AMW Capital Leasing and Finance PLC
Annual Report 2022

CAPITAL LEASING
YOUR DESIRE. OUR PASSION.

Contents

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 Rathnapura

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

2019

Best Capitalized Mid-Size NBFI

2020

Relocated Panadura & Rathnapura Branches

2021

Fitch ratings revised rating from BBB- to AA-

Introduction of Lean Management. First batch of Lean Management "Yellow Belts" graduated.

Introduced data analytics to business planning.

Development of Digital Apps to support businesses & customer convenience – Footprint on Digital Strategy

2022

Highest ever monthly loan advances achieved in March 2022

Freeze of new lending from May 2022 to preserve capital

Managed provision charge despite economic downturn in the country

Strategically managed cost of capital to face economic crisis

Strengthened the liquidity position to face economic instability

2012

Opened two new branches in Kuliyapitiya and Gampaha

New Service Center 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

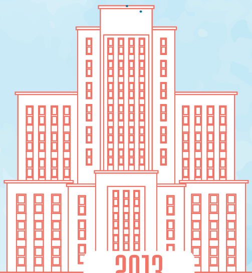
Opened Fixed Deposits Division

Two New Service Centers were opened in Kalutara and Kiribathgoda

A Micro Finance unit was setup

Islamic Finance was introduced to the product portfolio

Launched the company website



2014

Opened a new branch in Galle

Relocated Rathnapura, 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 Centers 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

10th anniversary

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

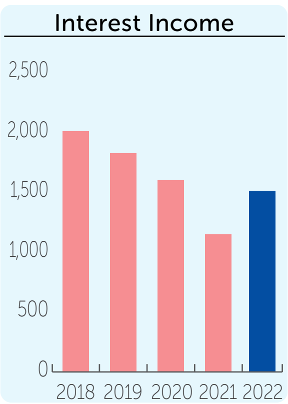
Embraced restructuring the Company's Capital Structure

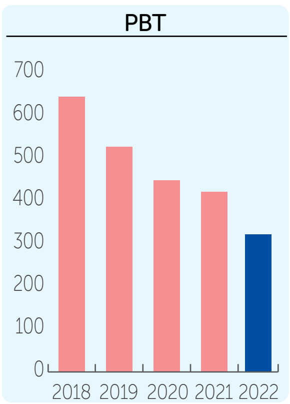
Raised Rs.3Bn Securitization loan on Company's own balance sheet strength

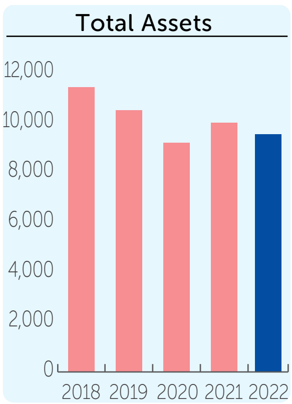
Financial Highlights

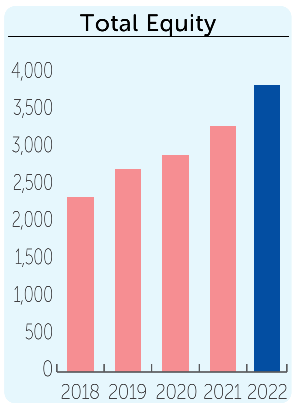
Profitability Rs'000		2022	2021	2020	Change	%
Interest Income		1,580,463	1,378,303	1,636,284	202,160	15%
Net Interest Income		782,063	866,874	961,430	(84,811)	-10%
Profit Before Tax		314,494	432,786	464,599	(118,292)	-27%
Profit After Tax		239,472	363,005	288,101	(123,533)	-34%
Financial Position Rs'000						
Total Assets		9,231,829	9,573,055	9,147,407	(341,226)	-4%
Lending Portfolio		7,398,165	8,529,430	7,780,213	(1,131,265)	-13%
Deposits		1,770,849	2,175,068	2,099,864	(404,219)	-19%
Borrowings		3,125,862	3,240,439	3,110,920	(114,577)	-4%
Equity		3,567,815	3,324,264	2,955,198	243,551	7%
Statutory Ratios						
Core Capital Ratio	> 8.5	36.53%	30.66%	29.72%		
Total Risk Weighted Capital Ratio	> 12.5	36.53%	30.66%	29.72%		
Equity to Deposits	> 10	201%	153%	141%		
Other Ratios						
Return of Assets		2.55%	4.62%	5.08%		
Return on Equity		6.95%	11.56%	10.25%		
Net Interest Margin		8.92%	9.88%	10.48%		
Cost to Income Ratio		66.54%	50.53%	42.91%		
Non Performing Loans		15.97%	7.57%	8.48%		

FIVE YEAR PERFORMANCE SUMMARY









TOTAL ASSETS
Rs.9.2 Bn

PBT
Rs.314 Mn

LENDING ASSETS
Rs.7.4 Bn

FITCH
BBB

Chairman's Review

> As a Company, we shall continue to be resolute and face the challenges ahead and align ourselves with the country's agenda for economic growth, given our strong capital base and agility to speedily maneuver our strategic direction to challenging environments.

Trevine Fernandopulle
Chairman

Dear Shareholders,

I am pleased to place before you the Annual Report and Audited Financial Statements for the period ending 31st December 2022. The year under consideration was defined by volatility across every sphere of life. Nevertheless, Sri Lanka, with its characteristic resilience, has reverted to its journey of economic recovery.

Macroeconomic Backdrop

The period under consideration will go down in history as one of the most challenging years for Sri Lanka, both from a macroeconomic and a political perspective. During the year, the country experienced negative growth of 7.8% which is expected to reduce to negative 3% in 2023 and lead thereon to a slow recovery in 2024 and a marginal recovery of 3% in 2025. It is important for me to summarize here the events of the year to lend a context to the challenges that Your Company was up against.

The 2022 year began with Sri Lanka defaulting on its international sovereign debt repayments due to its poor foreign currency reserves and bad financial planning, which led to the sovereign rating being downgraded to 'Default' status by all international rating agencies. As a consequence, the country was shut out of international capital markets and international banks cut or cancelled lines of credit, further compounded by unprecedented depreciation of the rupee, runaway inflation, rise in cost of living and shortages of essentials such as food, medicine and fuel, and power outages. Against this backdrop, the imports of many items was restricted or banned, including motor vehicles, which were considered non-essential.

The Government was left with no recourse but to approach the International Monetary Fund (IMF) for emergency assistance under its Extended Funds Facility (EFF). The first tranche of the USD2.9B four-year term facility was released in March 2023. The IMF facility comes with several conditions and milestones being met, such as reduction in government expenditure, sale or restructure of state-owned enterprises, limiting capital expenditure to 4.5% of GDP, increased government revenues to 15.3% from 8.5% through increased taxation of all forms and introduction of new taxes, higher tariffs pass through of all costs with zero subsidies on fuel, utilities, anti-corruption legislation, transparency in government procurement, and the independence of the Central Bank of Sri Lanka, whose role is confined mainly to financial system stability and targeting inflation. As such, government operations have been severely curtailed by the restrictions imposed by the IMF.

Our Performance

Amidst these impediments and particularly with the total ban on imported motor vehicles, Your Company

Chairman's Review

had to reorganize and restrategize its business model. The Central Bank-directed customer debt repayment moratoriums and extended debt servicing increased the risk profile of customers and the higher risk of default. Unfortunately, the high interest regime made the leasing business increasingly risky. Your Company had to take prudent measures in risk management as collections and impairment stressed profitability significantly. The emphasis was on remaining agile and on collections management and restructuring to navigate the crisis. Risk and Governance controls were tightened to mitigate any existing and emerging risks.

Key Financial Results

Your Company recorded a Net Profit after tax amounting to LKR 239 million (2021 – LKR 363 million), marking a reduction of 23% mainly due to the increase in interest costs and general expenses due to the high inflation experienced. A decent interest margin of 8.92% (2021 – 9.88%) was maintained despite the sharp increase in interest rates.

As for the key ratios, Your Company's key capital adequacy ratios remained well above the Regulatory Tier 1 and Tier 2 ratios of 8.5% and 12.5%, recording 36.53% for both, thereby maintaining our position as one of the best capitalized NBFIs in the market. The industry recorded a capital adequacy ratio of 20.58% on average by end 2022.

The Capital Fund to Deposit Liability Ratio was recorded as 201% whereas the regulatory requirement is 10%.

I am pleased to report that the Net Asset Value per Share of the Company increased to Rs. 178.39 from Rs. 166.21 in the year 2022.

While profitability was impacted by the economic crisis prevailing during the year, the key indicators reflect prudent financial management and an approach of sacrificing short-term gains by taking a long-term view of the business.

Looking Ahead

There are visible indicators that the economy is on the path to recovery with the release of funds from the IMF, as it has given international lenders renewed comfort and will help to unlock further concessionary funding lines of a long term nature from the World Bank, the Asian Development Bank and other multilateral lending agencies. This will enable the country to achieve a certain level of normalcy in the short to medium term to facilitate the opening up of the economy for two-way international trade in respect of which Your Company can continue to play a role and sustain its identity as a major player specialized in the new motor vehicle leasing market.

As a Company, we shall continue to be resolute and face the challenges ahead and align ourselves with the country's agenda for economic growth, given our strong capital base and agility to speedily maneuver our strategic direction to challenging environments.

Appreciation

In the backdrop of such unprecedented local and global challenges brought on by the pandemic, economic, political and financial crises - the likes of which we have never seen and its impact on our businesses and families, the resilience shown by our valued Customers, who continued to place their trust in us, is commendable.

I would also like to express my appreciation to all our Employees at every level for their unwavering efforts and commitment amidst a tough operating environment.

I must also thank our Bankers and the Governor of the Central Bank of Sri Lanka and the Deputy Governors who have continued to provide us with guidance, forbearance and wise counsel whenever needed.

In addition, I would like to thank our Shareholders and the valuable assistance and guidance that I received from my fellow Directors and the Chairpersons and Members of the Board Subcommittees.

My appreciation is also extended to all other Stakeholders who have supported the Company in many different ways.

Trevine Fernandopulle
Chairman
30 March 2023

CEO's Review

" Overall, I am proud of the exceptional contribution from all staff members to seize opportunities amidst adversity and for mitigating any major adverse impact on the company. Their upbeat customer service and close collaboration with customers to restructure customer debts we believe has improved both customer loyalty and brand equity. "

Chamath Munasinghe
Director/CEO

The unprecedented extent of the economic crisis witnessed during the year under review tested the mettle of the nation across every sphere of activity. Amidst the uncertainty that prevailed through FY 2022, AMW Capital Leasing and Finance (AMWCL) PLC upheld its commitment to deliver sustainable value for its shareholders and stakeholders. I am proud to note that AMWCL managed to stave off any deep impact of the crisis by weighing risks and rewards in line with the risk appetite of the Company and by re-engineering its business model to tide over the crisis.

Operating Environment

The anticipated silver lining after the adverse impact of the pandemic on lives and livelihoods eluded the Sri Lankan economy, which contracted by 7.8% in the year 2022, with all key sectors impacted by the shortages of inputs and supply chain disruptions. Headline inflation peaked at an unprecedented 69.8% in September 2022, reflecting the impact of elevated global commodity prices, monetization of fiscal deficits, currency depreciation and food supply constraints due to the 2021 ban on chemical fertilizers. Since January 2022, the Central Bank of Sri Lanka raised policy rates by a cumulative 1,050 basis points in an attempt to curb inflation. Furthermore, Sri Lanka lost access to international financial markets in 2020 after credit rating downgrades. Amid depleted reserves, Sri Lanka announced an external debt service suspension in April 2022, pending debt restructuring.

Meanwhile, the currency (LKR) depreciated by 78% against the US Dollar between March and May 2022 when it was floated. A return to a managed float, amid the ongoing foreign exchange management strategy, restricted the full year depreciation to 81%. The unwinding of speculative Dollar holdings led to sharp appreciation of the LKR in early March 2023 amid sluggish import demand. The International Monetary Fund (IMF) approved a US$2.9 billion-48-month Extended Fund Facility programme on 20th March 2023, after securing financing assurances from official creditors to provide debt relief consistent with the IMF's debt sustainability framework.

Industry Operations

Against this tumultuous backdrop, the vehicle leasing market remained subdued since April-May 2022 due to the uncertain economic and political climate in the country coupled with the import ban on vehicles. As a result, business volumes of vehicle leasing declined by as much as 40% across the industry. The commercial vehicle market and the fleet vehicle market were impacted due to the import ban, while at the same time retail market prices of vehicles also increased significantly. This helped our teams recover dues as some customers were able to sell their vehicles and repay their debts, reducing the provision for impairment losses.

Company Performance

The energy and fuel crisis had a direct impact on our operations as the teams tasked with collections were unable to visit clients due to the fuel shortage. Prolonged power cuts without the availability of fuel for generators further impacted daily functioning due to which the 'work from home' mode was activated once again.

AMWCL recorded a Net Profit after tax amounting to LKR 239 million (2021 – LKR 363 million), having experienced a reduction in the Loan Portfolio by 13% compared to the previous year mainly due to the subdued macroeconomic environment. The ban on vehicle imports continued to hamper growth as the Company is solely focused on vehicle leasing.

The Company achieved strong collections during the period thanks to the untiring efforts of all its staff members, which resulted in admirable NPL ratios. AMWCL experienced a reversal in impairment provision in the year 2022 as a result of management overlay in impairment provisions carried during year 2021. The NPL ratio was recorded at 15.97% (2021 - 7.57%) compared to the industry NPL ratio of 17.45%.

Prioritizing collections led to an increase in investments by 151% compared to the preceding year. Renewing Fixed Deposits too was a challenging task during the year and recorded a drop of around 19% as a result of deposit holders moving towards high income generating government security investments.

The growth in the industry's Total Assets was about 1.5% while Investment & Cash Balances grew by around 19%. The Company surpassed industry growth numbers in Investment & Cash Balances by achieving a higher growth rate of 150%. Further, Company recorded a decent Net Interest Margin of 8.92% whereas the industry recorded 6.58%.

Overall, I am proud of the exceptional contribution from all staff members to seize opportunities amidst adversity and for mitigating any major adverse impact on the Company. Their upbeat customer service and close collaboration with customers to restructure customer debts we believe has improved both customer loyalty and brand equity.

As a Company, we remain cautiously optimistic that the macroeconomic situation will improve in the months ahead.

Re-engineering the business model

When the economic crisis broke, the management relooked at the business model and adopted a short term strategy to control and to minimize the risk profile of the Company. As a risk mitigating factor, the Company adopted a cautious approach to lending in order to safeguard asset quality. Therefore, the Company's liquidity and capital adequacy positions remained robust through the period under review, making AMWCL one of the strongest leasing companies in the country. Managing collections and Non-Performing Loans was a key endeavour to ensure liquidity and cash flows.

Collections up to October 2022 remained fairly steady given the uncertain environment. However during the ensuing months the collections dipped due to the deterioration in the economy and the introduction of new taxes with effect from 1 January 2023. This should have normally impacted our cash flows, but because of the Company's strong liquidity position, the impact was minimal.

Provision coverage improved during the year, which showed the Company made adequate provisions for impairment.

Although the regulator has allowed financial institutions to repossess vehicles with unpaid dues, as a customer-centric Company our first attempt is to renegotiate terms to suit the customer's cash flow in view of the current hardships facing people amidst high inflation and interest rates. The year ahead will be challenging as the impairment time for provisioning has been reduced to 90 days from 1 April 2023.

Data-driven decision-making

For the past few years the Company has been strengthening its data-driven decision-making processes and this investment accrued dividends during the economic crisis, when uncertainty in the wider economy and the market reached its peak. In many ways, the advanced data and analytics capabilities possessed by the MIS team at AMWCL helped to remain agile and even pre-empt emerging challenges.

We were able to use analytics to understand various trends that could impact our business going forward. While further investments in digital were held off to wait for an improved economic environment, the in-house team accelerated digital applications that would support efficiency. The team developed and implemented a collections solution which optimises the collection efforts of our staff. The Company continues to automate its processes to improve customer turnaround time. AMWCL maintained its social media presence for greater brand visibility.

