statement of Financial Position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for the annual periods beginning on or after 1 January 2019.

(ii) Prepayment Features with Negative Compensation – Amendments to SLFRS 9

The narrow-scope amendments made to SLFRS 9 Financial Instruments which enable entities to measure certain pre payable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

This amendment is effective for the annual periods beginning on or after 1 January 2019.

(iii) IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred

NOTES TO THE FINANCIAL STATEMENTS

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and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

a) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
b) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored
c) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
d) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
e) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

This amendment is effective for the annual periods beginning on or after 1 January 2019.

(iv) Plan Amendment, Curtailment or Settlement – Amendments to LKAS 19

The amendments to LKAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

a) calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
b) recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling
c) separately recognise any changes in the asset ceiling through other comprehensive income.

This amendment is effective for the annual periods beginning on or after 1 January 2019.

2.4.2 New standards and amendments but not adopted in 2019

The following standards and interpretations had been issued but not mandatory for annual reporting periods ending 31 December 2019.

(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 International 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) Definition of a Business – Amendments to SLFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

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

(iii) Revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

a) increasing the prominence of stewardship in the objective of financial reporting;
b) reinstating prudence as a component of neutrality;
c) defining a reporting entity, which may be a legal entity, or a portion of an entity;
d) revising the definitions of an asset and a liability;

e) removing the probability threshold for recognition and adding guidance on derecognition;

f) adding guidance on different measurement basis; and

g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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.

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Year ended 31 December 2019

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.

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

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

b) Dividends

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

c) Rental income

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

d) Fee and Commission Income

Fee and commission income is recognized on an accrual basis. 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.

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, warehouses, equipment and vehicles. 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;

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- 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.

Accounting policies applied until 31 December 2018

Until 31 December 2018, leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the Statement of Financial Position based on their nature.

The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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 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.

When the Company is the lessee, leased assets are not recognised on the Statement of Financial Position. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'operating expenses' and 'Rental Income from Operating Leases' respectively.

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)

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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 in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Loans and Receivables 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 derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

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

c) Derecognition of Financial Assets

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a de recognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

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

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

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Financial liabilities

a) Initial recognition and measurement

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

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

b) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Statement of Profit or Loss when the liabilities are derecognized as well as through the effective interest rate 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

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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.

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 Loan 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.

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3. CASH AND BANK

	2019 Rs.	2018 Rs.
Cash in Hand	46,966,052	52,537,068
Cash at Bank	207,968,886	162,152,280
	254,934,938	**214,689,348**
Bank Overdraft	(17,415,790)	(47,708,211)
Cash & Cash Equivalents	**237,519,148**	**166,981,137**

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.

	2019 Rs.	2018 Rs.
Cash & Cash Equivalents	237,519,148	166,981,137
Borrowings		
- Amounts due to Related Parties	(1,171,289,033)	(2,446,344,980)
- Interest Bearing Borrowings	(3,227,974,834)	(3,431,632,634)
- Lease Liability	(73,942,968)	-
Net debt	**(4,235,687,687)**	**(5,710,996,477)**
Cash & Cash Equivalents	237,519,148	166,981,137
Gross debt – fixed interest rates	(1,805,481,151)	(1,902,784,178)
Gross debt – variable interest rates	(2,667,725,684)	(3,975,193,436)
Net debt	**(4,235,687,687)**	**(5,710,996,477)**

	Liability from financing activities		Assets	
	Borrowings	Lease Liability	Cash & Cash Equivalents	Total
Net debt as at 1 January 2018	**(5,748,369,023)**	**-**	**85,334,028**	**(5,663,034,995)**
Cash Flows			81,647,109	81,647,109
Loans obtained from related parties	(1,039,021,590)	-	-	(1,039,021,590)
Loan repayments to related parties	-	-	-	-
Securitization Loan obtained from banks	(3,214,280,971)	-	-	(3,214,280,971)
Securitization Loan Interest	(105,501,634)	-	-	(105,501,634)
Repayment of securitization Loans	4,229,195,606	-	-	4,229,195,606
Net debt as at 31 December 2018	**(5,877,977,614)**	**-**	**166,981,137**	**(5,710,996,477)**
Recognised on adoption of SLFRS 16 (see Note 12)	-	(78,992,135)	-	(78,992,135)
	(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	-	-	-	-
Loan repayments to related parties	1,275,055,947	-	-	1,275,055,947
Securitization Loan obtained from banks	-	-	-	-
Securitization Loan Interest	(422,483,505)	-	-	(434,092,164)
Repayment of Securitization Loans	626,141,305	-	-	609,487,539
Interest Charge on Lease Liability	-	(11,608,659)	-	-
New Lease Liability	-	(16,653,766)	-	-
Principal elements of lease payments	-	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)**

4. OTHER FINANCIAL ASSETS

	2019 Rs.	2018 Rs.
VAT Receivable on lease rentals	7,554,688	8,005,510
Insurance Receivable on Lease and Hire Purchase	28,144,842	19,438,707
Insurance Receivable on Loans and Advances	18,021,164	12,022,706
RMV charges receivable	3,894,999	1,815,059
Staff Loans	366,625	1,409,125
Refundable Deposits	18,291,544	16,957,000
Operating Lease Rentals Receivable	316,538	316,538
Seizing Charges Receivable	2,958,838	1,253,718
Lawyer Fee Receivable	7,894,965	4,564,889
Advance on Domestic Creditors	2,660,615	4,485,614
Miscellaneous Receivables	11,759,257	20,119,675
Less : Provision for Other Financial Assets	(27,078,317)	-
	74,785,758	**90,388,541**

5. OTHER NON-FINANCIAL ASSETS

	2019 Rs.	2018 Rs.
Input VAT Receivable	8,739,592	8,146,529
Prepayment	5,008,972	10,708,856
	13,748,564	18,855,385
Less: Provision for Other Non-Financial Assets	(3,905,055)	(3,905,055)
	9,843,509	**14,950,330**

6. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS

6.1 Rentals Receivable on Lease Assets

	2019 Rs.	2018 Rs.
Receivable after five years		
Rentals Receivable	5,193,925	5,314,151
Unearned Income	(506,898)	(311,081)
	4,687,027	**5,003,070**
Receivable from one to five years		
Rentals Receivable	2,343,084,445	3,916,358,661
Unearned Income	(391,013,393)	(663,241,121)
	1,952,071,052	**3,253,117,540**
Receivable within one year		
Rentals Receivable	2,366,644,885	3,119,613,155
Unearned Income	(560,400,847)	(831,250,942)
	1,806,244,038	**2,288,362,213**
Overdue Rental Receivable		
Rentals Receivable	363,149,210	306,024,826
	363,149,210	**306,024,826**
Total		
Future Rentals Receivable	4,714,923,254	7,041,285,967
Overdue Rentals Receivable	363,149,210	306,024,826
Total Rentals Receivable	5,078,072,464	7,347,310,793
Unearned Income	(951,921,138)	(1,494,803,143)
	4,126,151,326	**5,852,507,650**
Less : Provision for Impairment Losses	(279,821,547)	(220,457,481)
Balance as at 31 December	**3,846,329,779**	**5,632,050,169**

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

6.2 Rentals Receivable on Hire Purchase Assets

	2019 Rs.	2018 Rs.
Receivable after five years	-	-
Rentals Receivable	-	-
Unearned Income	-	-
Receivable from one to five years		
Rentals Receivable	-	3,178,011
Unearned Income	-	(549,164)
	-	**2,628,847**
Receivable within one year		
Rentals Receivable	777,570	5,164,073
Unearned Income	(44,473)	(778,960)
	733,097	**4,385,113**
Overdue Rental Receivable		
Rentals Receivable	47,605,278	47,701,012
	47,605,278	**47,701,012**
Total		
Future Rentals Receivable	777,570	8,342,084
Overdue Rentals Receivable	47,605,278	47,701,012
Total Rentals Receivable	**48,382,848**	**56,043,095**
Unearned Income	(44,473)	(1,328,124)
	48,338,375	**54,714,971**
Less: Provision for Impairment Losses	(47,213,977)	(47,527,462)
Balance as at 31 December	**1,124,398**	**7,187,510**
Total Rentals Receivable on Lease Assets and Hire Purchase Assets		
Future Rentals Receivable	4,715,700,824	7,049,628,051
Overdue Rental Receivable	410,754,487	353,725,838
Total Rentals Receivable	5,126,455,311	7,403,353,889
Unearned Income	(951,965,611)	(1,496,131,267)
	4,174,489,700	**5,907,222,622**
Less: Provision for Impairment losses (6.3)	(327,035,523)	(267,984,944)
Balance as at 31 December	**3,847,454,177**	**5,639,237,678**

6.3 Provision for Credit Loss Expenses

	2019 Rs.	2018 Rs.
Balance as at 01 January	-	205,387,675
SLFRS 09 Adjustment	-	28,779,176
Balance as at 01 January	267,984,944	234,166,851
Provisions made during the year	48,631,076	29,533,441
	316,616,020	263,700,292
Charged against Interest in Suspense (as required by CBSL)	10,419,503	4,284,652
Balance as at 31 December	327,035,523	267,984,944

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

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

	2019 Rs.
Less than 1 year	2,367,453,284
1 to 2 years	1,422,798,080
2 to 3 years	603,175,568
3 to 4 years	242,757,061
4 to 5 years	74,353,735
More than 5 years	5,193,925
	4,715,731,654
Less: Unearned Interest Income	(951,996,441)
Gross Rentals Receivable	3,763,735,212
Overdue Rental Receivable	410,754,487
Less : Provision for Credit Loss Expenses	(327,035,523)
Balance as at 31 December	**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 on a quarterly basis.

Forward-looking economic assumptions - The most significant period-end assumptions used for ECL estimate as at 31 December 2019 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 (%)	(91,318)	90,255
Inflation (YoY Average)	39,449	(38,082)
Interest Rate (PLR)	87,328	(87,218)
Exchange Rate-YE (US$:LKR)	(19,060)	16,568
Unemployment (% of Labor Force)	130,498	(149,617)

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 31.12.2019 amounts to Rs.332,037,722 (As at 31.12.2018 amounts to Rs.278,100,448/-).

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

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7. LOANS AND ADVANCES

7.1 Instalments Receivable on Auto Loans

	2019 Rs.	2018 Rs.
Receivable after five years		
Instalments Receivable	3,835,563	4,359,703
Unearned Income	(200,146)	(271,597)
	3,635,417	**4,088,106**
Receivable from one to five years		
Instalments Receivable	4,880,594,321	4,721,387,199
Unearned Income	(1,066,732,703)	(1,063,430,279)
	3,813,861,628	**3,657,956,921**
Receivable within one year		
Instalments Receivable	2,464,149,171	2,190,238,060
Unearned Income	(877,156,718)	(804,245,299)
	1,586,992,4523	**1,385,992,761**
Overdue Instalment Receivable		
Instalments Receivable	216,919,947	145,926,739
	216,919,947	**145,926,739**
Total		
Instalments Receivable	7,348,579,055	6,915,984,963
Overdue Instalments Receivable	216,919,947	145,926,739
Total Instalments Receivable	**7,565,499,002**	**7,061,911,702**
Unearned Income	(1,944,089,567)	(1,867,946,974)
	5,621,409,435	**5,193,964,728**
Less: Provision for Impairment Losses (7.3)	(130,419,790)	(76,076,373)
Balance as at 31 December	**5,490,989,645**	**5,117,888,355**

		2019 Rs.	2018 Rs.
7.2	Loans Against Fixed Deposits	35,134,472	18,943,466
	Total Loans and Advances	**5,526,124,117**	**5,136,831,821**

7.3 Provision for Credit Loss Expenses

	2019 Rs.	2018 Rs.
Balance as at 01 January	-	37,534,945
SLFRS 09 Adjustment	-	9,713,315
Balance as at 01 January	**76,076,373**	**47,248,260**
Provisions made during the year	46,012,218	24,976,444
Charged against Interest in Suspense (as required by CBSL)	8,331,199	3,851,669
Balance as at 31 December	**130,419,790**	**76,076,373**

7 LOANS AND ADVANCES (Contd…)

7.4 Maturity analysis of lease rentals receivable on Loans and Advances

	2019 Rs.
Less than 1 year	2,464,149,171
1 to 2 years	2,073,481,118
2 to 3 years	1,556,036,886
3 to 4 years	933,506,727
4 to 5 years	317,569,590
More than 5 years	3,835,563
	7,348,579,055
Less: Unearned Interest Income	(1,944,089,567)
Gross Rentals Receivable	5,404,489,488
Overdue Rental Receivable	216,919,947
Less : Provision for Credit Loss Expenses	(130,419,790)
Balance as at 31 December	**5,490,989,645**

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 a quarterly basis.

Forward-looking economic assumptions - The most significant period-end assumptions used for ECL estimate as at 31 December 2019 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 (%)	(84,901)	83,908
Inflation (YoY Average)	31,665	(31,585)
Interest Rate (PLR)	89,921	(89,799)
Exchange Rate-YE (US$:LKR)	(3,135)	2,719
Unemployment (% of Labor Force)	73,944	(84,257)

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 31.12.2019 amounts to Rs.147,341,809 (As at 31.12.2018 amounts to Rs. 83,046,353/-).

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

8. EQUITY INSTRUMENTS AT OTHER COMPREHENSIVE INCOME

Unquoted Investments	Holding %	No of shares 2019	No of shares 2018	2019 Rs.	2018 Rs.
Credit Information Bureau of Sri Lanka	0.04%	100	100	1,981,382	80,400
				1,981,382	**80,400**

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 2018:

Opening balance as at 1 January 2017	80,400
Reclassification on adoption of SLFRS 9	-
Acquisitions	-
Closing balance as at 31 December 2018	80,400
Acquisitions	-
Gains recognised in other comprehensive income	1,900,982
Closing balance as at 31 December 2019	**1,981,382**

8.2 Valuation inputs and relationship to fair value

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

Description	Fair value 2019	Fair value 2018	Unobservable input 2019	Unobservable input 2018
Unlisted equity securities	1,981,382	80,400	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:

	2019 Rs.	2018 Rs.
Gains/(losses) recognised in other comprehensive income		
Related to equity investments	1,900,982	-
Dividends from equity investments held at FVOCI recognised in profit or loss in other operating income (see Note 24)	280,000	240,000

9. DEBT INSTRUMENTS AT AMORTISED COST

Quoted Investments	2019 Rs.	2018 Rs.
Government Debt Securities	21,922,665	63,448,814
Treasury Bills Repurchases	415,262,779	469,435,228
	437,185,444	532,884,042

10. PROPERTY, PLANT & EQUIPMENT

As at 31 December 2019

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

Depreciation	As at 01.01.2019 Rs.	Charge for the year Rs.	On disposals Rs.	As at 31.12.2019 Rs.
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**

Capital Work In Progress	As at 01.01.2019 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2019 Rs.
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**