Our People

While mitigating risks from the economic crisis on the business, the Company was very concerned about the impact of the crisis on employee health and safety. During the days of social unrest in 2022, staff movements were mapped carefully to ensure our employees remained unharmed and safe. Moreover, the escalating situation was clearly taking a mental toll on staff. In order to alleviate their worries, we held regular sustained town hall meetings to address queries and reassure them of the Company's support at all times. We ensured staff was paid on time and even activated work from home mode in light of the fuel shortage.

Staff engagement was prioritised by senior management to keep employees motivated and hopeful. Programmes for compliance training continued through the year in online mode. The finance team organized special personal financial management sessions to help support staff to manage their cash flow amidst the high inflation and skyrocketing cost of living that prevailed through the period under review.

The senior management, while reassuring the staff of job security, shared the thinking behind adopting a cautious approach to avoid risky assets. Marketing staff was repurposed for the collection function as the prevailing high interest rates further discouraged the pursuit of new business. Overall, the staff put in an exemplary effort to achieve proactive debt restructuring and effective collections.

Customer centricity

Just as the crisis impacted our operations and employee wellbeing, it also impacted customers in different ways. Remaining empathetic to the hardships they were facing, staff continued to maintain relationships with customers even if they couldn't afford new leases - if only to retain goodwill and inquire about their wellbeing until such time that the business relationship could be resumed once the environment became more conducive. Going ahead, we will accelerate efforts towards proactive debt restructuring for individual customers by referring to data models.

Talent retention has become a challenge in light of the brain-drain during the period under review. This migration of talent is a serious issue for the future of human capital in Sri Lanka and could have severe repercussions in terms of shrinking the talent pool in the financial services and other sectors.

Future Outlook

The government's engagement with the IMF and the approval from the global body will open doors for further multi-lateral donors to step forward to support the Sri Lankan economy. The government is implementing many of the reforms mandated by the IMF and we are hopeful they will be implemented efficiently. Overall, we are hopeful about the future and fully-equipped to move into a 'business as usual' approach no sooner market activity improves.

Appreciation

I would like to place on record my appreciation to the Chairman and the Board of Directors for their wise counsel through the year. I value the contributions made by the Corporate Management and the rest of the team, which steered the Company safely through the storm.

I would like to thank the Board of Directors and Management teams of Associated Motorways (Pvt) Ltd., our Parent Company, for their unstinted support.

I also appreciate the efforts of the Governor of the Central Bank of Sri Lanka, the Director and the officials of the Non-Bank Supervision Division for ensuring the stability of the industry.

Our employees remain at the heart of our operations and we thank them for proving their loyalty to the Company by putting in their best efforts despite the enormous challenges during the year.

Our customers' support through the year has struck a chord with us and we thank them profusely.

We have the fullest confidence in our ability to bounce back with agility and contribute to the growth and expansion of the economy.

Chamath Munasinghe
Director/CEO
30 March 2023

Board of Directors

TREVINE FERNANDOPULLE
Chairman

CHAMATH MUNASINGHE
Director/CEO

NIHAL KEKULAWALA
Independent Non-Executive Director

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

Mr. Fernandopulle is the Deputy Chairman/Director of Union Bank of Colombo PLC and is a Director of Dutch Lanka Trailer Manufacturers Ltd, Continental Insurance Lanka Ltd and Enterprise Ceylon Capital (Pvt) Ltd.

Mr. Fernandopulle was also appointed to several committees such as the Asset and Liability, Audit, Strategic Planning, Human Resources, Risk Management, Credit, Investment, Impairment, Information Technology during his appointments in the respective banks. 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. Chamath Munasinghe has over 27 years of experience in the banking sector with over 12 years in senior leadership roles. He counts for diverse expertise in the areas of Branch Banking, Consumer Financing, Credit, Operations, Corporate Real Estate and Security & Facilities Management.

He is well known for pioneering lean concepts and driving transformational strategies with the objective of facilitating business growth complemented by operational efficiencies and automation during his tenure at Nations Trust Bank. Mr. Munasinghe holds a Master of Business Administration from Edith Cowan University of Australia and is a Certified Management Accountant (Australia). He is also a Fellow Member of the Chartered Institute of Management Accountants UK and a Chartered Global Management Accountant.

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

Mr. Nihal Kekulawala counts over thirty years in the banking profession and was appointed as a Director in October 2017. He has held senior positions at Hatton National Bank PLC and played a strategic role in the diversification of HNB from Commercial Banking to Investment Banking, venture capital, stock brokering and life/general insurance.
Mr. Kekulawala served as the lead consultant and was responsible for setting up a Commercial Banking Operation in the Solomon Islands. He functioned as the inaugural CEO of the bank. He presently serves on the Boards of several public companies.

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

ANKUR MUNDRA
Non-Executive Director

PETER MACKENZIE
Non-Executive Director

ALEXANDER MAAS
Non-Executive Director

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

Mr. Mundra has worked in the Finance Industry for more than 18 years with broad experience in Finance, Treasury, and Regulatory Structuring for Al Futtaim Finance in UAE. Prior to joining the Al Futtaim Group, Mr. Mundra was working as Finance Manager for a Retail Industry.

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

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

Mr. Mackenzie's experience includes three decades in the automotive sector, with over 16 years spent in the position of Senior Management. Prior to joining AMW Group, Mr. Mackenzie held the positions in several leading organizations including DaimlerChrysler and Harley Davidson Motor Company in Australia, Singapore and China.

Mr. Alexander Maas is the Managing Director for Al Futtaim Finance responsible of creating and overseeing the company's financial planning and strategy.

Having joined the company in March 2018 as General Manager, Sales and Operations, Al Futtaim Finance, Mr. Maas took over his current role in April 2020.

An automotive finance professional with over two decades of experience in international markets, Mr. Maas has worked with Mercedes-Benz Financial Services Australia and New Zealand in the capacity of General Manager for Sales and Marketing, driven by the success of guaranteed future value products and the establishment of an active retention and loyalty strategy, and as Chief Financial Officer, where he focused on establishing sustainable margins, cost-efficient structures, and growth in the passenger car and truck finance areas.

Mr. Maas graduated in Business Administration at the University of Applied Sciences in Flensburg, Germany and has a banking background.

CHANDIMA NANAYAKKARA
Acting Company Secretary

Ms. Chandima Nanayakkara has over 17 years of experience in the Finance Leasing Industry including 24 years of experience in handling secretarial functions.

Ms. Nanayakkara, has been with AMW Group of Companies since 1998. She is an Associate Member of the Institute of Chartered Corporate Secretaries in Sri Lanka and registered as a Company Secretary with the Registrar General of Companies.

Senior Management Team

PRAMUDITHA MENDIS

General Manager – Credit and Operations

Mr. Pramuditha Mendis has over 28 years of experience in the field of leasing/ finance including 04 years of overseas exposure. 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 serves as the Chairman of Credit Policy Committee.

He has also served as a Director of Leasing Association of Sri Lanka (LASL). Mr. Mendis is a fellow member, a council member and had been a resource person at Sri Lanka Institute of Credit Management (SLICM).

SANJAYA THENUWARA

General Manager – Marketing

Mr. Sanjaya Thenuwara the General Manager-Marketing, counts over 27 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. He also served as a Director of Leasing Association of Sri Lanka (LASL) for a period of 03 years until 2020.

INDIKA PERERA

General Manager – Finance

Mr. Indika Perera counts over 22 years of experience in Financial Services Sector, specializing in Strategic Finance, Treasury Management, Operations Control, Risk Management, Management Information Systems and Internal Control Systems. He started his career at KPMG Sri Lanka and joined the Insurance sector where he served more than 16 years in Local & Foreign Insurance Companies. He has served in HNB Assurance, Orient Insurance, MBSL Insurance locally and Gulf Union Insurance Group in Kingdom of Bahrain. Further, he has experience in Primary Dealing Industry where he served in Acuity Securities Limited a Joint Venture of DFCC Bank & Hatton National Bank. Mr. Perera joined AMWCL in the year 2023 as the General Manager - Finance.

Mr. Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Institute of Certified Management Accountants of Sri Lanka and holds a Bachelor of Business Management Degree specialized in Accountancy reaching 1st Class Honours pass from the University of Kelaniya.

Senior Management Team

HIMALA WIJAYATUNGA
Head of Risk

LASANTHA PERERA
Head of IT

CHINTHAKA DE ALWIS
Head of Operations

Mr. Himala Wijayatunga counts over seventeen years of experience in risk management, financial management, and strategic management, including over ten years of experience in financial risk management. He has extensive knowledge in VaR calculation, developing forecast models, statistical analysis, and business continuity management. He is a Certified Financial Risk Manager of the Global Association of Risk Professionals USA and is an Associate Member (ACA) of the Institute of Chartered Accountants of Sri Lanka. Mr. Wijayatunga possesses an MBA from the Postgraduate Institute of Management (PIM) and obtained his B.Sc. Business Administration degree from the University of Sri Jayewardenepura. Further, he earned a Diploma in Bank Integrated Risk Management (DBRIM) with a merit pass.

Before joining AMWCL, he led the risk management division of the Merchant Bank of Sri Lanka and Finance PLC (MBSL). Prior to that, Mr. Wijayatunga had worked at R.R Donnelley & Sons, a Fortune 500 Company listed on the New York Stock Exchange.

Mr. Lasantha Perera, the Head of IT, counts 21 years of experience in IT field in diverse industries such as Banking, Apparel, Automotive and Financials Services. Lasantha is an expert in Digital Automation, IT Systems Engineering, IT Team Management and General IT Management. Mr. Perera started his career at Lankaclear (Pvt) Ltd – The National Cheque Clearing House, then joined Esquel Group – China, Associated Motorways (Pvt) Ltd and AMW Capital Leasing and Finance PLC. Lasantha holds a Master of Business Administration (MBA) degree from University of Sri Jayewardenepura, BSc Degree of IT from the British Computer Society – UK, the Chartered Institute for IT, and the Diploma and Higher National Diploma from National Institute of Business Management. Further, he is a professional member of the British Computer Society (MBCS).

Mr. Chinthaka De Alwis is currently holding the post of Head of Operations at AMWCL, and he has been with the Company since its inception. He has over 30 years of experience in the Non-banking financial sector. He was the Head of Division, Compliance, at People's Leasing & Finance PLC (PLC) for a period of 2 and a half years and he possesses 11 years' experience at Lanka Orix Leasing Company (LOLC) as a Senior Asst. Accountant attached to Finance, Micro Finance, Corporate Finance and Internal Audit divisions. Mr. De Alwis holds a MBA from Solent University, Southampton UK.

SUJEEWA SOORIYARACHCHI

Head of Recoveries & Administration

POORNIMA LENORA

Head of Compliance

MANINDRA WICKRAMANAYAKA

Manager – Legal

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.

Ms. Poornima Lenora has over 21 years of experience in the non-banking finance sector covering various fields from Risk, Credit to Compliance related activities. She held several responsible positions at Lanka Orix Factors Ltd, Siyapatha Finance PLC, Multi Finance PLC and HNB Finance PLC. Prior to joining AMW Capital Leasing PLC, she served as the Compliance Officer at Asia Asset Finance PLC.

Ms. Lenora holds a MSc in Applied Finance from the University of Sri Jayewardenepura, Diploma in Bank Integrated Risk Management, Advance Diploma in Credit Management at IBSL and Postgraguate Diploma in Professional English at Open University of Sri Lanka. She is an Associate member of ABE – UK.

She has been instrumental in ensuring the AMWCL complies with the regulatory standards continuously and has added value to the organization by strengthening the processes through her experience and knowledge.

Ms. Manindra Wickramanayaka is an Attorney-at-Law of the Supreme Court of Sri Lanka. She counts over eight years' experience in the Finance industry. She started her career as an apprentice at 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.

Ms. Wickramanayaka 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.

Senior Management Team

THILINI PADMASEKERA
HR Business Partner

Ms. Thilini Padmasekera is a well experienced and qualified HR professional with over 11 years of experience in HR disciplines. She has exposure to Power Sector, Civil Engineering Sector, Courier Services, Real Estate and Trading. She started her career at LTL Holdings, then moved on to Certis Lanka Courier from which she joined MTD Walkers PLC.

She is equipped with the Chartered HR qualification offered by CIPM Sri Lanka as well as the PQHRM qualification. Further, she has a Master's and a Bachelor's degree in her education.

YASITHA KOTHALAWALA
Manager Audit

Mr. Yasitha Kothalawala who is overlooking the Internal Audit division has over 17 years of experience in the auditing field, covering both external and internal auditing. He is a partly qualified person at the Institute of Chartered Accountants of Sri Lanka and has passed the final examination of the Association of Accounting Technicians of Sri Lanka.

HIRIMBURAGAMAGE SASANKA HASHANI
Assistant Manager
Customer Relations & Operations

Ms. Sasanka Hashani overlooks the fixed deposit division in the capacity of Assistant Manager - Customer Relations and Operations.

She holds a Advanced Diploma in Business Management from the NIBM (National Institute of Business Management). She has also successfully completed AAT (Association of Accounting Technicians) and partly qualified in CMA (Certified Management Accountant). She has been in the group for well over 09 years.

Management Discussion and Analysis

Macroeconomic conditions in 2022

In 2022, the Sri Lankan economy recorded its deepest economic contraction since independence, mainly driven by the ripple effects of the unprecedented economic crisis amidst the domestic and global headwinds that reversed the post-pandemic recovery. The GDP contracted by 7.8% in 2022, compared to a 3.5% growth in 2021. Acute fuel shortages due to the dearth of foreign exchange caused a significant drag on activities as a result of hampered supply chains, prolonged power outages, scarcity of raw materials amidst imports compression and a surge in the cost of production. The agriculture sector, which had been experiencing lacklustre performances since 2019, contracted by 4.6% in 2022, compared to a year earlier. This mainly reflected the severe shortages in chemical fertiliser and other agrochemicals, increased cost of raw materials as well as the disruptions of supply networks. In 2022, the industry sector contracted by 16%, year-on-year, primarily due to the dampened performance of the construction and manufacturing subsectors amidst severe shortages in raw materials and input cost escalations.

The energy crisis and tighter monetary conditions also weighed on the performance of the industry subsectors. The construction subsector, which accounted for 28% of the industry sector, registered a year-on-year contraction of 20.9%, while overall manufacturing activities, which accounted for about 59% in the total industry sector, contracted by 12.6%, year-on-year, in 2022. Despite the resilient performance in the services sector during the first quarter of 2022, supported by the gradual normalisation of services sector activity following the COVID-19 pandemic, economic headwinds that intensified thereafter hindered a further expansion in the services sector, resulting in an overall contraction of 2%, year-on-year, in 2022. Although the subsectors of accommodation, food and beverage, as well as transportation of goods and passengers witnessed a strong rebound with year-on-year growths of 27% and 3.5% respectively, the services sector performance was hampered by notable contractions in the subsectors of wholesale and retail trade, financial services and real estate activities during the year.

Significant upward revisions in major utility prices amidst soaring global energy prices and the depreciation of the exchange rate exacerbated supply side pressures, while accelerated inflation and tax hikes affected the disposable income of households. The Central Bank of Sri Lanka took significant monetary policy tightening measures along with the other measures to contain the Balance Of Payments (BOP) pressures and undertook unprecedented fiscal reforms in taxation and utility prices, along with the fuel rationing system. Meanwhile, the Government sought assistance from the International Monetary Fund (IMF) for a funding arrangement and announced a debt standstill as an interim measure, pending negotiations on debt restructuring with bilateral and commercial creditors. The first tranche of the approved loan was released by the IMF in March 2023.

Performance of Non-Bank Financial Institutions Licensed Finance Companies & Specialised Leasing Companies Sector

The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector managed to continue its expansion during 2022 amidst the economic contraction experienced by the country. Despite challenges faced from shrinking credit growth, declining profitability and increase in non-performing loans, the LFCs and SLCs sector grew in terms of assets and deposits with adequate capital and liquidity buffers during 2022.