As at 31 December 2018

Cost	As at 01.01.2018 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2018 Rs.
Computer Equipment	44,288,457	315,136	(216,979)	44,386,614
Office Equipment	26,615,786	519,620	-	27,135,406
Furniture & Fittings	14,975,666	2,125,730	-	17,101,396
Motor Vehicles	85,000	-	-	85,000
Motor Vehicles on Hire	34,821,430	-	(8,035,714)	26,785,716
Fixtures	25,176,021	1,235,864	-	26,411,885
	145,962,360	**4,196,350**	**(8,252,693)**	**141,906,017**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

10. PROPERTY, PLANT & EQUIPMENT (Contd…)

Depreciation	As at 01.01.2018 Rs.	Charge for the year Rs.	Disposals during the year Rs.	As at 31.12.2018 Rs.
Computer Equipment	32,098,300	5,137,558	(216,979)	37,018,879
Office Equipment	17,170,087	3,775,531	-	20,945,618
Furniture & Fittings	10,988,392	1,766,495	-	12,754,887
Motor Vehicles	85,000	-	-	85,000
Motor Vehicles on Hire	34,438,355	383,075	(8,035,714)	26,785,715
Fixtures	15,836,693	3,686,775	-	19,523,468
	110,616,828	**14,749,434**	**(8,252,693)**	**117,113,568**

Capital Work In Progress	As at 01.01.2018 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2018 Rs.
Capital Work In Progress	39,182	3,500,000	(3,140,330)	398,852
	39,182	**3,500,000**	**(3,140,330)**	**398,852**

Written Down Value	2019 Rs.	2018 Rs.
Computer Equipment	4,088,641	7,367,735
Office Equipment	5,096,302	6,189,788
Furniture & Fittings	3,821,944	4,346,509
Fixtures	8,173,154	6,888,417
	21,180,041	**24,792,449**
Capital Work In Progress	2,496,095	398,852
	23,676,136	**25,191,303**

10.1 During the financial year, Company acquired Plant & Equipment to the aggregate value of Rs. 9,397,788/- (2018 - Rs. 4,556,020/-). Cash payments amounting to Rs. 9,397,788/- (2018 - Rs. 4,197,000/-) were made during the year for purchase of Plant & Equipment.

10.2 Gross Carrying amount of fully depreciated Property, Plant & Equipment still in use is Rs. 90,269,149 (2018 - Rs. 78,745,774).

11. INTANGIBLE ASSETS

As at 31 December 2019

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

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

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

As at 31 December 2018

Cost/Carrying Value	As at 01.01.2018 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2018 Rs.
Computer Software	73,320,660	-	-	73,320,660
	73,320,660	-	-	73,320,660

Amortization	As at 01.01.2018 Rs.	Amortization during the year Rs.	Disposals during the year Rs.	As at 31.12.2018 Rs.
Computer Software	63,254,906	5,190,659	-	68,445,565
	63,254,906	5,190,659	-	68,445,565

Written Down Value	2018 Rs.	2017 Rs.
Computer Software	4,875,095	10,065,754
	4,875,095	10,065,754

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. 63,291,514 (2018 - Rs. 47,368,880).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

12. LEASES

12.1 Amounts recognised in the Statement of Financial Position

	31 December 2019 Rs.	1 January 2019 Rs.
Right-of-use assets		
Buildings	75,828,734	81,177,906
	75,828,734	**81,177,906**
Lease liabilities		
Current	23,692,824	19,890,324
Non-current	50,250,144	59,101,811
	73,942,968	**78,992,135**

The additions to the right-of-use assets during the year is Rs. 23,903,766/-

Operating lease commitments as at 31 December 2018 were Rs. 101,915,514/-

12.2 Amounts recognised in the statement of profit or loss

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

	2019 Rs.	2018 Rs.
Depreciation charge of right-of-use assets		
Buildings	29,252,938	-
Interest on Lease Liability	11,608,659	-
The total cash outflow for leases	33,311,592	-

12.3 Maturity Analysis of undiscounted cash flows of Lease Liability

	2019 Rs.	2018 Rs.
Less than 1 year	32,502,682	-
1 to 5 years	59,932,907	-
More than 5 years	490,933	-
	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).

12.6 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).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).
- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options in offices and vehicles leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

13. TRADE & OTHER PAYABLES

		2019 Rs.	2018 Rs.
Trade Creditors	- Related (13.1)	39,091,720	109,838,412
	- Non-Related	45,298,673	36,063,941
Other Payables	- Related (13.2)	56,380,396	179,989,994
	- Non-Related - Advances Received from Customers	121,509,939	129,251,418
	- Non-Related - Others	205,894,864	182,751,134
		468,175,592	**637,894,899**

13.1 Trade Creditors - Related Parties

	Relationship	2019 Rs.	2018 Rs.
Associated Motorways (Pvt) Limited	Parent	37,607,720	109,838,413
Associated Motor (Lanka) Limited	Other Related Party	1,484,000	-
		39,091,720	**109,838,413**

13.2 Other Payables - Related

	Relationship	2019 Rs.	2018 Rs.
Interest Payable on Current Account- Associated Motorways (Pvt) Ltd	Parent	11,811,653	136,890,510
Other Payable - Associated Motorways (Pvt) Ltd.	Parent	8,094,867	15,991,787
Other Payable - Orient Insurance Limited	Other Related Party	1,480,291	1,585,657
Insurance Payable - Orient Insurance Limited	Other Related Party	34,993,585	25,522,040
		56,380,396	**179,989,994**

14. TIME DEPOSITS

	2019 Rs.	2018 Rs.
Balance as at 01 January	2,259,763,616	2,594,055,227
Fixed Deposits during the year	1,312,438,415	1,369,981,787
Interest capitalized for renewals	11,294,493	82,906,556
Top up's (additions by customer to original deposit)	71,387,414	6,465,893
Withdrawals during the year	(1,521,392,704)	(1,793,645,847)
Balance as at 31 December	2,133,491,234	2,259,763,616
Interest Payable	131,991,040	99,632,204
Total	**2,265,482,274**	**2,359,395,820**

15. AMOUNT DUE TO RELATED PARTIES

	Relationship	Interest Rate	Repayment	2019 Rs.	2018 Rs.
Associated Motorways (Pvt) Limited	Parent	AWPLR + 1%	No fixed terms	1,171,289,033	2,446,344,980
				1,171,289,033	**2,446,344,980**

Amount due to related parties includes, Internal Cost Allocations and Trade Transactions

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

16. INTEREST BEARING BORROWINGS

	2019 Within One Year Rs.	2019 After One Year Rs.	2019 Total Rs.	2018 Total Rs.
Securitization Loan (16.1)	444,420,924	2,783,553,910	3,227,974,834	3,397,709,000
Inter Company Loan (16.2)	-	-	-	33,923,634
	444,420,924	**2,783,553,910**	**3,227,974,834**	**3,431,632,634**

16.1 Securitization Loan

	As at 01.01.2019 Rs.	Loans Obtained Rs.	Accrued Interest Rs.	Repayment Rs.	As at 31.12.2019 Rs.	Term of the Loan	Interest Rate	Security Offered
Securitization 750M	365,597,000	-	17,989,164	383,586,164	-	48 months	IRR at 9.5%	Lease Portfolio and Corporate Guarantee from AMW
Securitization (NDB) 1500M	1,536,828,000	-	194,710,183	-	1,731,538,183	60 months	IRR at 12.13%	Lease Portfolio
Securitization (HNB)1500M	1,495,284,000	-	209,784,158	208,631,507	1,496,436,651	60 months	AWPLR + (2.25%-2.75%)	Auto Loan Portfolio
	3,397,709,000	-	**422,483,505**	**592,217,671**	**3,227,974,834**			

16.2Inter Company Loan

	As at 01.01.2019 Rs.	Loans Obtained and Interest Charged Rs.	Accrued Interest Rs.	Repayment Rs.	As at 31.12.2019 Rs.	Term of the Loan	Interest Rate	Security Offered
AMW Term Loan 1000M	122,000	-	-	122,000	-	48 months	Fixed Interest Rate 8.25%	Lease Portfolio
AMW Term Loan 1000M	237,178	-	-	237,178	-	48 months	Fixed Interest Rate 8%	Lease Portfolio
AMW Term Loan 800M	-	-	-	-	-	48 months	Fixed Interest Rate 12%	Lease Portfolio
AMW Term Loan 2000M	33,564,456	-		33,564,456	-	54 months	AWPLR + 2.20% with a floor of 13% p.a. and a cap of 15.25%	Lease/ Auto Loan Portfolio
	33,923,634	-	-	**33,923,634**	-			

17. INCOME TAX PAYABLE

	2019 Rs.	2018 Rs.
Balance as at 01 January	231,621,952	186,142,494
Provision for the year	217,511,706	276,048,492
Over/(Under) provision in respect of previous year	(508,012)	54,511,570
	448,625,646	516,702,556
Payments made during the year	(240,438,810)	(262,074,040)
Withholding Tax	(672,548)	150,712
ESC setoff against Income Tax	(12,159,733)	(23,157,276)
Balance as at 31 December	195,354,555	231,621,952

18. DEFERRED TAX LIABILITY

	2019 Rs.	2018 Rs.
Balance as at 01 January	155,618,443	177,054,253
Provision/ (reversal) made during the year	(19,957,393)	(21,778,281)
Charge/(Reversal) for the year through Statement of Other Comprehensive Income	1,058,933	342,471
Balance as at 31 December	136,719,982	155,618,443
The closing Deferred Tax Liability balance relates to the following		
Accelerated Depreciation for tax purposes	3,861,453	5,406,241
Future Rentals Receivable - Lease	139,961,008	157,412,762
Employee Benefit Obligation	(8,162,768)	(7,200,559)
Fair Value Gain/(Loss) on Equity Instruments	(532,275)	-
Right-of-use assets	(528,014)	-
	136,719,982	155,618,444

19. EMPLOYEE BENEFIT OBLIGATION

	2019 Rs.	2018 Rs.
Balance as at 01 January	25,716,283	21,957,287
Current Service Cost	5,501,947	4,914,299
Interest for the Year	2,538,197	2,634,875
Benefits Paid	(2,722,764)	(2,567,068)
Actuarial (Gain)/Loss	(1,880,919)	(1,223,110)
Balance as at 31 December	29,152,744	25,716,283

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 2019 by SPARK Actuarial & Risk Consultants. The principal assumptions used in determining the cost of employee benefits were:

	2019	2018
Discount rate	9.87%	12%
Future Salary Increment	8%	8%
Staff Turnover	21.51%	27.31%
Retirement age	55	55

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

19. EMPLOYEE BENEFIT OBLIGATION (Contd...)

A sensitivity was carried out as follows.

	2019		2018	
Effect on the present value of Defined Benefit Obligation	+1%	-1%	+1%	-1%
One percentage point change in the discount rate	(1,174,294)	1,235,393	(845,890)	883,088
One percentage point change in the salary escalation rate	1,245,509	(1,204,983)	907,938	(884,539)

Information about Maturity Profile of the Defined Benefit Obligation

Future Working Life Time	As at 31.12.2019	As at 31.12.2018
Within the next 12 months	-	281,854
Between 1-5 years	29,152,744	25,434,428
Between 5-10 years	-	-
Beyond 10 years	-	-
Total	**29,152,744**	**25,716,282**
Average Future Working Life Time	4.61	3.67
Average Past Service Years	4.32	4.24

20. STATED CAPITAL

	2019	2018
Number of Ordinary Shares issued and fully paid	20,000,000	20,000,000

	2019 Rs.	2018 Rs.
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

	2019 Rs.	2018 Rs.
Balance as at 01 January	115,342,153	97,571,405
Transfers during the year	17,138,186	17,770,748
Balance as at 31 December	**132,480,339**	**115,342,153**

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.

22. INTEREST INCOME

	2019 Rs.	2018 Rs.
Lease	894,459,751	1,131,281,747
Hire Purchase	722,087	3,318,479
Term Loan	1,007,875,506	846,188,056
FD Loan Interest	4,652,049	5,755,203
Interest Income on Debt Instruments at Amortized Cost	60,499,196	47,840,953
	1,968,208,589	**2,034,384,438**

23. INTEREST EXPENSES

	2019 Rs.	2018 Rs.
Inter Company Loan	-	208,549,105
Inter Company Current Account	254,783,885	329,264,434
Securitization Loan	426,326,963	108,768,222
Bank Borrowings	34,907	85,677,582
Interest on Time Deposits	295,490,446	331,660,083
Interest on Lease Liability	11,608,659	-
	988,244,860	**1,063,919,426**

24. OTHER OPERATING INCOME

	2019 Rs.	2018 Rs.
Overdue Interest Income	105,540,732	107,888,501
Profit from Pre-Termination	151,921,230	175,197,897
Dividend income	280,000	240,000
Commission from Insurance	65,226,193	49,422,786
Income from additional charges	27,721,766	39,872,787
Bank Charges Claimed on cheque returns	1,276,704	1,145,172
Rental Income - Inter Company	380,000	600,000
Administration Income - Inter Company	1,885,000	2,475,000
VAS Commission Income	-	1,888,311
Miscellaneous Income	20,769,945	8,309,426
Gain on Disposal of Property, Plant & Equipment	4,958,500	2,812,500
	379,960,070	**389,852,380**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

25. CREDIT LOSS EXPENSE

The table below shows the ECL charges on financial instruments for the year recorded in the Income Statement.

Portfolio as of 31.12.2019	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
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**	**9,739,755,898**

Portfolio as of 31.12.2018	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
Loans and advances					
Motor Car	3,380,971,466	830,084,824	165,870,113	52,801,116	4,429,727,520
Other	550,791,260	170,540,408	24,071,891	28,442,919	773,846,478
Lease and Hire Purchase					
Motor Car	2,801,099,900	516,649,576	77,688,116	52,687,088	3,448,124,680
Motor Cycle	1,130,947,346	326,255,221	74,865,576	60,180,104	1,592,248,247
Motor Tricycle	79,954,253	28,120,062	16,951,138	19,972,632	144,998,085
Other	416,862,585	139,001,940	19,254,057	118,674,691	693,793,273
Total Portfolio as of 31.12.2018	**8,360,626,810**	**2,010,652,031**	**378,700,891**	**332,758,550**	**11,082,738,282**

25. CREDIT LOSS EXPENSE (Contd…)

Impairment Allowance and Credit Loss Expense

	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Individual	Total
Impairment Allowance as at 31December 2018	32,052,026	18,016,684	27,160,840	266,831,766	344,061,316
Loans and advances					
Motor Car	124,039	387,127	788,464	35,649,611	36,949,240
Other	93,530	349,149	3,224,375	4,070,408	7,737,462
Lease and Hire Purchase					
Motor Car	3,816,156	(395,657)	(1,232,650)	4,735,103	6,922,952
Motor Cycle	(6,133,179)	(376,908)	(870,220)	30,068,777	22,688,470
Motor Tricycle	(2,333,768)	1,310,377	(3,082,568)	(194,462)	(4,300,421)
Other	2,688,851	913,623	3,920,539	17,122,579	24,645,591
Total impairment loss for the year ended 31.12.2019	(1,744,371)	2,187,710	2,747,940	91,452,016	94,643,295
Impairment for Non-Financial Assets				27,078,317	27,078,317
Credit Loss Expense for the year ended 31.12.2019	(1,744,371)	2,187,710	2,747,940	118,530,333	121,721,612
Charged against Interest in Suspense				18,750,702	18,750,702
Impairment Allowance as at 31 December 2019	30,307,655	20,204,394	29,908,780	385,362,099	484,533,630