Total assets of the sector amounted to Rs. 1,611.2 Bn by end 2022, representing 5.2% of the total assets of Sri Lanka's financial system. The asset expansion was mainly driven by the growth of loans and advances portfolio followed by increase in investments and liquid assets. Loans and advances accounted for 74.4% of the total assets of the sector. Finance leases dominated the loans and advances portfolio of the sector and accounted for 41.6% of total loans and advances by end 2022 compared to that of 48.3% by end 2021. The share of leasing portfolio in total loans and advances decreased as a result of contraction of the leasing portfolio mainly due to the continuation of restrictions imposed by the Government on the importation of motor vehicles as a measure to restrict foreign currency outflows. However, the loans and advances portfolio of the sector recorded a growth of 5% and stood at Rs. 1,199.2 Bn at end 2022 compared to the growth of 9.9% at end 2021.

The growth of loans and advances portfolio was mainly supported by a surge in pawning/gold loans which grew by 77.5% at end 2022. During 2022, debt moratoria and concessions on loan repayments were extended to assist affected borrowers of the LFCs and SLCs sector due to the prevailing extraordinary macroeconomic circumstances. By end 2022, approximately 13.2% of the loans and advances portfolio of the LFCs and SLCs sector were under moratoria. The investment portfolio of the LFCs and SLCs sector comprises investments in equities, corporate debt instruments, government securities and investment properties. The investment portfolio recorded a significant growth of 19.3%, reaching Rs. 199.6 Bn in 2022 compared to the marginal growth of 5.4% in 2021, mainly due to the increased investments in government securities maturing in less than 12 months consequent to increased interest rates in short-term maturities.

Profitability of the sector declined in 2022 compared to the previous year. The sector's Profit After Tax (PAT) reduced by 21% from Rs. 55.6 Bn in 2021 to Rs. 43.9 Bn in 2022, mainly due to substantial increase in interest expenses. The decrease in profitability was reflected in the significant decrease in the Return on Equity (ROE) to 12.6% and Return on Assets (ROA) before tax to 3.7% in 2022, compared to 20.2% and 5.4% recorded, respectively, in 2021. The cost to income ratio increased to 87.3% in 2022, from 72.6% in 2021, while the efficiency ratio increased to 68.9% during 2022.

Management Discussion and Analysis

Financial Review

The year 2022 will be noted as one of the toughest years in Sri Lanka's recorded history as the country battled with never-before-seen levels of economic, social and political turmoil. The first half of the year brought one crisis after another, from fuel and energy shortages, civil unrest and political uncertainty, to the unprecedented depletion in foreign currency liquidity leading to shortages of essential items and causing widespread disruption to economic activity. Due to the pressure on the external sector, the Rupee was devalued in March 2022 and consequently depreciated by 41.4% against the US Dollar by end April 2022. Meanwhile, the massive scarcity of key imported raw materials and other essentials had a cascading effect that saw inflation soaring to historical highs and disposable incomes declined drastically.

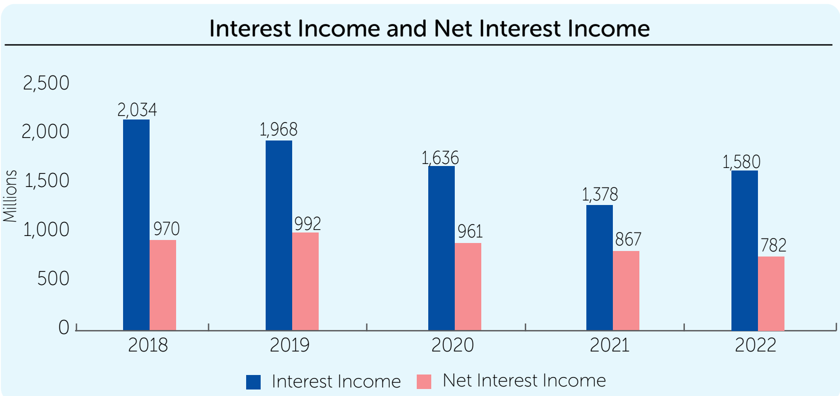
Despite all the adverse events, the country was able to regain a measure of stability in the latter part of the year 2022, thanks to the multifaceted policy interventions undertaken by the Government and the Central Bank of Sri Lanka to put the economy back on track over time. Another positive initiative was that the Government commenced talks with the International Monetary Fund (IMF) to secure financial assistance by way of an Extended Fund Facility (EFF) arrangement conditional on a long-term macroeconomic adjustment programme. A staff-level agreement for a proposed EFF was reached and was approved by the IMF.

Amid these challenges, AMWCL posted a good financial performance by recording a profit over Rs. 200 Mn. The first quarter of the 2022 year recorded strong results but due to the issues prevailed in the country after April 2022, the financial plans had to be revised downward considering the adverse economic impacts. Against the volatile economic backdrop, the sector experienced significant deterioration in credit quality and also a reduction in loan book continuously.

The management of AMWCL has responded to the changes in the external environment swiftly and deployed timely appropriate strategies to sustain business activities and also to mitigate the risk by ceasing lending and with more emphasis on collections. Those actions taken by the management ultimately paved the way to record a decent profit for the year 2022.

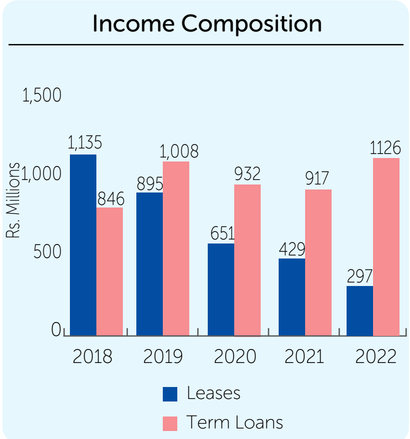
Income Statement Analysis

Interest Income



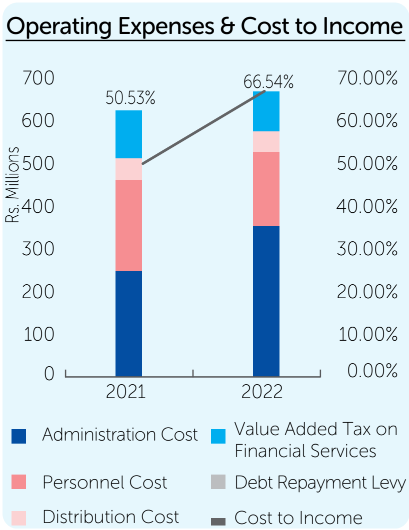
Gross Interest Income for the year increased by 15% compared to the year 2021. The increase in Interest Income has resulted from the significant increase of facilities disbursed during first quarter 2022 compared to 2021.

Despite the higher increase in Gross Interest Income, the Net Interest Income has been reduced by 10% due to high Interest Expense in 2022 compared to 2021. Interest Expense increased by 56% since the market interest rates increased rapidly in line with Government security rates as a result of the negative economic situation prevailed in the country. Net Interest Margin of the Company decreased to 8.92% from 9.88% in the year 2022.



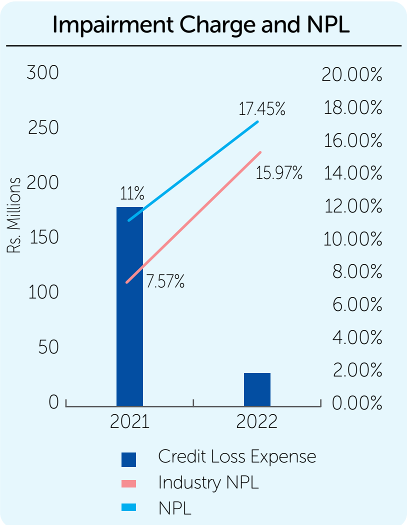
Income from Term Loans continues to contribute more towards total interest income of the Company where it has grown by 23% compared to the previous year. Income from Leases contributed only 21% which is a 10% reduction in 2022 compared to the year 2021.

Operating Expenses and Cost to Income



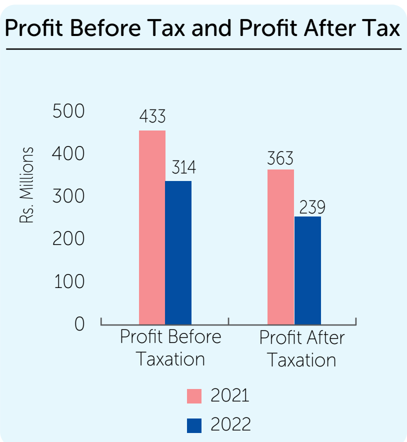
Cost to Income Ratio of the Company increased by 16% to 66.54% as compared with 50.53% recorded in 2021. This increase resulted from the decrease in net interest income and increase in overhead expenses due to the high inflation experienced in 2022.

Impairment Charges



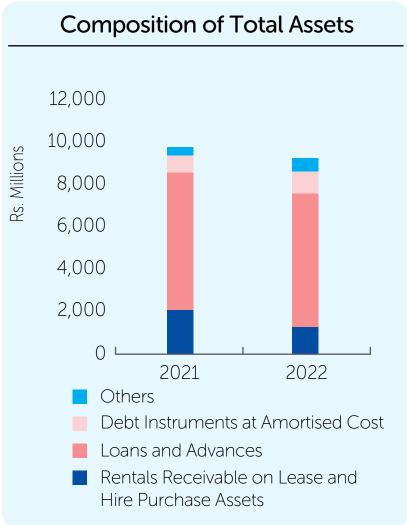
Impairment charge of the Company decreased by 926% compared to the year 2021. This is mainly due to the over provisioning carried over from previous years and the recovery initiatives implemented by the Company. The Company recorded NPL ratio of 15.97% below the industry average ratio.

Profitability

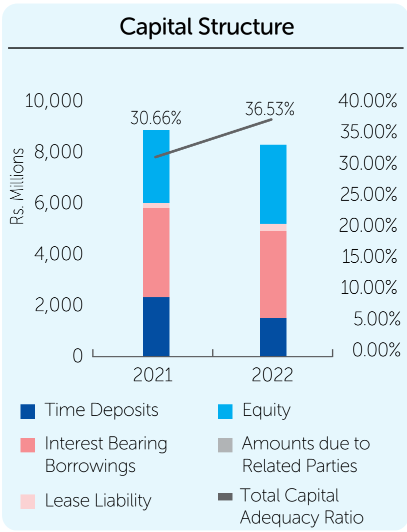


Profit before Tax for the Company reduced by 27% and Profit after Tax reduced by 34% during the year compared to 2021. As a combination of the reduction in net interest income, other operating income and an increase in expenses contributed to decrease in profits. Reduction in tax expenses resulted due to low profits recorded during the year 2022 and a reversal of over provision made in 2022.

Balance Sheet Analysis



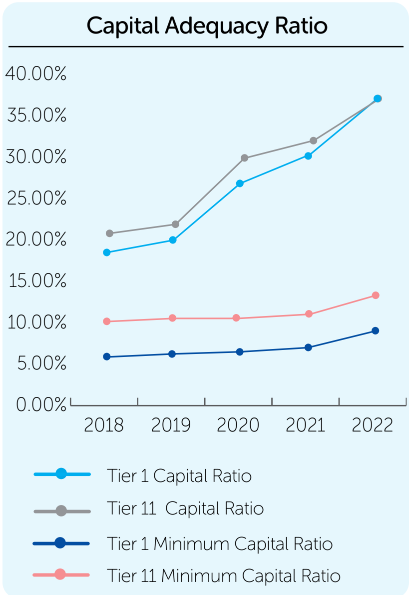
Total Assets of the Company decreased by around 4% compared to the year 2021 mainly due to the decrease in the Loan Portfolio. The investment in debt instruments rapidly increased during 2022 up to Rs. 1.2 Bn from Rs. 470 Mn.



Shareholders' equity was the main source of funds for the Company and it continued to grow year by year. There was a significant reduction in Time Deposits as the deposit holders shifted from deposits to high earning Government Security investments as a result of the economic condition of the country. At the end of the year, external borrowings were mainly sourced from the existing long-term financing strategy of the Company.

Due to the prevailing economic uncertainties, portfolio growth forecast and sourcing of finance was critically evaluated before committing to long term contracts.

Capital Adequacy Ratio



The Company maintains a strong capital base to support business and safeguard against unforeseen risks. The Central Bank of Sri Lanka imposed minimum capital requirements to be held with finance companies by year 2023. AMWCL has already complied with the Minimum Capital Requirement of Rs. 2.5 Bn well in advance. It is notable that the Company is well capitalized as reflected by its strong capital adequacy ratio of 36.53% in the year 2022 as against the minimum requirement of 12.5%.

Operational Review

Amidst the plethora of challenges in the economy during the year under review, AMWCL exerted a superlative effort to mitigate anything more than a momentary impact on its business by deploying a range of strategies:

- Re-strategizing business model:
  Focus shifted to collections rather than sales and marketing to retain healthy cash flow.

- Repurposing Staff:
  Marketing field staff was redirected to visit clients for collections and recovery.

Management Discussion and Analysis

- Customer-focused:
  Staff encouraged customers to reschedule their debts as opposed to repossession of vehicles in light of the pressure on incomes due to inflation and high cost of living.

- Accelerating digital:
  Committed to drive efficiency in a climate where staff could not visit customers due to fuel shortages and social unrest, the in-house IT team designed a collections and recovery app for frontline staff.

- Maintaining brand visibility:
  Recognizing the importance of remaining top of mind, the Company maintained a prominent social media presence as an expert in vehicle leasing.

Strong employee engagement

The Company made it a priority to ensure the mental and financial wellbeing of staff amidst the host of challenges in accessing daily essentials during the year, further compounded by mobility restrictions due to fuel shortages. Frequent town hall meetings with employees helped to dispel their fears about the future. The staff calendar was populated with a host of training activities and other events despite the challenges to keep the team motivated and loyal.

Re-strategizing business model

In response to the high interest rate environment that prevailed during the year, the Company pursued a low risk strategy by curbing loans that in any way would harm asset quality and affect cash flow. As a result, the Company's asset base reduced during the year, which was a well-thought out move.

Repurposing Staff:

Considering the pressure on disposable incomes amidst the skyrocketing cost of living, the focus was shifted to collections rather than marketing, and staff was repurposed accordingly. Marketing field staff was redirected to visit clients for collections and recovery.

Customer-focused

As a customer-centric Company, AMWCL staff engaged customers with greater frequency and encouraged them to reschedule their debts as opposed to having their vehicles repossessed in light of the pressure on incomes due to inflation and high cost of living. This gesture was appreciated by customers who saw AMWCL as a financial partner rather than as a lessor-lessee relationship.

Accelerating digital drive

Committed to drive efficiency despite the many constraints during the year, the in-house IT team designed a collections and recovery app for frontline staff which helped them optimize their recovery efforts while delivering seamless services to customers. The Company highly values data-driven decision-making and is harnessing analytics to streamline its systems and processes.

Maintaining brand visibility

Recognizing the importance to remain top of mind with customers, the Company maintained a prominent social media presence as an expert in vehicle leasing.

Our People

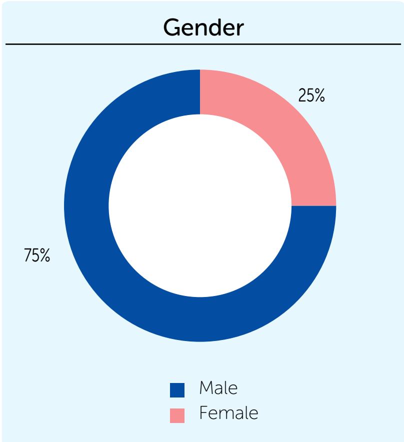
Our people are our value creators and set the Company apart by demonstrating best-in-class innovation, loyalty through commitment, agility in the face of market changes, working together a team and caring for our customers responsibly and respectfully.

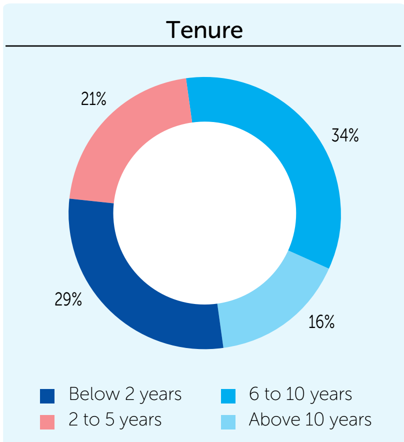
As a result of the economic crisis, including fuel shortages, power cuts, social unrest, high inflation and political instability, all employees went through a difficult period. Despite the obstacles, the team has been working as one family. This challenging period was used productively to develop strategies to increase the effectiveness of processes and systems. Ongoing communication with staff in various formats allowed employees to understand operational objectives and for the management to understand ground level challenges. This led to building a much stronger link between management and staff during the crisis.