26. PROFIT BEFORE TAXATION

is stated after charging :	2019 Rs.	2018 Rs.
Staff Salaries	148,412,179	154,494,178
Defined Contribution Plan Cost - E.P.F & E.T.F	23,250,067	25,459,081
Directors Emoluments	-	20,815,703
Auditors' Remuneration		
- Audit	1,383,000	1,378,080
- Non-Audit	673,000	269,509
Management Fee	1,222,480	1,153,052
Defined Benefit Plan - Expense	8,040,144	7,549,174
Provision for Impairment losses	121,721,612	54,509,883
Depreciation & Amortization	42,665,376	19,940,088

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

27. INCOME TAX

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

	2019 Rs.	2018 Rs.
Current Income Tax		
Current Income Tax Charge (27.1)	217,003,694	330,560,063
Deferred Income Tax		
Deferred Taxation Charge / Reversal (27.2)	(19,957,393)	(21,778,281)
Income tax expense reported in the Income Statement	**197,046,301**	**308,781,782**

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

	2019 Value Rs.	2019 Tax at 28% Rs.	2018 Value Rs.	2018 Tax at 28% Rs.
Profit Before Tax	539,810,030	151,146,809	664,196,744	185,975,088
Aggregate Accounting Profit	**539,810,030**	**151,146,809**	**664,196,744**	**185,975,088**
Aggregated Disallowed Expenses	1,923,844,033	538,676,329	2,633,073,160	737,260,485
Aggregated Allowed Expenses	(1,686,826,543)	(472,311,432)	(2,311,382,432)	(647,187,081)
Adjusted Profit	**776,827,520**	**217,511,706**	**985,887,472**	**276,048,492**
Taxable Income	**776,827,520**	**217,511,706**	**985,887,472**	**276,048,492**
Income Tax at the rate of 28% on Taxable Income (2018-28%)	217,511,706		276,048,492	
Under /(Over) provision in respect of previous year	(508,012)		54,511,571	
Current tax on profit for the year	**217,003,694**		**330,560,063**	
Deferred tax charge for the year	(19,957,393)		(21,778,281)	
Tax expense for the year	197,046,301		308,781,782	

At the effective Income Tax Rate of 36.79% (2018 - 46.49%)

27.2 Deferred Tax

Income Statement	2019 Rs.	2018 Rs.
Deferred Tax arising from		
Accelerated Depreciation for tax purposes	(1,544,787)	(2,031,169)
Future Rental Receivable	(17,451,753)	(18,352,123)
Employee Benefit Obligation	(1,488,867)	(1,394,990)
Right-of-use assets	528,014)	-
	(19,957,393)	**(21,778,282)**
Other Comprehensive Income		
Acturial Gain/Loss on Employee Benefit Obligation	526,658	342,471
Fair Value gain/(Loss) on Equity Instruments	532,275	
	1,058,933	**342,471**
	(18,898,460)	**(21,435,811)**

Deferred Tax has been computed using the current tax rate of 28%. (2018-28%)

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 & Share data used in the Basic Earnings Per Share computation.

	2019 Rs.	2018 Rs.
Amounts Used as the Numerators:		
Net Profit Attributable to Ordinary Shareholders	342,763,729	355,414,962
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
Basic Earnings Per Share	17.14	17.77

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.

29. DIVIDEND PER SHARE

	2019 Rs.	2018 Rs.
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.

Non-cancellable operating leases

The Company leases various buildings under non-cancellable operating leases expiring within one year to six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. From 1 January 2019, the Company has recognised right-of-use assets for these leases, except for shortterm and low-value leases disclosed in Note 33.

Commitments for minimum lease payments in relation to noncancellable operating leases are payable as follows:	2019	2018
Within one year	-	29,652,526
One to five years	-	72,262,989
Later than five years	-	-
	-	**101,915,514**

Rental expense relating to operating leases

	2019	2018
Total rental expense relating to operating leases	-	32,212,280

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

31. EVENTS AFTER THE REPORTING PERIOD

Except for the matters noted below, there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across the globe, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The ECL at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under SLFRS 9 in 2020.

In addition, Government of Sri Lanka announced the Relief Measures to Assist COVID-19 Affected Businesses and Individuals on 23 March 2020. Company has assessed the impact to Company's cash flows from these announcements and Circulars issues by Central bank of Sri Lanka relating the same. Based on the assessment performed by the management, the Company has sufficient cash flows, including additional funding streams, if required, to support the operations of the Company.

The Government announced a series of measures to re-engineer Sri Lanka's tax Policy framework with a view to creating a simple, transparent and efficient tax system that will promote self-compliance and easy tax administration. As a result, the income tax rate of the Company is expected to reduce to 24% in the coming year of assessment. However, these changes are yet to be approved by the Parliament. In accordance with SLFRS 12, the Company treated the changes to the income tax rates have not been have substantively enacted by the reporting date.

32. RELATED PARTY DISCLOSURES

32.1 Transaction with Related Entities

	2019 Rs.	2018 Rs.
Associated Motorways Private Limited - Parent		
Transactions during the period		
Management fees paid	1,222,480	1,153,052
Rent Paid	12,119,510	17,320,291
Interest Paid	254,783,885	537,813,539
Fees paid for repair services	697,632	403,092
Salary Reimbursements	6,112,600	5,688,730
Inter Company Loans Obtained and Interest Charged	-	174,625,471
Loan Repayment	33,923,634	2,781,232,092
Inter Company Vehicle Purchases	958,892,600	1,812,679,830
Inter Company Settlements for Vehicle	-	1,338,058,850
	1,267,752,341	6,668,974,947
Rental Income Received	380,000	600,000
Administration Income Received	1,885,000	2,475,000
Commission Received	-	1,651,500
	2,265,000	**4,726,500**

Amounts Due to	2019 Rs.	2018 Rs.
Trade Creditors	39,091,720	109,838,413
Loans and Accrued Interest Payable	11,811,653	170,814,144
Current Account with parent	1,171,289,033	2,446,344,980
Other Payable	8,094,867	15,991,787
	1,230,287,273	**2,742,989,323**

32. RELATED PARTY DISCLOSURES (Contd..)

32.1 Transaction with Related Entities (Contd..)

Associated Motor (Lanka) Private Limited Transactions during the period	2019 Rs.	2018 Rs.
Inter Company Vehicle Purchases	1,484,000	-
Amounts Due to		
Trade Creditors	1,484,000	-

Orient Insurance Limited - Other Related Company Transactions during the Year	2019 Rs.	2018 Rs.
Vehicle Hire Charges	-	-
Insurance Commission Income	38,062,821	26,850,693
Insurance Premiums Paid on Fixed Assets Insured	1,487,208	1,250,458
Proceeds on Sale of Vehicles	-	2,812,500
VAS Commission	-	191,019
	39,550,029	**31,104,670**

Amounts Due to	2019 Rs.	2018 Rs.
Insurance Payable	34,993,585	25,522,041
	34,993,585	25,522,041
Fixed Deposit	225,401,205	221,632,109

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

Transactions with Key Management Personnel	2019 Rs.	2018 Rs.
Key Managerial Persons' Remuneration	-	20,815,703
Deposit Made	-	-
Deposits Withdrawn	-	-

Amounts Due to Key Management Personnel	31.12.2019 Rs.	31.12.2018 Rs.
Fixed Deposits	-	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

32. RELATED PARTY DISCLOSURES (Contd..)

32.2 Transactions with Key Management Personnel and Close Family Members of Key Managerial Personnel (Contd..)

Transactions with Close Family Members of the Key Management Personnel	2019 Rs.	2018 Rs.
Fixed Deposits Made	-	-
Fixed Deposits Withdrawn	-	-

Amounts Due to Close Family Members of the Key Management Personnel	2019 Rs.	2018 Rs.
Fixed Deposit	-	-

32.3 Terms and Conditions of Transactions with Related Parties

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

33 CHANGES IN ACCOUNTING POLICIES

The Company has adopted SLFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Statement of Financial Position on 1 January 2019.

On adoption of SLFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 14%.

In applying SLFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

* Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
* Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
* Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application

Measurement of lease liabilities

	2019
Operating lease commitments disclosed as at 31 December 2018	101,915,514
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**78,992,135**
Add: finance lease liabilities recognised as at 31 December 2018	-
(Less): short-term leases not recognised as a liability	-
(Less): low-value leases not recognised as a liability	-
Add/(less): contracts reassessed as lease contracts	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	-
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liability recognised as at 1 January 2019	**78,992,135**
Of which are:	
Current lease liabilities	19,890,324
Non-current lease liabilities	59,101,811

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		Operating Lease		Unallocated		Total	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Interest Income	894,459,751	1,131,281,747	722,087	3,318,479	1,012,527,555	851,943,259	-	-	60,499,196	47,840,953	,968,208,589	2,034,384,438
Other Operating Income	150,110,546	178,392,051	1,045,250	4,504,854	150,275,268	141,207,451	-	-	78,529,006	65,748,024	379,960,070	389,852,380
Rental Income	-	-	-	-	-	-	-	438,681	-	-	-	438,681
Total Revenue	**1,044,570,297**	**1,309,673,797**	**1,767,337**	**7,823,333**	**1,162,802,823**	**993,150,710**	**-**	**438,681**	**139,028,202**	**113,588,977**	**2,348,168,660**	**2,424,675,499**
Unallocated Expenses									(1,686,637,018)	(1,705,968,872)	(1,686,637,018)	(1,705,968,872)
Credit Loss Expense	(79,921,937)	(32,077,938)	7,319,984	2,544,499	(49,119,659)	(24,976,444)	-	-	-	-	(121,721,612)	(54,509,883)
Profit Before Tax											**539,810,030**	**664,196,744**
Taxation											(197,046,301)	(308,781,782)
Profit After Tax											**342,763,729**	**355,414,962**
Segment Assets	3,893,942,287	5,668,464,639	2,373,210	7,640,702	5,510,828,229	5,160,877,233	-	316,539	-	-	9,407,143,726	10,837,299,113
Unallocated Assets	-	-	-	-	-	-	-	-	847,046,080	821,829,445	847,046,080	821,829,445
Total Assets	**3,893,942,287**	**5,668,464,639**	**2,373,210**	**7,640,702**	**5,510,828,229**	**5,160,877,233**	**-**	**316,539**	**847,046,080**	**821,829,445**	**10,254,189,806**	**11,659,128,558**
Segment Liabilities	3,186,579,789	4,886,507,177	2,586,593	7,772,584	4,097,891,123	4,184,061,498	-	253,728	-	-	7,287,057,505	9,078,594,987
Unallocated Liabilities	-	-	-	-	-	-	-	-	298,450,267	257,338,235	298,450,267	257,338,235
Total Liabilities	**3,186,579,789**	**4,886,507,177**	**2,586,593**	**7,772,584**	**4,097,891,123**	**4,184,061,498**	**-**	**253,728**	**298,450,267**	**257,338,235**	**7,585,507,772**	**9,335,933,222**

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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.

	2019			2018		
	Less than 12 months Rs.	Over 12 months Rs.	Total Rs.	Less than 12 months Rs.	Over 12 months Rs.	Total Rs.
Assets						
Cash and Bank	254,934,938	-	254,934,938	214,689,348	-	214,689,348
Other Financial Assets	62,409,214	12,376,544	74,785,758	81,383,541	9,005,000	90,388,541
Other Non-Financial Assets	9,843,509	-	9,843,509	12,185,952	2,764,378	14,950,330
Rentals Receivable on Lease and Hire Purchase Assets	1,890,696,097	1,956,758,079	3,847,454,176	2,378,488,220	3,260,749,458	5,639,237,678
Loans and Advances	1,693,567,903	3,832,556,214	5,526,124,117	1,464,102,169	3,672,729,652	5,136,831,821
Equity Instruments at Fair Value Through Other Comprehensive Income	-	1,981,382	1,981,382	-	80,400	80,400
Debt Instruments at Amortised Cost	415,262,781	21,922,663	437,185,444	511,409,472	21,474,570	532,884,042
Property, Plant & Equipment	-	23,676,136	23,676,136	-	25,191,303	25,191,303
Intangible Assets	-	2,375,611	2,375,611	-	4,875,095	4,875,095
Right of Use Assets	27,411,042	48,417,691	75,828,734	-	-	-
As at 31 December	**4,354,125,484**	**5,900,064,319**	**10,254,189,806**	**4,662,258,702**	**6,996,869,856**	**11,659,128,558**
Liabilities						
Bank Overdraft	17,415,790	-	17,415,790	47,708,211	-	47,708,211
Trade & Other payables	468,175,592	-	468,175,592	637,894,899	-	637,894,899
Time Deposits	1,756,079,263	509,403,011	2,265,482,274	1,670,898,590	688,497,230	2,359,395,820
Amounts due to Related Parties	1,171,289,033	-	1,171,289,033	2,446,344,980	-	2,446,344,980
Interest Bearing Borrowings	444,420,924	2,783,553,910	3,227,974,834	394,804,634	3,036,828,000	3,431,632,634
Lease Liability		73,942,968	73,942,968	-	-	-
Provision for Income Tax	195,354,555	-	195,354,555	231,621,952	-	231,621,952
Deferred Tax Liability	-	136,719,982	136,719,982	-	155,618,443	155,618,443
Employee Benefit Obligation	-	29,152,744	29,152,744	-	25,716,283	25,716,283
As at 31 December	**4,052,735,157**	**3,532,772,615**	**7,585,507,772**	**5,429,273,266**	**3,906,659,956**	**9,335,933,222**

36. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2019 Rs.	Carrying Amount Pledged 2018 Rs.	Included Under
Rentals Receivables	Securitization Loan- BOC	-	735,345,959	Rentals Receivable on Lease and Hire Purchase Assets
Rentals Receivables	Securitization Loan- NDB	2,165,548,256	2,088,872,324	Rentals Receivable on Lease Assets
Rentals Receivables	Securitization Loan- HNB	2,380,063,688	2,186,113,180	Rentals Receivable on Auto Loan Assets

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

37. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

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

Financial Assets	31 December 2019		31 December 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Rentals Receivable on Lease and Hire Purchase Assets	3,847,454,177	4,117,289,324	5,639,237,678	5,895,999,868
Loans and Advances	5,526,124,117	5,696,063,377	5,136,831,821	5,282,732,929
Debt Instruments at Amortised Cost	437,185,444	440,982,522	532,884,042	530,542,865
Total Financial Assets	**9,810,763,738**	**10,254,335,223**	**11,308,953,541**	**11,709,275,661**
Financial Liabilities				
Time Deposits	2,265,482,274	2,262,163,133	2,359,395,820	2,349,982,577
Amounts due to Related Parties	1,171,289,033	1,128,012,234	2,446,344,980	2,398,675,139
Interest Bearing Borrowings	3,227,974,834	3,194,027,920	3,431,632,634	3,567,012,430
Total Financial Liabilities	**6,664,746,141**	**6,584,203,287**	**8,237,373,434**	**8,315,670,146**

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

	2019			2018		
	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	-	4,117,289,324	-	-	5,895,999,868	-
Loans and Advances	-	5,696,063,377	-	-	5,282,732,929	-
Debt Instruments at Amortised Cost	440,982,522 -	-	-	530,542,865	-	-
Financial liabilities measured at amortised cost						
Time Deposits	-	2,262,163,133	-	-	2,349,982,577	-
Amounts due to Related Parties	-	1,128,012,234	-	-	2,398,675,139	-
Interest Bearing Borrowings	-	3,194,027,920	-	-	3,567,012,430	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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

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

Assets for which Fair Value Approximates Carrying Value

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

Fixed Rate Financial Instruments

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

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 returns. The Company is primarily exposed to credit risk, interest rate risk, liquidity risk and operational risk on its day-to-day business activities while being exposed to business and strategic risk on its strategic direction formulation and execution.