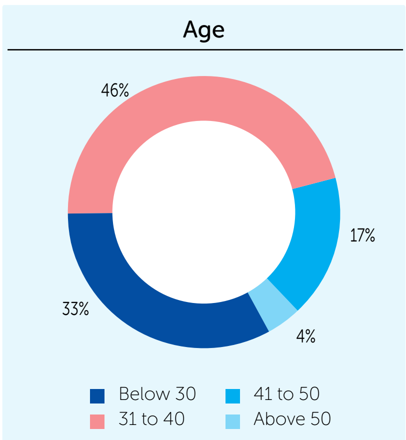
Various business strategies were adopted to deal with the crisis safely and sustainably. In addition, this year we enabled our employees to demonstrate their skills in areas other than those to which they were initially assigned. This has allowed us, as a Company, to identify different levels of unused skills and has provided a new perspective for future succession plans.

Our Team

AMW Capital Leasing and Finance PLC has a workforce of 187 employees as of 31st December 2022, with wide-ranging skills and experience.



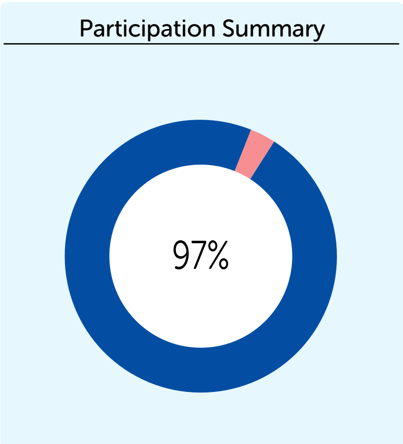


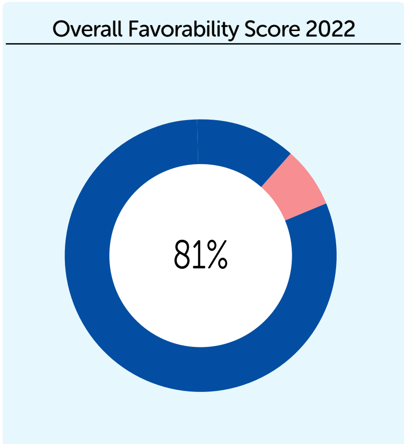


Employee Engagement

The Company believes that any crisis could be handled with the right commitment from employees. As a responsible employer, we ensure that the corporate objectives are achieved collectively as a team while taking care of our valued employees.

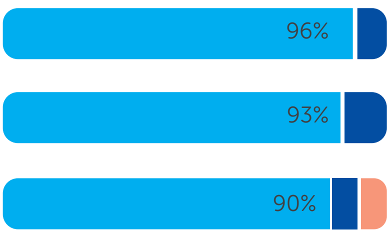
Employee Engagement Survey 2022 Results





Top 3 Most Favourable Responses

Question	Distribution
My line manager constantly encourages us to work collaboratively with other teams.	96%
I have clearly defined goals for my job/ roles	93%
My immediate supervisor shows that he/ she truly cares about the people in my work group	90%



Employee Training

The e-platform was used extensively during this crisis to build employee competencies. This year, more emphasis has been placed on internal training programmes and more timely topics such as 'How to manage personal finances' and so on.

HR Challenges

This was a year when the country experienced a large brain-drain due to the uncertainty in Sri Lanka. This has created an enormous void in the job market. Hence, the demand for certain jobs has risen. Although the Company faced a similar trend, it successfully managed to retain talented team members.

Future People Priorities

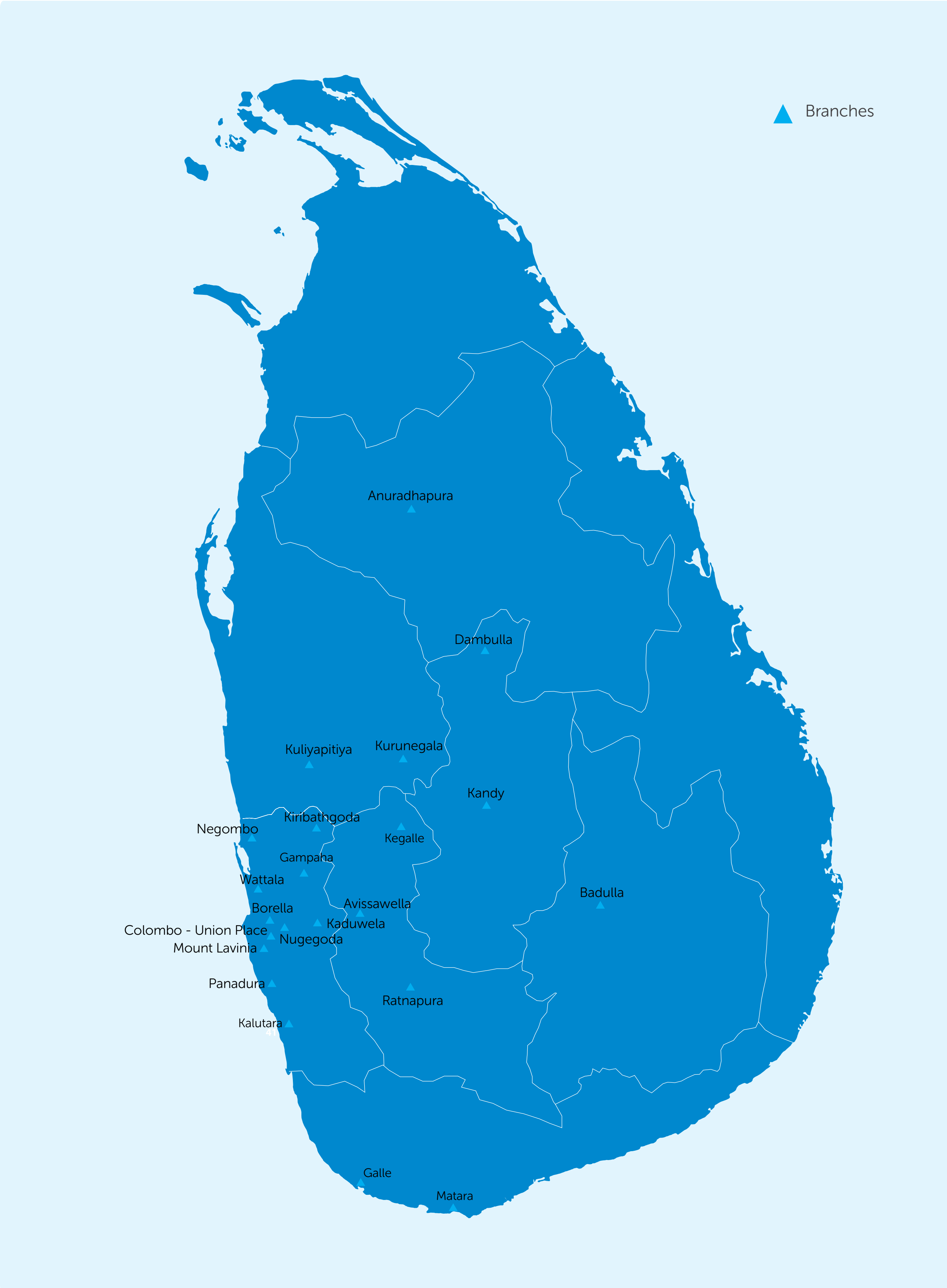
We are committed to creating an environment which enables our employees to discover their true potential by allowing them to be exposed to new work roles and develop competencies through the right training and development. Establishing clear career paths will also give visibility to people on how they can grow within our Company.

Employee recognition programmes will be used to recognize and value our employees who demonstrate exceptional performances. Various employee engagement programmes will be conducted to connect with employees and build relationships among employees.

In addition, we believe that employee commitment and engagement can be improved by looking after our employees. Various strategies will be adopted to improve employees' well-being amidst the challenging socio-economic conditions.

Branch Network

Location	District	Province	Address	Contact Person	Telephone	Fax	Type of Operation
Anuradhapura	Anuradhapura	North Central	AMW Capital Leasing and Finance PLC No. 521/40, 4th Cross Road, New Town, Anuradhapura	Mr.Dhammika Muthugala	0252227020-21-22-23	025-2227024	Branch
Avissawella	Colombo	Western	AMW Capital Leasing and Finance PLC No. 21, New Ratnapura Road, Avissawella	Mr. Krishan Hettiarachchi	036-2231110-13-14-15	036-2231116	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
Borella	Colombo	Western	AMW Capital Leasing and Finance PLC No. 445, Bauddhaloka Mawatha, Colombo 08	Mr. Chulanga De Alwis	011-7609608	011-2671272	Branch
Dambulla	Dambulla	Central	AMW Capital Leasing and Finance PLC No:22, 1st Floor, Kurunegala Junction,Dambulla	Mr. Lasanka Kularathna	0662285760-61-63	066-2285364	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
Gampaha	Gampaha	Western	AMW Capital Leasing and Finance PLC No. 163/A, Ja-Ela Road, Gampaha	Mr. Prasanna Nissanka	0337609608-640-41-42-43	011-2829524	Branch
Kaduwela	Colombo	Western	AMW Capital Leasing and Finance PLC No. 156/2, Old Avissawella Road, Hewagama, Kaduwela	Mr. Dhanushka Fonseka	011-2538623	011-2538795	Branch
Kalutara	Kalutara	Western	AMW Capital Leasing and Finance PLC No. 380D, Galle Road, Kalutara North	Mr. K.A.S.W. Kasthurirathne	0342228609-10-11-12	034-2237411	Branch
Kandy	Kandy	Central	AMW Capital Leasing and Finance PLC No. 400, Katugastota Road, Kandy	Mr. Thusitha Yalage	0817609608-44	081-2212952	Branch
Kegalle	Kegalle	Sabaragamuwa	AMW Capital Leasing and Finance PLC No. 509, Colombo Road, Ranwala, Kegalle	Mr. Asanka Senavirathne	035-2232903	035-2232893	Branch
Kiribathgoda	Colombo	Western	AMW Capital Leasing and Finance PLC No. 101, Kandy Road, Kiribathgoda	Mr. L.A.A.Nipuna Weerasiri	011-2908916-17-18	011-2908914	Branch
Kuliyapitiya	Kurunegala	North Western	AMW Capital Leasing and Finance PLC No:463/A, Madampe Road, Kuliyapitiya	Mr. Niranjan Wijayasiri	0377609653-56	037-7609658	Branch
Kurunegala	Kurunegala	North Western	AMW Capital Leasing and Finance PLC No. 255, Colombo Road, Wanduragala, Kurunegala	Mr. Geethika Rathnayake	037-7609608	037-2229867	Branch
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. Pathum De Zoysa	011-2737425	011-2737632	Branch
Negombo	Gampaha	Western	AMW Capital Leasing and Finance PLC No. 262, Chilaw Road, Periyamulla, Negombo	Mr. Indika Jayamanne	031-2221775	031-2225552	Branch
Nugegoda	Colombo	Western	AMW Capital Leasing and Finance PLC No. 330, Gansaba Junction, High Level Road, Nugegoda.	Mr. Lalith Priyantha	011-2829525-26	011-2829521	Branch
Panadura	Kalutara	Western	AMW Capital Leasing and Finance PLC No. 201/A, Galle Road, Panadura	Mr. Mehilan Jayawardena	038-2230565	038-2230747	Branch
Ratnapura	Ratnapura	Sabaragamuwa	AMW Capital Leasing and Finance PLC No. 448, Colombo Road, Weralupa, Ratnapura	Mr. Prabath Widanapathirana	045-2121182-83	045-2226940	Branch
Union Place	Colombo	Western	AMW Capital Leasing and Finance PLC No. 185, Union Place, Colombo 2	Mr. Chulanga De Alwis	011-2307739	011-2307749	Branch
Wattala	Colombo	Western	AMW Capital Leasing and Finance PLC No. 114, Negombo Road, Wattala	Mr. Milan Ranathunga	011-2948736	011-2948705	Branch


Branches
Anuradhapura
Dambulla
Kuliyapitiya
Kurunegala
Kandy
Kiribathgoda
Negombo
Kegalle
Gampaha
Wattala
Badulla
Avissawella
Borella
Kaduwela
Colombo - Union Place
Nugegoda
Mount Lavinia
Panadura
Ratnapura
Kalutara
Galle
Matara

Risk Management

1. KEY RISK INITIATIVE

AMWCL always ensures that the Company implements policies and strategies promptly to manage risks of the Company. In 2022, The Company implemented risk management tools, strategies, and policies to manage risk prudently and dynamic business environment.

2. PRINCIPAL RISKS AND UNCERTAINTIES

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

The country's unprecedented economic situation, high inflation, global economic outlook, and Ukranian war significantly impacted the AMWCL business and its customers. Moreover, economic uncertainty and a high inflation ratio affected the borrowers' disposable income, creating significant pressure on recoveries. Business and consumer behaviors have changed, creating new challenges and opportunities for AMWCL. These include the acceleration towards digital channels and a change in remote working practices. The longer-term impact for some sectors and on AMWCL remains uncertain.

Business and strategic risk	
Principal risks and uncertainties	Key mitigating considerations
Business and strategic risk arise from changes in the external environment, including economic trends and competitive environment; failure to develop or execute an appropriate business model or strategy; and ability to anticipate or mitigate a related risk. Business and strategic risk encompass AMWCL's current business model on the basis of its ability to generate acceptable returns, given its quantitative performance, key success drivers and dependencies, and business environment and the sustainability of AMWCL's strategy on the basis of its ability to generate acceptable returns, based on its strategic plans and financial forecasts, and an assessment of the business environment.	❖ Business strategy is developed within the boundaries of AMWCL's strategy as well as the Board approved risk appetite limit. These strategies are developed within the divisions and challenged, endorsed, supported, and monitored by AFG Group. ❖ The Board receives comprehensive reports setting out business and financial performance relative to the strategic plan, budget, capital, and liquidity plans, along with reports on AMWCL's key risks. ❖ The Board is further informed about regular economic updates together with updates on developments relevant to AMWCL's operations, customers, and other business activities. ❖ An independent Risk Report is produced quarterly and reviewed by the Board Integrated Risk Management Committee Committee. The report's content includes an analysis of the key existing and emerging risk types and addresses governance, control issues, and compliance with risk appetite.

People Risk Due to Economic Uncertainties	
Principal risks and uncertainties	Key mitigating considerations
People's Risk in the short term is heavily influenced by the country's economic situation impacts employee work capacity as well as their physical and emotional well-being. Notwithstanding the impact of economic uncertainty, the Company faced significant challenges in retaining employees within the Company accordingly, the attrition ratio increased during the year, there was competition for talent in certain capabilities, skills, and experience in the labour market.	❖ Allowing employees to work from home during the curfew and fuel shortages to maintain the service levels of the Company at satisfactory levels. ❖ The AWMCL has taken the necessary measures to support COVID infected employees by implementing employee well-being programs, including physical, mental, and financial assistance.

Macroeconomic conditions and geopolitical uncertainty	
Principal risks and uncertainties	Key mitigating considerations
The AMWCL businesses may be affected by adverse economic conditions in the country. The government import regulation, unfavorable exchange rate movements, high inflation, trade balance deficit, and changes in interest rates significantly impacted the performance of AMWCL and the sector. In addition, it has impacted customers' repayment capacity and disposable income. That significantly influenced the collection ratio of the Company.	❖ The Company monitors the risks and impact of changing current and forecast macroeconomic conditions which can affect the achievement of AMWCL's strategy and objectives. ❖ The AMWCL manages its exposures in accordance with key risk policies, including maximum single counterparty limits and defined country limits. ❖ The Company temporarily stop lending due to the adverse economic condition of the country. ❖ The AMWCL maintains diversified portfolios to face macroeconomic changes.

Credit risk	
Principal risks and uncertainties	Key mitigating considerations
Credit risk is the risk of loss resulting from a counterparty being unable to meet its contractual obligations to AMWCL in respect of lease and auto loans. Credit risk includes, but is not limited to, default risk, concentration risk, and collateral risk. At AMWCL, credit risk arises from loans and leases to customers.	❖ Board approved the Credit Policy and risk appetite limits. Exposure limits for credit concentration risk. ❖ Defined credit procedures, and controls, including independent credit risk assessment and pre-defined authority levels. ❖ Regularly monitor compliance with credit policies and limits. ❖ Dedicated structures focus on managing customers with financial difficulty, including those who require short and long-term support measures due to economic uncertainties. ❖ Temporally stop granting new facilities to the customers.

Funding and liquidity risk	
Principal risks and uncertainties	Key mitigating considerations
Funding and liquidity risk is the risk that AMWCL will experience difficulty in financing its assets and/or meeting its contractual payment obligations as they fall due. Liquidity risk may arise from differences in timing between cash inflows and outflows. Cash inflows are driven by the maturity structure of loans and investments held by AMWCL, whereas cash outflows are driven by items such as the term maturity of debt and outflows from customer deposit accounts. The liquidity risk of AMWCL may also be impacted by the extent, duration, and intensity of the economic downturn due to unexpected lengthening of maturities, non-repayment of assets, a sudden withdrawal of deposits, or potential changes in customer behavior.	❖ Board-approved risk appetite limits. ❖ Comprehensive liquidity monitoring framework. ❖ Strategic plan, quantifying deposit projections, retail funding, and lending projections. ❖ Contingency Funding Plan and Recovery Plan. ❖ Maintain liquid assets above the minimum CBSL requirement to face liquidity issues. ❖ Curtail the deposits temporarily to manage liquidity risks and maintain NIM.

Market risk	
Principal risks and uncertainties	Key mitigating considerations
Market risk is the risk of loss arising from movements in interest rates, Forex rates, equity prices, and commodity market prices. Market risk arises from the balance sheet structure, business mix, and discretionary risk-taking.	❖ Board-approved risk appetite limits. ❖ Comprehensive framework for monitoring compliance with the market risk appetite limits, granular market risk limits, and other controls are used to manage market risks.

Risk Management

Operational risk	
Principal risks and uncertainties	Key mitigating considerations
Operational risk is loss resulting from inadequate or failed internal processes, people, and systems or external events. This risk includes Business Continuity Risk, Data Quality & Reliability, Fraud Risk, Cyber Security Risk, Information Technology Risk, and Sourcing Risk. Operational risk arises as a direct or indirect consequence of AMWCL's normal business activities through the day-to-day execution of business processes, the functioning of its technologies, and the various activities performed by its staff, contractors, and third-party suppliers. It also arises from the risk of cybersecurity attacks targeting financial institutions, corporations, governments, and other institutions. The risk of these attacks remains material as their frequency, sophistication, and severity continue to develop in an increasingly digital world.	❖ Board-approved risk appetite limits. ❖ The AMWCL utilizes a number of strategies to control its exposure to operational risk. The primary strategy is to maintain an effective control environment coupled with appropriate management actions. ❖ The Operational Risk Management Committee and TOR aim to embed adequate and effective risk management practices throughout AMWCL. ❖ Use risk matrix as a process of identifying, assessing, managing, monitoring, and reporting operational risks as well as controls to mitigate those risks in place. ❖ Regular internal audits and testing are carried out to ensure the adequacy of controls. ❖ Invest in necessary IT infrastructures and systems to manage risk prudently. ❖ Business Continuity Management combined with Incident Management and the Crisis Management Framework of the Company enables resilience, swift response, and recovery from external events.

Regulatory Risk	
Principal risks and uncertainties	Key mitigating considerations
Regulatory risk is the risk of failure by AMWCL to meet new or existing regulatory, legislative requirements and deadlines or to embed regulatory requirements into processes. The AMWCL is exposed to regulatory risk as a direct and indirect consequence of its normal business activities. These risks may materialize from failures to comply with regulatory requirements or expectations in the day-to-day conduct of its business as an outcome of risk events in other key risks categories or from changes in external market expectations or conditions. The regulatory landscape continues to evolve, and the finance sector is subject to increasing scrutiny.	❖ Policies, procedures, and standards are in place for compliance and AML risks. ❖ Appoint a Compliance Officer to manage regulatory risk and ensure compliance with the regulatory requirements. ❖ Implement AML rating for loan customers in order to meet the regulatory requirement. ❖ Provide regular status updates and reporting to the BIRMC and the Board regarding regulatory and compliance requirements. ❖ Conduct education and training programs to educate AMWCL staff.

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

3. RISK MANAGEMENT FRAMEWORK

3.1. Risk Appetite statement

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

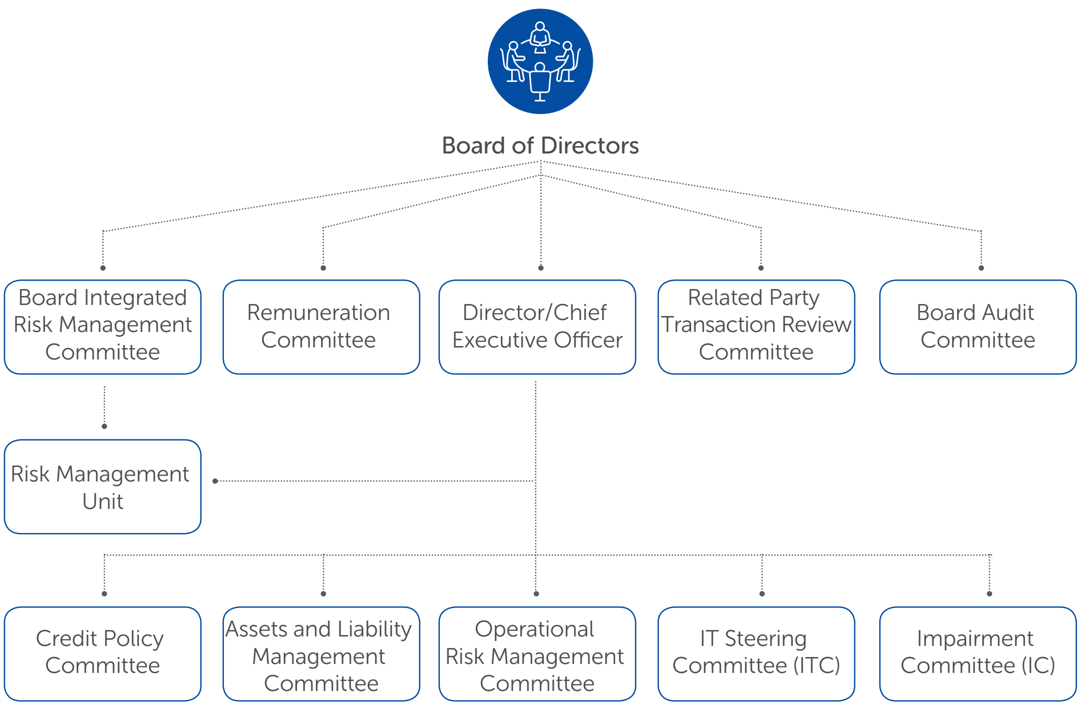
Poorly managed risk can lead to losses and thus endanger the safety of AMWCL's depositors and shareholders. Accordingly, the Company places significant emphasis on the adequacy of the institution's management of risk. AMWCL puts forward this document for the purpose of providing guidelines on risk management systems that are expected to be in place in the Company. The document sets out minimum standards that shall be expected of a risk management framework in the Company.

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

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 enables managers of the Company to take risks knowingly, reduce risks where appropriate, and strive to prepare for a future, which by its nature, cannot be predicted with absolute certainty.

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

3.2. Risk Governance



Risk Management

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

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

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

Management Committee	Description
Credit Policy Committee (CPC)	CPC is a management committee empowered to approve credit facilities within the delegated parameters (assigned by BOD) subject to specific terms and conditions. They also recommend specific policies and procedures that require the attention of the BOD. The Committee shall consist of corporate management personnel chaired by the GM Credit and Operation responsible for the Company's overall credit risk management process.
Asset and Liability Management Committee (ALCO)	The ALCO is a management committee considered as the top-end advisory unit for the Board. The ALCO is responsible for managing Market Risk, Liquidity Risk, and balance sheet structures, including the capital. The Committee shall consist of corporate management personnel headed by the CEO and will also make decisions for future business strategies.
Operational Risk Management Committee (ORMC)	The Operational Risk Management Committee (ORMC) is responsible for assessing operational risks, including people, systems, internal controls, fraud, and external risks of AMWCL at the Branch, Region, and Service division levels.
IT Steering Committee (ITC)	ITC ensures that AMWCL's IT strategy aligns with the growth strategies and business requirements. The Committee is mainly responsible for the IT and IT security risk management of the Company. The Committee chaired by the CEO consists of corporate management personnel.
Impairment Committee (IC)	The Committee is responsible for ensuring that the Company complies with the provisioning requirement specified by the regulator and accounting standards. The CEO chaired the Committee.

Three lines of defense approach

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

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

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

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

Management oversight of risk

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

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

3.3. Risk culture

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

The AMWCL's risk culture encompasses the general awareness, attitude, and behavior of employees to take appropriate risks and manage risk within AMWCL. The AMWCL's risk culture is a key element of AMWCL's effective risk management framework, enabling decisions to be made in a sound and informed manner.

3.4. Risk strategy and appetite

a. Risk strategy

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

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

AMWCL seeks to accomplish its risk strategy by:

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

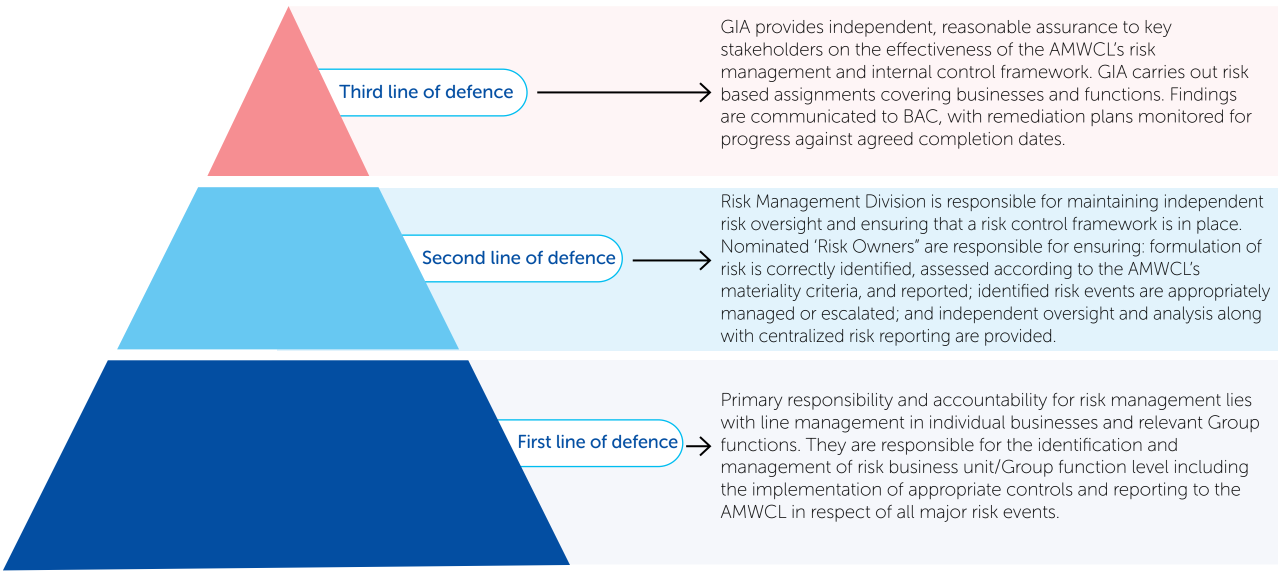
b. Risk appetite

Risk appetite defines the amount and type of risk AMWCL is prepared to accept in pursuit of its financial objectives. It informs Company strategy as part of the overall framework for risk governance, forms a boundary condition to strategy, and guides AMWCL in its risk-taking and related business activities. Risk appetite is defined in qualitative terms as well as quantitatively through a series of high-level limits and thresholds covering areas such as credit risk, market risk, liquidity risk, operational risk, and strategic risk.

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

3.5. Risk identification, analysis, and measurement

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



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

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

3.6. Risk monitoring and reporting

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

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

4. CREDIT RISK

Key points:

- The macroeconomic environment in the country has materially impacted AMWCL's lending portfolio.
- Total loans and advances to customers (before impairment loss allowance) at amortized cost decreased to LKR 8,319 million at 31 December 2022 from LKR 9,420 million at 31 December 2021 due temporary halt of lending facilities.
- AMWCL's NPA had increased compared to previous years due to depletion in the portfolio and changes in the NPA recognition date.,
- Total net impairment losses on loans and advances decreased to LKR 16.8 million compared to 2021 loss of LKR 173.4 million.

4.1. Definition of credit risk

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

Credit risk arises from leases and auto loans to AMWCL customers and sovereigns issuer, i.e. CBSL. The manner in which AMWCL's exposure to credit risk arises, its policies and processes for managing it, and the methods used to measure and monitor it are set out below.

4.2. Default risk

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

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

4.3. Credit concentration risk

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

4.4. Collateral risk

Collateral risk is the risk of loss arising from a change in the value or enforceability of security held due to errors in the nature, quantity, pricing, or characteristics of collateral security held in respect of a transaction with credit risk. Collateral risk has reduced significantly due to the current economic condition of the country and import restrictions of motor vehicles, which assist AMWCL in recovering larger NPA facilities. The risk management division monitors the changes in collateral values using data analytics.

4.5. Credit granting

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

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

4.6. Credit risk management

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

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

4.7. Credit policy

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

4.8. Loan impairment

The BAC approves impairment modeling methodologies and the quantum of AMWCL's impairment gain or loss. The Impairment Committee reviews NPAs and impairment provisions in advance of obtaining the approval of the BAC. The AMWCL's impairment models and methodologies play a key role in quantifying the appropriate level of impairment loss allowance.

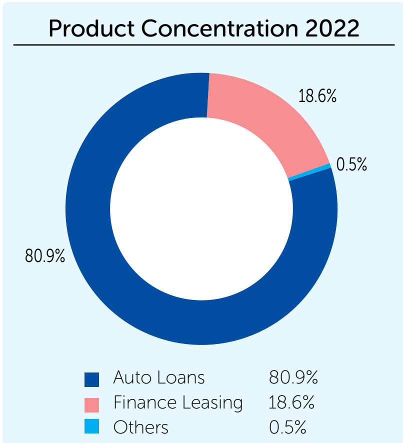
4.9. Loan Review Mechanism (LRM)

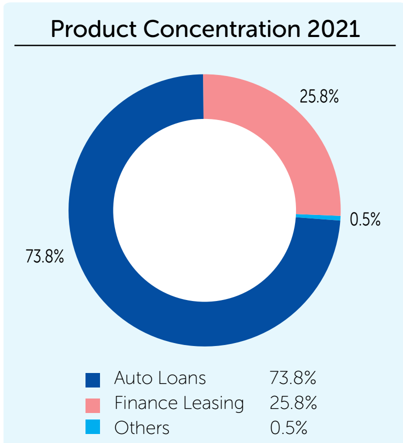
LRM is an independent function of the Risk Management Division to ensure that AMWCL has followed the credit guidelines stated in the credit-related policies and procedures. The Risk Management Division carries out periodic reviews of newly granted credit facilities.

4.10. COVID Affected customers

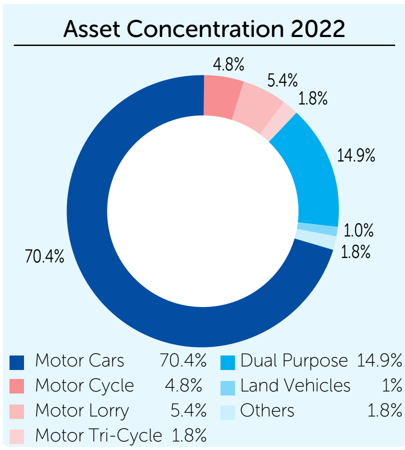
AMWCL's objective is to offer suitable and sustainable solutions in a timely manner for the customers who require further support. Accordingly, the Company has given COVID-19 affected customers as directed by the CBSL.