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

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

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

38.1.2 Assets and Liability Committee (ALCO)

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

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

38.1.3 Audit Committee

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

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 procedure manual which considers target market norms, specific credit selection criteria (both financial and non-financial), concentration limits, delegation of approval authority, credit pricing, segregation of marketing and credit approval and administration and active portfolio monitoring.

38.2.2 Portfolio analysis: Product-wise

The lending portfolio is primarily made up of finance leasing with 42.05% of exposure, with hire purchase and auto loans being 0.42% and 57.53% respectively as at 31 December 2019.

38.2.2.1 Exposure based on Product class

Product	As at 31 Dec 2019		As at 31 Dec 2018	
	Exposure Rs. Mn	%	Exposure Rs. Mn	%
Finance Leasing	4,126.15	42.12%	5,831.98	52.71%
Hire Purchase	48.34	0.49%	47.18	0.43%
Auto Loans	5,621.41	57.39%	5,184.63	46.86%
Total	**9,795.90**	**100.00%**	**11,063.79**	**100.00%**

38.2.2.2 Portfolio Analysis: Exposure Based on Asset type

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

Product	As at 31 Dec 2019		As at 31 Dec 2018	
	Exposure Rs. Mn	%	Exposure Rs. Mn	%
Motor Cars	7,114.48	73.05%	7,889.44	71.31%
Two Wheeler	1,262.20	12.96%	1,584.92	14.33%
Three Wheeler	116.82	1.20%	145.75	1.32%
Dual Purpose Vehicles	773.37	7.94%	864.86	7.82%
Commercial Vehicles	319.86	3.28%	376.62	3.40%
Working Capital Loans	13.03	0.13%	25.36	0.23%
Equipment	6.61	0.07%	30.44	0.28%
Agricultural Tractors	133.40	1.37%	146.40	1.32%
Total	**9,739.77**	**100.00%**	**11,063.79**	**100.00%**

38.2.2.3 Non-Performing Portfolio

(Rs. Mn)

As at 31 December	2019	2018
Non-Performing Portfolio	513	332
Total Advances	9,900	11,159
Non-Performing %	5.18%	2.98%
Loan loss provisions	457.46	306.67

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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

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.

Such provision for Impairment made at the end of reporting period, 31 December 2019 amounts to Rs. 401.31 Mn. (2018 - Rs.306.67 Mn.)

38.2.2.5 Fair Value of Collateral and Credit Enhancements held

The Company endeavors to obtain adequate collateral to secure its credit facilities. The Company continuously monitors the quality of such collateral to mitigate credit losses. A reasonable margin of safety is maintained in collateral values to absorb fall in value of collateral. 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 31December 2019.

	Maximum Exposure to Credit Risk (Rs.)	Net Exposure to Credit Risk (Rs.)
Cash and cash equivalents (excluding cash in hand)	207,968,886	207,968,886
Other financial assets	74,785,758	74,785,758
Loans and receivables	9,373,578,294	100,020,103
Equity Instruments at Fair Value Through Other Comprehensive Income	1,981,382	1,981,382
Debt Instruments at Amortised Cost	437,185,444	437,185,444
	10,095,499,764	**821,941,573**

Carrying Value of Financial Assets as at 31 December	2019 Rs.	2018 Rs.
Other Financial Assets	74,785,758	90,388,541
Rentals Receivable on Lease and Hire Purchase Assets	3,847,454,176	5,639,237,678
Loans and Advances	5,526,124,117	5,136,831,821
Equity Instruments at Fair Value Through Other Comprehensive Income	1,981,382	80,400
Debt Instruments at Amortised Cost	437,185,444	532,884,042
	9,887,530,877	**11,399,422,482**

Fair Value of collateral held and net exposure of credit impaired assets as at 31.12.2019

	Fair Value of Collateral (Rs.)	Net Exposure to Credit Risk (Rs.)
Credit impaired assets	69,333,000	443,079,997

The collateral held as security on financial assets that are credit-impaired at the reporting date amounts to Rs.69,333,000 and therefore, net exposure of those credit impaired assets as at 31.12.2019 is Rs.443,079,997.

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 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

As at 31 December 2018	Leases		Hire Purchase		Auto Loans		Total	
Arrears Bucket	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding
1 - 29 days	30,859	1,284,719	109	1,728	23,925	1,264,320	54,893	2,550,767
30 - 59 days	51,946	703,634	379	3,925	33,398	679,323	85,723	1,386,882
60 - 89 days	33,804	268,470	445	2,473	23,422	278,317	57,670	549,260
90 - 179 days	35,144	147,531	244	444	23,696	156,451	59,084	304,426
180 - 365 days	13,709	18,237	-	-	6,313	21,145	20,022	39,381
Over 365 days	69,720	8,693	27,913	603	26,552	3,942	124,185	13,238

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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 2019	Not past due Rs.	Past due 1-29 days Rs.	30-59 days Rs.	60-89 days Rs.	90-179 days Rs.	180-365 days Rs.	Over 365 days Rs.	Total Rs.
ASSETS								
Cash and Bank (Excluding Cash in Hand)	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 : Credit Loss Expenses	-	-	-	-	-	-	-	(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 : Credit Loss Expenses	-	-	-	-	-	-	-	(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**

As at 31 December 2018	Not past due Rs.	Past due 1-29 days Rs.	30-59 days Rs.	60-89 days Rs.	90-179 days Rs.	180-365 days Rs.	Over 365 days Rs.	Total Rs.
ASSETS								
Cash and Bank (Excluding Cash in Hand)	162,152	-	-	-	-	-	-	162,152
Other Financial Assets	90,389	-	-	-	-	-	-	90,389
Rentals Receivable on Lease and Hire Purchase Assets	3,174,437	1,317,415	759,884	305,191	183,364	31,945	106,929	5,879,164
Less : Impairment Charges	-	-	-	-	-	-	-	(239,927)
Loans and Advances	2,643,826	1,288,558	716,471	301,897	181,771	29,872	41,179	5,203,574
Less : Impairment Charges	-	-	-	-	-	-	-	(66,742)
Equity Instruments at Fair Value Through Other Comprehensive Income	80	-	-	-	-	-	-	80
Debt Instruments at Amortised Cost	532,884	-	-	-	-	-	-	532,884
	6,603,768	**2,605,972**	**1,476,355**	**607,088**	**365,135**	**61,817**	**148,107**	**11,561,575**