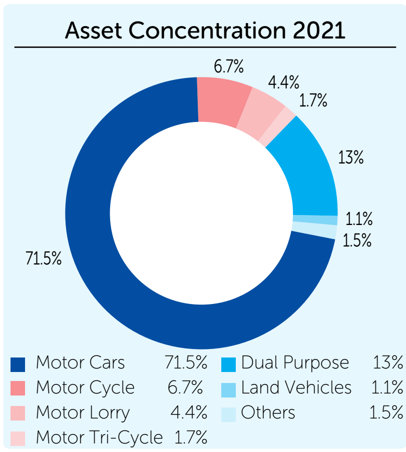
Product Concentration





Asset Concentration

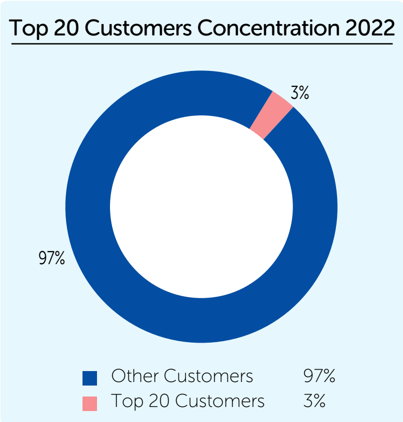


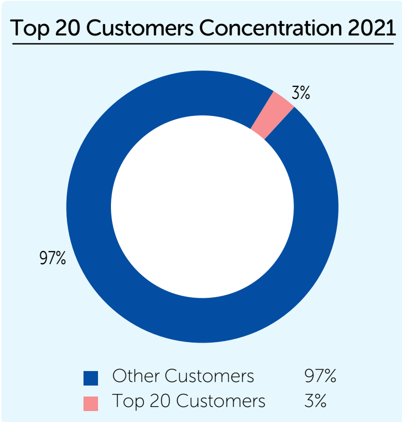


Portfolio Quality

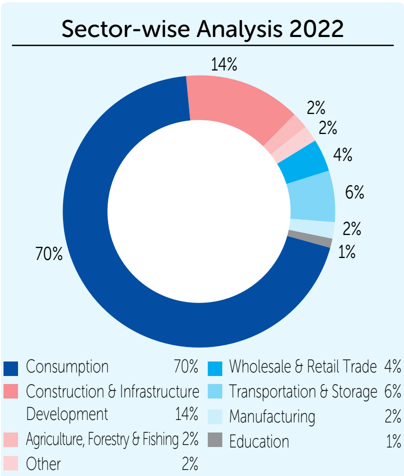
Despite a contraction in the lending portfolio, Company's NPL ratio was kept at a comparatively low level compared to the industry average. The AMWCL's loans and advances are secured either by vehicles or deposits, and the asset quality of the lending portfolio is one of the best among the peer companies.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

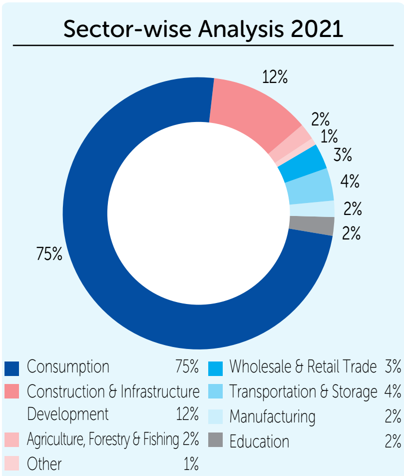
Top 20 Customers Concentration





Sector-wise Analysis





5. MARKET RISK

Key points:

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

5.1. Definition of market risk

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

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

5.2. Market risk management, measurement, and reporting

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

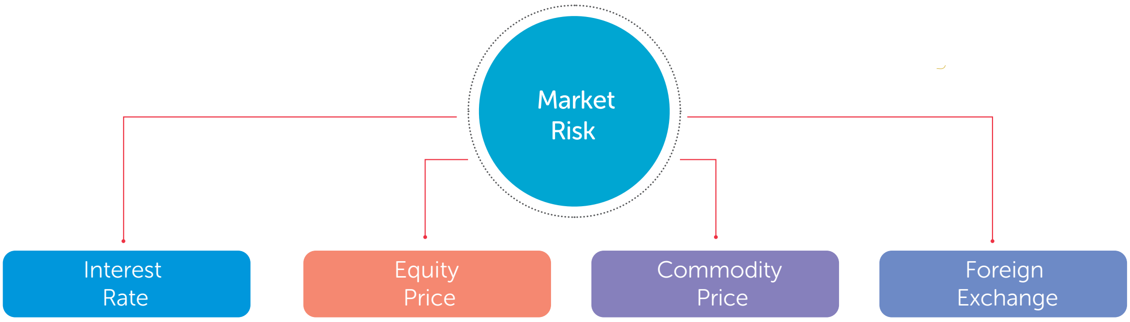
5.3. Interest rate risk

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

5.4. Interest Rate Risk Management

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

Market Risk Types



Interest Rate Sensitivity Gaps as at 31 December 2022 (LKR Mn)

As at 31 December 2022 Figures in LKR Mn	Less than 7 days	8 - 30 days	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total
Sensitive Assets							
Rentals Receivable on Lease, Hire Purchase, and Auto Loan Assets	7	336	743	955	1,545	5,948	9,535
Equity Instruments at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-	-
Debt Instruments at Amortised Cost	497	362	319	-	-	-	1,178
Total Sensitive Assets	**504**	**698**	**1,062**	**955**	**1,545**	**5,948**	**10,712**
Sensitive Liabilities							
Bank Overdraft	67	-	-	-	-	-	67
Time Deposits	11	30	118	943	155	514	1,771
Amounts due to Related Parties	-	-	-	-	-	-	-
Interest Bearing Borrowings	185	150	300	451	927	1,113	3,126
Lease Liabilities	-	2	4	5	11	50	73
Total Sensitive Liabilities	263	182	423	1,399	1,094	1,676	5,037
Gap	**241**	**516**	**639**	**(444)**	**452**	**4,272**	**5,676**
Cumulative Gap	**241**	**757**	**1,396**	**952**	**1,404**	**5,676**	

The Company's asset-sensitive interest rate gap was LKR 1,404 Mn.

Stress Testing - Interest Rate Risk

Description	CAR	Shock Level		
	31-Dec-22	5%	20%	50%
Market Risk -Interest Rate				
Tier I Capital	36.53%	36.26%	35.45%	33.75%
Total Capital	36.53%	36.26%	35.45%	33.75%

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

6. LIQUIDITY RISK

Key points:

- Due to unforeseen economic uncertainties, the Company temporarily stopped accepting customer deposits to manage the interest cost.
- Subsequently. the customer deposits portfolio decreased by LKR 443Mn to LKR 1,650 Mn compared to 31 December 2021.
- The AMWCL's Tier I CAR increased by 7.42% to 34.23% at 31 December 2022 (31 December 2021: 26.81%).
- The AMWCL complied with the Liquidity Assets Ratio as specified by the CBSL.

6.1. Definition of funding and liquidity risk

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

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

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

Funding and liquidity risk arises from a fundamental part of AMWCL's business model; the maturity transformation of primarily short-term deposits into longer-term loans. The AMWCL's strategy is to maintain a stable funding base with loan portfolios substantially funded by retail-originated customer deposit portfolios.

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

The AMWCL is required to comply with the liquidity ratio and capital adequacy requirements as specified by the CBSL, and both requirements were met during the year 2022.

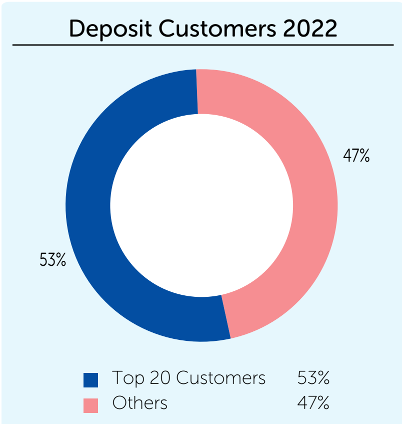
The AMWCL monitors a suite of Recovery Ratio and Indicators to identify the potential emergence of liquidity stress. As part of its contingency and recovery planning, AMWCL has identified a suite of potential funding and liquidity options that could be exercised to help AMWCL in an occurrence of a significant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

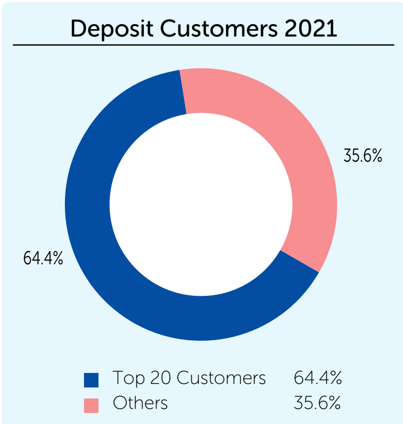
6.2. Liquidity risk reporting and strategy

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

6.3. Customer deposits concentration

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





As at 31 December 2022, customer concentration to the top 20 deposit customers decreased to 53% from 64%. The Company implemented risk mitigation strategies to reduce attention on customer deposits further, and accordingly, KRI was set up, and retail deposit targets were allocated to the deposit division to reduce the concentration risk. However, the Company stopped accepting deposits in Aug 2022 due to the unprecedented economic situation of the country.

6.4. Liquidity Ratio

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

Static Maturity Gap Analysis as at 31 December, 2022 (LKR Mn)

As at 31 December 2022 Figures in LKR Mn	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Financial Assets							
Cash and Bank	337	-	-	-	-	-	337
Other Financial Assets	-	63	17	-	-	-	80
Rentals Receivable on Lease and Hire Purchase Assets	82	114	449	681	113	1	1,440
Loans and Advances	277	626	2,039	3,705	1,416	32	8,095
Equity Instruments at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-	-
Debt Instruments at Amortised Cost	859	319	-	-	-	-	1,178
Total Financial Assets	**1,555**	**1,122**	**2,505**	**4,386**	**1,529**	**33**	**11,130**
Financial Liabilities							
Bank Overdraft	67	-	-	-	-	-	67
Trade and Other Payables	431	-	-	-	-	-	431
Time Deposits	41	118	1,098	157	357	-	1,771
Amounts due to Related Parties	-	-	-	-	-	-	-
Interest Bearing Borrowings	335	300	1,378	1,113	-	-	3,126
Lease Liabilities	2	4	17	39	9	2	73
Total Financial Liabilities	**876**	**423**	**2,493**	**1,309**	**366**	**2**	**5,468**
GAP	**679**	**731**	**12**	**3,077**	**1,163**	**32**	**5,694**
Cumulative GAP	**679**	**1,410**	**1,422**	**4,499**	**5,661**	**5,694**	

During the next one-year period, the Company will have maintained LKR 1,422 Mn positive gap.

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

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

Capital Adequacy

Description	2022	2021
Total Risk-Weighted Amount (LKR Mn.)	9,527	10,868
Tier 1 Capital (LKR Mn.)	3,480	2,913
Total Capital (LKR Mn.)	3,480	2,913
Tier 1 Capital Adequacy Ratio	36.53%	26.81%
Total Capital Adequacy Ratio	36.53%	26.81%

The AMWCL's Total Capital Ratio of 34.23% is well above the required minimum regulatory Total Capital Ratio of 12.5% as stipulated by the Central Bank of Sri Lanka. The total capital amount of LKR 3.2 billion at the end of December 2022 was also well above the minimum core capital requirement. The main driver of Tier I and total CAR movement, risk-weighted assets decreased to decline lending portfolio of the Company. AMWCL has planned to achieve accelerated growth in the future while keeping a comfortable margin above the regulatory requirements on the Total Capital Ratio.

7. OPERATIONAL RISK

Key points:

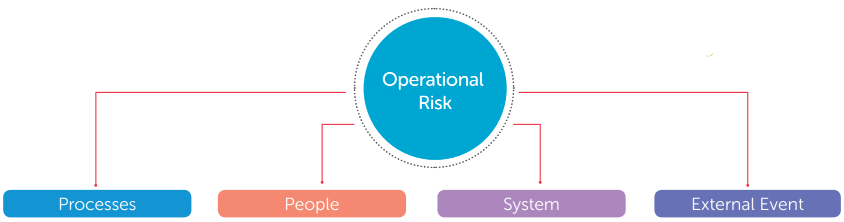
- Used KRI to assess and identify operational risk in a prudent manner.
- Conducted Operational Risk Management Committee (ORMC) meeting to monitor and manage the operational risks of the Company.
- Formulated TOR for ORMC and obtained Board approval for the same.
- Developed an online-based questionnaire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

8.1. Definition of operational risk

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

8.2. Operational risk management

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



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

8.3. Operational risk assessment

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

8.4. Operational risk reporting

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

Stress Testing - Operational Risk

Description	CAR	Shock Level		
	31-Dec-22	5%	20%	50%
Operational Risk**				
Tier I Capital	36.53%	35.82%	35.72%	35.51%
Total Capital	36.53%	35.82%	35.72%	35.51%
** Operational Loss is based on Assumption				

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

9. REGULATORY RISK

Key points:

- Reviewed and amended the policies to align with the CBSL directions and guidelines during the year.
- Conducted FIU-related training programs to increase awareness of the staff regarding AML risk.

9.1. Definition of regulatory risk

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

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

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

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

9.2. Regulatory risk mitigation

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

9.3. Regulatory risk reporting

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

Corporate Governance

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

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

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

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

Finance Companies (Corporate Governance) Direction No. 5 of 2021 for Licensed Finance Companies in Sri Lanka

Section	Governance Requirement	Extent of Compliance in 2022
1	BOARD'S OVERALL RESPONSIBILITIES	
1(1)	The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities.	Complied. Please refer Direction 1.2 to 1.7. .
1(2)	Business Strategy and Governance Framework	
	a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	Complied. The Strategic Plan for 2020-2023 is available which is reviewed by the Board on an annual basis.
	b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	Complied. There is a dedicated agenda item for the Directors to discuss governance/ regulation related matters at each Board meeting.
	c) Assessing the effectiveness of its governance framework periodically.	Complied. Policies, Procedures and TORs of the Board Sub Committees and the Management Committees are forwarded to the Board for periodic review with the Management and sub committees' recommendations as applicable. Further, the Company's articles empower 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 would not hinder the Boards ability to discharge its duties.
	d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	Complied. Two separate persons function as the Chairperson and the Chief Executive Officer. Their roles and responsibilities have been defined separately.
1(3)	Corporate Culture and Values	
	a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	Complied. The Board of Directors play a vital role in setting the right tone at the top, collectively driving toward achieving the right professional and ethical conduct aligned with the corporate values.

	b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	Complied. The Board of Directors always provide leadership and guidance to establish the right culture and values through the Code of Conduct, Directors' Code of Ethics, Board Charter, Related Party Transactions Policy, etc.
	c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	Complied. All these considerations have been incorporated into the strategic plan.
	d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public regulators.	Complied. The Board approved policy of communication satisfies the requirement of this Direction. The Policy ensures the effective internal and external communication of corporate information with all stakeholders of the Company.
1(4)	**Risk Appetite, Risk Management and Internal Controls**	
	a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	Complied. The Board approved RAS is available, which is reviewed annually.
	b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	Complied. Implementation of the Risk Policy is being monitored by the Board Integrated Risk Management Committee (BIRMC) and the Board through a well-structured Risk Reporting mechanism. The Board addresses such issues on a continuous basis.
	c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	Complied. The Board Audit Committee assesses the adequacy and the effectiveness of the Company's internal control systems and management information systems. On direction and recommendation of the Audit Committee the Board continuously review the internal control systems and management information systems to identify any gaps. The Directors' Responsibility Statement on Internal Control over Financial Reporting is validated by the external auditors each year.
	d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Complied. The Board approved Business Continuity Management Policy and disaster recovery plan is available. Periodic tests are done to ensure the robustness of the plan. Plan is updated based on the test results.
1(5)	**Board Commitment and Competency**	
	a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	Complied. All Directors come well prepared for the Board and Subcommittee meetings.
	b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	Complied. Directors possess qualifications, and experience with credible track records and have necessary skills to bring an independent judgment to bear on issues of strategy performance and resources. Brief profiles of the Directors are given on pages 10 to 11 of this Annual Report.