38.3 Liquidity Risk

38.3.1 Overview

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

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

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

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

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	254,935	-	-	-	-	-	254,935
Other Financial Assets	88	56,254	6,068	4,373	5,280	2,724	74,786
Rentals Receivable on Lease and Hire Purchase Assets	601,641	661,134	1,476,910	2,025,974	317,111	5,194	5,087,964
Loans and Advances	426,196	638,115	1,599,093	3,629,518	1,251,076	3,836	7,547,834
Equity Instruments at Fair Value Through Other Comprehensive Income	-	-	-	-	-	1,981	1,981
Debt Instruments at Amortised Cost	560	418,178	1,370	25,085	-	-	445,193
Total Undiscounted Financial Assets	**1,283,420**	**1,773,681**	**3,083,441**	**5,684,950**	**1,573,467**	**13,735**	**13,412,694**
Financial Liabilities							
Bank Overdraft	17,416	-	-	-	-	-	17,416
Trade and Other payables	362,516	60,818	44,774	-	-	68	468,176
Time Deposits	320,399	694,618	852,617	514,435	89,564	-	2,471,633
Amounts due to Related Parties	171,289	300,000	700,000	-	-	-	1,171,289
Interest Bearing Borrowings	-	-	622,449	1,845,868	1,845,578	-	4,313,896
Lease Liability	2,782	5,616	24,105	48,717	11,216	491	92,927
Total Undiscounted Financial Liabilities	**874,402**	**1,061,052**	**2,243,945**	**2,409,020**	**,946,358**	**559**	**8,535,337**
GAP	**409,018**	**712,630**	**839,495**	**3,275,930**	**(372,891)**	**13,176**	**4,877,358**
Cumulative GAP	**409,018**	**1,121,648**	**1,961,143**	**5,237,073**	**4,864,182**	**4,877,357**	**-**

As at 31 December 2018	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	,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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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

38.4 Interest Rate Risk

38.4.1 Overview

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

- Repricing Risk
- Basis risk
- Yield curve risk

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

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

38.4.1.1 Interest Rate Sensitivity Gaps (Rs. '000)

As at 31 December 2019	Less than 7 days	8 - 30 days	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sensitive Assets							
Rentals Receivable on Lease, Hire Purchase and Auto loan Assets	12,053	503,772	596,528	294,579	2,192,390	5,774,255	9,373,577
Debt Instruments at Amortised Cost	560		414,567	136		21,923	437,186
Total Sensitive Assets	**12,613**	**503,772**	**1,011,095**	**294,715**	**2,192,390**	**5,796,178**	**9,810,763**
Sensitive Liabilities							
Bank Overdraft	17,416	-	-	-	-	-	17,416
Time Deposits	75,585	239,543	671,767	327,441	441,743	509,403	2,265,482
Amounts due to Related Parties	171,289	300,000	700,000	-	-	-	1,171,289
Interest Bearing Borrowings	-	-	-	-	641,070	2,586,905	3,227,975
Total Sensitive Liabilities	**264,290**	**539,543**	**1,371,767**	**327,441**	**1,082,813**	**3,096,308**	**6,682,162**
Gap	**(251,677)**	**(35,770)**	**(360,672)**	**(32,725)**	**1,109,577**	**2,699,871**	**3,128,602**
Cumulative Gap	**(251,677)**	**(287,447)**	**(648,119)**	**(680,844)**	**428,733**	**3,128,604**	**-**

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

38.4.1.1 Interest Rate Sensitivity Gaps (Rs.'000) (Contd…)

As at 31 December 2018	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	192,761	302,276	638,452	938,318	1,781,618	6,922,795	10,776,220
Financial Investments - Held-to-Maturity	17,701	401,735	50,000	-	41,974	21,475	532,885
Total Sensitive Assets	**210,461**	**704,011**	**688,452**	**938,318**	**1,823,592**	**6,944,270**	**11,309,104**
Sensitive Liabilities							
Bank Overdraft	47,708	-	-	-	-	-	47,708
Time Deposits	76,962	487,311	483,742	294,305	328,579	688,497	2,359,396
Amounts due to Related Parties	-	2,446,345	-	-	-	-	2,446,345
Interest Bearing Borrowings	-	33,924	95,597	85,284	180,000	,036,828	3,431,633
Total Sensitive Liabilities	**124,670**	**2,967,580**	**579,339**	**379,589**	**508,579**	**3,725,325**	**8,285,082**
Gap	**85,791**	**(2,263,568)**	**109,113**	**558,730**	**1,315,013**	**3,218,945**	**3,024,023**
Cumulative Gap	**85,791**	**(2,177,777)**	**(2,068,664)**	**(1,509,935)**	**(194,922)**	**3,024,023**	

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

38.4.1.2 Income impact from change in interest rates within one month

(Rs.'000)	Increase in funding cost 2019		Increase in funding cost 2018	
	10 bps	25 bps	10 bps	25 bps
P&L impact (Monthly)	(287)	(719)	(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. 2,668,682,033 as at 31 December 2019 which is above the minimum regulatory requirement as at that date.

SHARE INFORMATION

Year ended 31 December 2019

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 2019 : 20,000,000

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

Distribution of Shareholders

There were 3 registered shareholders as at 31st December 2019, distributed as follows.

Distribution of shareholders	As at 31st December 2019				As at 31st December 2018			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Shares								
1 – 1,000	1	0.01	1	0.01	1	0.01	1	0.01
Over 1,000,000	2	99.99	19,999,999	99.99	2	99.99	19,999,999	99.99
Total	3	100	20,000,000	100	3	100	20,000,000	100

Analysis of Shareholders

Resident/Non-Resident

Category	As at 31st December 2019				As at 31st December 2018			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	2	90	18,000,001	90	2	90	18,000,001	90
Non-Resident	1	10	1,999,999	10	1	10	1,999,999	10
Total	3	100	20,000,000	100	3	100	20,000,000	100

Shareholders	As at 31st December 2019		As at 31st December 2018	
	No. of Shares	%	No. of Shares	%
Associated Motorways (Private) Limited	18,000,000	90.00	18,000,000	90.00
Trading Enterprises Company LLC	1,999,999	9.99	1,999,999	9.99
A A De Silva	1	0.01	1	0.01

Shareholders	As at 31st December 2019		As at 31st December 2018	
	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 SHAREHOLDINGS

Name	Position	No. of shares as at 31 December 2019	No. of shares as at 31 December 2018
Mr. T S A Fernandopulle	Chairman	-	-
Mr. B P Morris	Director	-	-
Mr. J D N Kekulawala	Director	-	-
Mr. A D Lakhani (Resigned w.e.f : 08.07.19)	Director	-	-
Mr. R Kassaby	Director	-	-
Mr. C W Cordery	Director	-	-
Mr. B E Schwendtke (Appointed w.e.f : 08.07.19)	Director	-	-
Mr. D P V Mendis (Appointed w.e.f : 06.02.19)	Acting CEO	-	-
Total		-	-

SHARE PRICES FOR THE YEAR

	31.12.2019 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

	31.12.2019	31.12.2018
Dividend Per Share (Rs.)	0.00	0.00
Dividend Payout Ratio	0.00	0.00
Net Asset Value Per Share (Rs.)	133.43	116.16

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. B P Morris
Mr. J D N Kekulawala
Mr. A D Lakhani
(resigned w.e.f : 08.07.2019)
Mr. R Kassaby
Mr. C W Cordery
Mr. B E Schwendtke
(appointed w.e.f : 08.07.2019)

COMPANY SECRETARY : Mrs. Ruvini E Weerasinghe

AUDITORS :
M/s. Ernst & Young
Chartered Accountants
(resigned w.e.f : 27.09.19)

M/s. PricewaterhouseCoopers
Chartered Accountants
(appointed w.e.f: 27.09.19)

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
(appointed w.e.f : 26.02.19)

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. J D N Kekulawala
Mr. A D Lakhani
(resigned w.e.f : 08.07.19)
Mr. D P V Mendis
Mrs. D Tillekeratne
Mr. H N N K Perera
Mr. S Fernando
Mr. S U Thenuwara
Mr. P R M Perera
Mrs. 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. A D Lakhani
(resigned w.e.f : 08.07.19)

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