Section	Governance Requirement	Extent of Compliance in 2022
	c) The Board shall regularly review and agree the training and development needs of all the members.	Complied. The Board Charter covers training and development of members. Further, the Directors undertake training in their personal capacity, attend forums organized by the Central Bank of Sri Lanka and other institutions.
	d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.	Complied. Self-assessment are carried out annually on individual, Board as a whole and sub-committees and the records are maintained by the Acting Company Secretary.
	e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	Complied. The Board Charter includes a provision to enable the Directors to seek independent professional advice at the Company's expense.
1(6)	Oversight of Senior Management	
	a) Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	Complied. The Board has clearly defined senior management hierarchy.
	b) Defining the areas of authority and key responsibilities for the senior management.	Complied. Areas of authority and Key Responsibilities of the Senior Management are included in the respective job descriptions and Delegation of Authority.
	c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	Complied.
	d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	Complied. Senior Management personnel make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas. Senior Management responsible for internal controls and compliance attend every BIRMC meeting. Board has delegated the function of overseeing IAD to the Audit Committee. Board exercise oversight of the affairs of the Company by the Senior Management through the minutes of the meetings of the BIRMC and Board Audit Committee tabled at Board meetings.
	e) Ensuring the FC has an appropriate succession plan for senior management.	Complied. A succession plan approved by the Board is available.
	f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	Complied. The Board meets the Senior Management at the Board and Board Sub-Committee meetings on a regular basis.

Section	Governance Requirement	Extent of Compliance in 2022
1(7)	Adherence to the Existing Legal Framework	
	a) Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.	Complied. The Board of Directors always take due care to protect the interests and rights of all the stakeholders.
	b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	Complied. Compliance with statutory regulations and ethical standards is regularly monitored by the Board. The Compliance Officer of the Company submits a monthly compliance report which covers the compliance status of all the applicable laws, rules, regulations directions and etc.
	c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	Complied. The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka and other regulatory bodies. Further, the Company ensures that all the employees adhere to the internal policies and procedures. A Board approved Communication Policy is in place. The Company operates within the laws and directions issued by the regulator.
2	GOVERNANCE FRAMEWORK	
2(1)	Board shall develop and implement a governance framework in line with these directions and including but not limited to the following. a) role and responsibilities of the Board b) matters assigned for the Board. c) delegation of authority. d) composition of the Board. e) the Board's independence. f) the nomination, election and appointment of directors and appointment of senior management. g) the management of conflicts of interests h) access to information and obtaining independent advice. i) capacity building of Board members, j) the Board's performance evaluation. k) role and responsibilities of the chairperson and the CEO. l) role of the Company secretary, m) Board sub committees and their role; and n) limits on related party transactions.	Complied.
3	COMPOSITION OF THE BOARD	
3(1)	The Board's shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	Complied.

Corporate Governance

Section	Governance Requirement	Extent of Compliance in 2022
3(2)	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	This provision is not currently applicable.
3(3)	The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.	Complied. No director is close to 9 years of holding the office.
3(4)	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who is appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non-executive directors eligible to exceed 9 years are limited to one-fourth (14) of the total number of directors of the Board.	Complied.
3(5)	Executive Directors	
	a) Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.	Complied. As at the end of the financial year there was one executive director who is the Chief Executive Officer out of six Directors. The number of executive directors has not exceeded one-third of the total number of directors of the Board.
	b) A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.	Complied.
	c) In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.	Not Applicable
	d) All executive directors shall have a functional reporting line in the organization structure of the FC.	Not Applicable
	e) The executive directors are required to report to the Board through CEO.	Not Applicable
	f) Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	Not Applicable
3(6)	Non-Executive Directors	
	a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.	Complied. Directors' qualifications are experience are given in pages 10 to 11 of the Annual Report.

	b) A non-executive director cannot be appointed or function as the CEO/ executive director of the FC.	Complied.
3(7)	Independent Directors	
	a) The number of independent directors of the Board shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher.	Complied. As of 31 December 2022, the Board comprised of two (02) Independent Directors.
	b) Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	Complied. Please refer pages 10 to 11 of the Annual Report.
	c) A non-executive director shall not be considered independent if such:	
	i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC.	.
	ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.	
	iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.	
	iv. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director.	Complied
	v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC.	
	vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC.	
	vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a Company, in which any of the other directors of the FC is employed or is a director.	
	viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a Company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.	
	d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.	Complied. Although the Company has not established a nomination committee, the Board determines whether such influences a Director's independence or the perception of independence.

Section	Governance Requirement	Extent of Compliance in 2022
	e) An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.	Complied. At every Board meeting there is an agenda item dedicated to this which requires the Directors to make necessary disclosures.
3(8)	**Alternate Directors**	
	a) Representation through an alternate director is allowed only; i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad. b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC. c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board. d) An alternate director cannot be appointed to represent an executive director. e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director.	Currently there are no alternate Directors appointed.
3(9)	**Cooling off Periods**	
	a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	Not applicable for the financial year 2022
	b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.	Not applicable for the financial year 2022.
3(10)	**Common Directorships**	
	Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent Company, subsidiary Company or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	Complied.
3(11)	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	Complied.

Section	Governance Requirement	Extent of Compliance in 2022
4	**ASSESSMENT OF FITNESS AND PROPRIETY CRITERIA**	
4(1)	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	Complied.
4(2)	A person over the age of 70 years shall not serve as a director of a FC.	Complied. No Director has exceeded the age of 70 years.
4(3)	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following, a) Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a). c) The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors. d) The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	These provisions are not currently applicable as no Director has exceeded the stipulated age limit.
5	**APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT**	
5(1)	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied.
6	**THE CHAIRPERSON AND THE CEO**	
6(1)	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	Complied. Responsibilities of the Chairman and the CEO have been defined in writing. Chairman's responsibilities are distinct from those of the CEO. Chairman provides leadership to the Board while the CEO manages the day-to-day operations of the Company giving effect to the strategies and policies approved by the Board.
6(2)	The chairperson shall be an independent director, subject to 6.3 below	Complied. Chairperson is an independent Director.
6(3)	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.	Not applicable.

Section	Governance Requirement	Extent of Compliance in 2022
6(4)	Responsibilities of the Chairperson shall at least include the following: a) Provide leadership to the Board. b) Maintain and ensure a balance of power between executive and non-executive directors. c) Secure effective participation of both executive and non-executive directors. d) Ensure the Board works effectively and discharges its responsibilities. e) Ensure all key issues are discussed by the Board in a timely manner. f) Implement decisions/directions of the regulator. g) Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company secretary. h) Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities. i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. j) Annual assessment on the performance and the contribution during the past 12 months of the Board and the CEO.	Complied. The Board approved the list of functions and responsibilities of Chairman includes providing leadership to the Board and ensuring the effective discharge of Board functions.
6(5)	Responsibilities of the CEO	
	The CEO shall function as the apex executive-in-charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at least include: a) Implementing business and risk strategies in order to achieve the FC's strategic objectives. b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions. c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior. d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator. e) Strengthening the regulatory and supervisory compliance framework. f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. g) CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another Company, subject to Direction 3.10.	Complied. As per the Company's organization structure, the CEO functions as the apex executive-in-charge of the day-to-day management of the Company's operations and business with the support of the members of the corporate management.

Section	Governance Requirement	Extent of Compliance in 2022
7	MEETINGS OF THE BOARD	
7(1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Complied.
7(2)	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.	Complied. Twelve (12) meetings were held during the year.
7(3)	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	Complied. Pre-set agenda's for all meetings ensure the direction and control of the Company is firmly under Board control or authority. The Directors are given adequate time, at least 3 days of notice for regular Board meetings and for all meetings a time period as set out in the respective TOR is given. Any change to the schedule shall be notified to the Directors at least 3 days prior to the date of the meeting.
7(4)	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied.
7(5)	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 fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.	Complied. Please refer page 65 of the Annual Report. All meetings of the Board held during the year has been attended by the required number of independent directors.
7(6)	The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.	Will be implementing from FY 2023.
7(7)	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative 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 in the Board meeting.	Complied. Approved Board Charter includes specific provisions to avoid conflicts of interest. Directors' interests are disclosed to the Board at the beginning of each meeting of the Board of Directors. If a Director has an interest in a particular matter he abstains from voting for that matter and he is not counted in the quorum.
7(8)	A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.	Complied. Details of the Directors attendance is set out on page 65 of the Annual Report. No Director has violated this requirement during the financial year 2022
7(9)	Scheduled Board Meetings and Ad Hoc Board Meetings	
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	Complied.

Section	Governance Requirement	Extent of Compliance in 2022
8	COMPANY SECRETARY	
8(1)	a) The Board shall appoint a Company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.	These provisions are not currently applicable.
	b) The Board shall appoint its Company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a Company under Section 222 of the Companies Act No. 07 of 2007, on being appointed the Company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.	These provisions are not currently applicable.
8(2)	All directors shall have access to advice and services of the Company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	Complied. All Directors have access to the advice and services of the Acting Company Secretary. Approved Board Charter provides for same.
8(3)	The Company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Complied.
8(4)	The Company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Complied. Board Minutes are maintained by the Acting Company Secretary.
8(5)	The Company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	Complied.
8(6)	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include 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, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	Complied. Minutes of Board Meetings are recorded in sufficient detail to enable proper assessment to be made of the depth of deliberations at the meeting.
8(7)	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied. The Directors have access to the Board papers and minutes.

Section	Governance Requirement	Extent of Compliance in 2022
9	DELEGATION OF FUNCTIONS BY THE BOARD	
9(1)	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	Complied. Approved Board Charter includes a provision for delegation of powers by the Board. Board Charter also includes a provision for the matters reserved for the Board.
9(2)	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Complied. All the Board Subcommittees required by the Direction have been established.
9(3)	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied. Senior Management level sub committees have been established and the matters have been delegated to them by the Board with appropriate delegation of authority.
9(4)	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied. The Board has delegated matters pertaining to the affairs of the Company to the Board Sub Committees within scope of the respective Board approved Terms of Reference.
9(5)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	Complied. Delegation of Authority is subject to review as and when necessary.
10	BOARD SUB-COMMITTEES	
10(1)	a) For the purpose of specifying the requirements for board committees, FCs are divided into two categories based on the asset base as per the latest audited statement of financial position as FCs with asset base of more than Rs. 20 bn and FCs with asset base of less than Rs. 20 bn, subject to transitional provisions stated in direction 19.3.	Complied. The Company has an asset base of less than Rs. 20 bn. The Company has established the following Board sub committees. 01. Board Audit Committee 02. Board Integrated Risk Management Committee. 03. Related Party Transaction Review Committee 04. Remuneration Committee
	b) Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties	Complied. For each Board Sub Committee written Terms of Reference have been approved by the Board.
	c) The Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the FC.	A Report from each Board Sub Committee has been published in this Annual Report. Please refer pages from 68 to 71.
	d) Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	Acting Company Secretary acts as the Secretary of Board Audit Committee, Integrated Board Risk Management Committee, Remuneration Committee and Related Party Transactions Review Committee.
	e) Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee.	Complied. Please refer page 67 for the composition of the Board Sub committees and refer pages 10 to 11 for the profiles of the Board Members.
	f) The Board may consider occasional rotation of members and of the chairperson	The Board considers rotating members and the chairperson of the Board subcommittee occasionally.

Section	Governance Requirement	Extent of Compliance in 2022
10.2	**Board Audit Committee (BAC)**	
	The following shall apply in relation to the BAC.	
	a) The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	Complied. 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 UK and Sri Lanka and a Fellow of the Chartered Institute of Bankers in England.
	b) The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	Complied.
	c) The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	Complied. Acting Company Secretary functions as the Secretary for BAC.
	d) External Audit Function	
	i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.	Complied. The BAC makes the following recommendations to the Board regarding: - The appointment of PricewaterhouseCoopers for audit services provided in compliance with the relevant statutes for the financial year. - The implementation of the Central Bank guidelines issued to Auditors from time to time. - The application of the relevant accounting standards.
	ii. 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 the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	Complied. The BAC makes the recommendation on the service period, audit fee and any resignation or dismissal of the Auditor. The engagement of the Audit Partner does not exceed 5 years.
	iii. Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	Complied.
	iv. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied. External Auditors directly reports to the BAC.
	v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	Complied. 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.

Section	Governance Requirement	Extent of Compliance in 2022
	vi. The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with 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. The BAC has discussed and finalized the nature and scope of the audit, with the External Auditors in accordance with Sri Lanka Accounting Standards.
	vii. The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC'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. Monthly, quarterly, annual financial statements are presented to BAC for review before they are submitted to the Board and released to shareholders.
	viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary,	Complied. The BAC discusses issues, problems and reservations arising from the interim and final audits with the External Auditors.
	ix. The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	Complied. The committee has reviewed the External Auditor's Management Letter and Management responses relating to the audit for the year ended 31/12/2021.
	e) The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Complied Director's statement on Internal Controls over Financial Reporting on page 67.
	f) The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the FC.	Complied. The BAC monitors these through regular reporting from the Internal Audit Department.
	g) Internal Audit Function	
	i. The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.	Complied.

Section	Governance Requirement	Extent of Compliance in 2022
	ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	Complied. Board approved Internal Audit Charter is in place.
	iii. The BAC shall take the following steps with regard to the internal audit function of the FC:	Complied.
	(i) Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work.	Complied. BAC has discussed the adequacy of the scope, functions and resources of the IAD.
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit.	Complied. BAC has reviewed and approved the Annual Internal Audit Plan.
	(iii) Assess the performance of the head and senior staff members of the internal audit department.	Complied. Annual performance evaluation of IAD has carried out for the FY 2022
	(iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.	Complied. Performance review of CIA and Senior Manager - IA are under the purview of BAC.
	(v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	Complied.
	(vi) Examine the major findings of internal investigations and management's responses thereto.	Complied.
	h) The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	Complied. BAC reviews on a quarterly basis the progress of implementation of recommendations of CBSL onsite report.
	i) Meetings of the Committee	
	i. The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied. Every BAC meeting is duly recorded and minutes are submitted to the Board for its information.
	ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	Complied. Members of the BAC, the Head of IA (Acting) and GM – Finance attending the Meeting. CEO attends by invitation.
	iii. BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present.	Complied The Committee met the External Auditors in relation to the audit in the absence of the Executive Management.

Section	Governance Requirement	Extent of Compliance in 2022
10.3	**Board Integrated Risk Management Committee (BIRMC)**	
	The following shall apply in relation to the BIRMC:	
	a) The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied. The Committee is chaired by an Independent Non-Executive Director. The CEO and Head of Risk attend all BIRMC meetings and other KMP's are invited to the meetings when requested by the Committee.
	b) The secretary to the committee may preferably be the CRO.	Acting Company Secretary functions as the secretary to BIRMC.
	c) The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	Complied. The Committee assesses the Company wide risks covering all areas.
	d) Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.	Complied. Approved RAS is monitored by the Head of Risk and reported to the BIRMC on ongoing basis. RAS is subjected to annual review.
	e) The BIRMC shall review the FC's risk policies including RAS, at least annually.	Complied. All the policies, including the Risk Policy are reviewed by BIRMC annually.
	f) The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied. The BIRMC assesses the adequacy of the operational level committees periodically.
	g) The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Complied. BCP and DR plans are subjected to annual review.
	h) BIRMC shall annually assess the performance of the compliance officer and the CRO.	Complied. BIRMC assess the performance of the Head of Risk and Head of Compliance annually.
	i) **Compliance Function**	
	i. BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	Complied. Company has established an independent division headed by a dedicated Head of Compliance.

Section	Governance Requirement	Extent of Compliance in 2022
	ii. For FCs with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	Complied. The Head of Compliance is independent from day-to-day management functions and there is no 'dual hatting'.
	iii. For FCs with asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Complied.
	iv. The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following: (i) develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory developments relevant to the business of FC; (v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity,	Complied. Process and procedures were developed and put into place to eliminate regulatory breaches, and the entire process is being carried out in accordance with the annual compliance plan approved by the Board, and BIRMC examines progress on a bi-monthly basis.
	j) Risk Management Function	
	i. BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC	Complied. The Company has established an Independent Risk Management Function.
	ii. For FCs with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	Complied. Head of Risk submitted reports / observations to BIRMC.
	iii. The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives	Complied. The Board has approved a Risk Management Policy with relevant RAS.

Section	Governance Requirement	Extent of Compliance in 2022
	iv. The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: (i) various potential risks and frauds; (ii) possible sources of such risks and frauds; (iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ; (iv) effective measures to control and mitigate risks at prudent levels; and (v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	Complied. Risk Management policy frameworks are approved and in place.
	v. The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	Complied. Head of Risk participating strategic planning meetings of the Company.
	vi. The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Complied. Comprehensive updates are shared with the BIRMC periodically.
	vii. The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	Complied. The risk assessment reports are submitted to the upcoming Board meeting periodically.
10.4	Nomination Committee	
	The following shall apply in relation to the Nomination Committee: a) The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee. b) Secretary to the nomination committee may preferably be the Company secretary. c) The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer. d) The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. e) The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	These provisions are not currently applicable.

Corporate Governance

Section	Governance Requirement	Extent of Compliance in 2022
	f) The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	
	g) The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	
	h) Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the Company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can	
	i) The committee shall consider and recommend (or not recommend) the reelection of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	
	j) The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management.	
	k) A member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	
10.5.	**Human Resource and Remuneration Committee**	
	The following shall apply in relation to the Human Resources and Remuneration Committee:	
	a) The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	Complied. All three members of the Committee are Non-Executive Directors.
	b) The secretary to the human resource and remuneration committee may preferably be the Company secretary.	Complied. The Acting Company Secretary acts as the Secretary to the committee.
	c) The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.	Complied. The Board-approved Remuneration Policy is in place.
	d) There shall be a formal and transparent procedure in developing the remuneration policy.	Complied. Remuneration Policy is developed in accordance with all the applicable Directions, rules and regulations.

Section	Governance Requirement	Extent of Compliance in 2022
	e) The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.	Complied. Refer 10.5. (c)
	f) The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	Complied.
	g) The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives	Complied. Senior Management is invited for meetings only as and when necessary.
	h) The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	Complied.
11	INTERNAL CONTROLS	
11(1)	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied. Well defined internal control systems have been established covering all these areas. The Company has deployed procedures for all its business activities and are periodically reviewed. Internal control policies and procedures to mitigate the risks associated with such business processes are duly incorporated into those manuals with ongoing reviews.
11(2)	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.	Complied. Objectives of each internal control process/ procedure cover these aspects.
11(3)	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	Complied. Clear responsibilities for control activities are identified in business procedure manuals.
12	RELATED PARTY TRANSACTIONS	
12(1)	Board shall establish a policy and procedures for related party transactions, which covers the following.	
	a) All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors.	Complied.

Section	Governance Requirement	Extent of Compliance in 2022
	b) All related party transactions shall be prior reviewed and recommended by the RPTRC.	Complied.
	c) The business transactions with a related party that are covered in this Direction shall be the following: i. Granting accommodation. ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable. iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	Complied. All the related party transaction details have been disclosed in the Financial Statement.
12(2)	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa. d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	Complied. A list of related parties as defined under (a) - (f) has been compiled and made available to relevant managers and staff to avoid any conflicts and facilitate reporting.
12(3)	The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean: a) Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty.	Complied. Internal controls have been deployed to comply with these parameters. Sufficient education has been provided to relevant employees in this regard.

Section	Governance Requirement	Extent of Compliance in 2022
	c) Providing preferential treatment, such as favorable terms, 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; or e) Maintaining reporting lines and information flows between the FC 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.	
13.	GROUP GOVERNANCE	
13(1)	Responsibilities of the FC as a Holding Company a) The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them. b) The Board of the FC shall: i) Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies. ii) Ensure that the differences in the operating environment, including the legal and regulatory requirements for each Company, are properly understood and reflected in the group governance framework. iii) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries. iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra- group transactions; and v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements. c) The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls. d) The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that Company-specific risks are adequately addressed. e) The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.	Not applicable.

Section	Governance Requirement	Extent of Compliance in 2022
13(2)	Responsibilities as a Subsidiary if the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	Not applicable.
14	CORPORATE CULTURE	
14(1)	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	Complied. A code of conduct covering these areas is in place and made available to all employees.
14(2)	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied.
14(3)	A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied. Company has deployed a well-defined Whistleblowing Policy to report unethical, fraudulent and illegal activities. All incidents are investigated and reported to the BAC.
15	CONFLICTS OF INTEREST	
15(1)	a) Relationships between the directors shall not exercise undue influence or interest coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting, b) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall, i. Identify circumstances which constitute or may give rise to conflicts of interests. ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest. v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and vi. Articulate how any non-compliance with the policy to be addressed.	Complied. The Company is in the process of developing a comprehensive policy to address potential conflicts of interest.

Section	Governance Requirement	Extent of Compliance in 2022
16	Disclosures	
16.1	The Board shall ensure that:	Complied.
	(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 Sinhala, Tamil and English. The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.	Complied.

Corporate Governance

Compliance with Listing Requirements on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange

CSE Rule No.	Governance Requirement	Extent of Compliance in 2022
7.10.1	**Non-Executive Directors**	
	a. The board shall include at least, two (2) non-executive directors; or such number of non-executive directors' equivalent to one third (1/3) of the total number of directors, whichever is higher.	Complied. As of 31 December 2022 Board comprised of six Directors. Five (05) out of the six (06) are Non-Executive Directors and have held office prior to and immediately preceding the Annual General Meeting.
	b. The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	
	c. Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	
7.10.2	**Independent Directors** a. Where the constitution of the board includes only two (2) non-executive directors in terms of Rule 7.10.1 above, both such non-executive directors shall be "independent" (as per the criteria set out in Rule 7.10.4 of the CSE Listing Rules). In all other instances two (2) or one third (1/3) of non-executive directors appointed to the board, whichever is higher, shall be "independent".	Complied. Two (02) out of the six (06) Non-Executive Directors are independent.
	b. 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.
7.10.3	**Disclosure relating to Directors** a. The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the Annual Report the names of directors determined to be "independent."	
	b. In the event a director does not qualify as "independent" against any of the criteria set out below but if the board, taking into account all the circumstances, is of the opinion that the director is nevertheless "independent" the board shall specify the criteria not met and the basis for its determination in the Annual Report	Not applicable.
	c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its Annual Report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	Complied. Resume of each Director is given on pages 10 to 11 of the Annual Report.
	d. Upon appointment of a new director to its board, the Company shall forthwith provide to the Colombo Stock Exchange (the "Exchange") a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemized in paragraphs (a), (b) and (c) above.	Complied. The Company Secretary has provided the required information to the Exchange upon appointment of new Directors.

CSE Rule No.	Governance Requirement	Extent of Compliance in 2022
7.10.5	**Remuneration Committee**	
	a. Composition The remuneration committee shall comprise; of a minimum of two (2) independent non-executive directors (in instances where the Company has only two (2) directors on its board); or of non-executive directors a majority of whom shall be independent, whichever is higher. One (1) non-executive director shall be appointed as Chairman of the committee by the board.	Complied. Remuneration Committee consists of two (02) independent Non-Executive Directors and one Non-Executive Director.
	b. Functions The remuneration committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer ("CEO") of the Company and/or equivalent position thereof, to the board of the Company which will make the final determination upon consideration of such recommendations.	Complied. Please refer the "Remuneration Committee' Report on page 70 of the Annual Report.
	c. Disclosure in the Annual Report The Annual Report should set out the names of directors (or persons in the parent Company's committee in the case of a group Company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	Complied. Please refer the Remuneration Committee Report on page 70 of the Annual Report. Fees paid to Directors are disclosed in the 'Note 31.2 to Financial Statements' on page 118 of the Annual Report. There is one Executive Director on the Board.
7.10.6	**Audit Committee** a. Composition The audit committee shall comprise; of a minimum of two (2) independent non-executive directors (in instances where an entity has only two (2) directors on its board); or of non-executive directors, a majority of whom shall be independent, whichever shall be higher.	Complied.
	In a situation where both the parent Company and the subsidiary are 'Listed Entities', the audit committee of the parent Company may function as the audit committee of the subsidiary	Not applicable.
	One (1) non-executive director shall be appointed as the Chairman of the audit committee by the board.	Complied.
	Unless otherwise determined by the audit committee, the CEO and the Chief Financial Officer ("CFO") of the Company shall attend audit committee meetings.	Complied. CEO and GM Finance attend the Audit Committee Meetings by invitation.
	The Chairman or one (1) member of the audit committee should be a Member of a recognized professional accounting body.	Complied. Board Audit Committee Chairman is a fellow member of the Institute of Chartered Accountants of UK and Sri Lanka.
	b. Functions The audit committee's functions shall include, (i) Overseeing of the preparation, presentation, and adequacy of disclosures in the financial statements of the Company, in accordance with Sri Lanka Accounting Standards.	Complied. The functions of the Board Audit Committee and its report are given on page 68.

Corporate Governance

CSE Rule No.	Governance Requirement	Extent of Compliance in 2022
	(ii) Overseeing of the Company's compliance with financial reporting requirements, information requirements of the Companies Act No. 7 of 2007 and other relevant financial reporting related regulations and requirements.	Complied.
	(iii) Overseeing the processes to ensure that the Company's internal controls and risk management are adequate to meet requirements of the Sri Lanka Auditing Standards	Complied.
	(iv) Assessment of the independence and performance of the Company's external auditors.	Complied. The Board Audit Committee is responsible to monitor and review the External Auditors independence, objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements. External Auditors directly reports to the Board Audit Committee. .
	(v) To make recommendations to the board pertaining to appointment, re- appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors.	Complied.
	c. Disclosure in the Annual Report The names of the directors (or persons in the parent Company's committee in the case of a group Company) comprising the audit committee should be disclosed in the Annual Report.	Complied. The names of members of the Board Audit Committee and its report are given on page 68 of the Annual Report.
	The Audit Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the Annual Report.	Complied. Please refer Board Audit Committee Report on page 68 of the Annual Report.
	The Annual Report shall contain a report by the audit committee setting out the manner of compliance by the Company in relation to the above, during the period to which the Annual Report relates.	Complied. Please refer Board Audit Committee Report on page 68 of the Annual Report.

ATTENDANCE AT THE MEETINGS OF THE BOARD & SUB-COMMITTEES HELD DURING THE FINANCIAL YEAR 2022

Board Meetings

Names	Members	Number of Meetings
Number of meetings held		12
Mr. T S A Fernandopulle	Chairman (Independent Non-Executive Director)	12/12
Mr. J D N Kekulawala	Independent Non-Executive Director	12/12
Mr. R C J De Silva Munasinghe	Director/CEO	12/12
Mr. A B Mundra	Non-Executive Director	10/12
Mr. P A Mackenzie	Non-Executive Director	12/12
Mr. A Maas (appointed w.e.f:03.11.22)	Non-Executive Director	2/2
Mr. R Narasimhan (appointed w.e.f:27.04.22 & resigned w.e.f: 05.09.22)	Non-Executive Director	5/5

Board Audit Committee

Names	Members	Number of Meetings
Number of meetings held		07
Mr. J D N Kekulawala	Chairman	7/7
Mr. T S A Fernandopulle	Member	7/7
Mr. P A Mackenzie	Member	7/7

Board Integrated Risk Management Committee

Names	Members	Number of Meetings
Number of meetings held		04
Mr. T S A Fernandopulle	Chairman	4/4
Mr. J D N Kekulawala	Member	4/4
Mr. P A Mackenzie	Member	4/4

Remuneration Committee

Names	Members	Number of Meetings
Number of meetings held		02
Mr. J D N Kekulawala	Chairman	2/2
Mr. T S A Fernandopulle	Member	2/2
Mr. P A Mackenzie	Member	2/2

Report of the Directors

The Directors are pleased to present their Report for the Financial Year Ended 31 December 2022 together with the Audited Statement of Financial Position and the Statement of Comprehensive Income for the period under review.

Review of the Period

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

Financial Statements

The Financial Statements prepared in compliance with the requirements of section 151 of the Companies Act No.7 of 2007 are given on pages 79 to 132 in this Annual Report.

Independent Auditors Report

The Auditors Report on the Financial Statements is given on pages 76 to 78 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the Financial Statements are given on pages 83 to 93.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for Financial Statements is given on page 73.

Stated Capital

The Stated Capital of the Company on 31 December 2022 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. Alexander Maas has been appointed to the Board as a Non-Executive Director since the last Annual General Meeting. Mr. Ramesh Narasimhan, who had been appointed as a Non-Executive Director since the previous Annual General Meeting, resigned during the period under review.

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

Directors' Interests

The Directors' Interest in Contracts of the Company have been included in the notes to the Accounts.

Related Party Transactions

During the year ended 31 December 2022, 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 31 on pages 117 to 118 to the Financial Statements and Report of the Related Party Transactions Review Committee on pages 71 and 72.

Directors' Remuneration

Details of the remuneration received by the Directors are set out in Note 31.2 to the Financial Statements on page 118.

Auditors

Messrs. Pricewaterhouse Coopers have expressed their willingness to continue in office as Auditors of the Company for the year ending 31 December 2023. A resolution pertaining to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Chandima Nanayakkara
Acting Company Secretary
30 March 2023

Directors' Statement on Internal Control Over Financial Reporting

RESPONSIBILITY

In compliance with the transitional provisions of the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, 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 68.
- Company adopted the new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2012. The processes initially applied to adopt the aforementioned accounting standards were further strengthened during the years 2013 to 2022.
- Necessary steps were taken by the Company to further review the requirements of the Sri Lanka Accounting Standard – SLFRS 9 (Financial Instruments). Designing of processes and controls, implementation of models and training and awareness sessions to stakeholders (including the Board and Senior Management) were made. The Audit Committee continually advises the management on the strengthening of processes and controls required in management information systems to maintain the level of compliance with SLFRS 9 and related disclosures.
- The Company adopted SLFRS 16 – Leases during 2018 and necessary steps were taken to assess its impact on the financial statements and to design suitable internal controls.
- The comments made by the External Auditors in connection with internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors during the process of Auditing Financial Statements of 2022 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 2022 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
30 March 2023
Colombo

Report of the Board Audit Committee

The Board Audit Committee comprises of two Independent Non-Executive Directors, Mr. Nihal Kekulawala as Chairman and Mr. Trevine Fernandopulle along with one Non-Executive Director, Mr. Peter Mackenzie, and the Acting Company Secretary functions as the Secretary to the Committee.

The Board defined the Objectives of the Committee 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 conflicts of interest.
4. Assessing independence of External Auditors and monitoring 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 Division of the Company carries out the Internal Audit functions, and they report directly to the Audit Committee. The Director/CEO, along with General Manager – Credit and Operations, General Manager - Marketing, General Manager - Finance, Head of Risk, Head of Compliance, and Head of Internal Audit, attend the Audit Committee meetings by invitation. The internal Audit Manager presented the Audit plan for the current year to the Committee during the 4th Quarter of last year for approval.

The Committee met seven occasions during the year, Quarterly Internal Audit reports are presented to the Committee as per the approved presentation format. It includes a report on 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 include a Balance Sheet audit. The branches are selected during the year for review of the Operational and Business procedures based on risk categorization, further, all audit reports from the Internal Audit Division are tabled along with Management responses. The Committee also monitors the submission of 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.

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

The Committee reviewed the services provided by the External Auditors, Messrs. PricewaterhouseCoopers, to evaluate their independence and objectivity 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. It also reviewed, agreed, and discussed their audit plan, including their assessment on key audit matters.

The Board Audit Committee is primarily responsible for making recommendations to the Board on the appointment, re-appointment, or removal of External Auditors in line with professional standards and regulatory requirements.

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

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

Mr. J D N Kekulawala	07
Mr. T S A Fernandopulle	07
Mr. P A Mackenzie	07

Nihal Kekulawala
Chairman - Audit Committee
30 March 2023

Report of the Board Integrated Risk Management Committee

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

Mr Trevine Fernandopulle
Independent Non-Executive Director

Mr Nihal Kekulawala
Independent Non-Executive Director

Mr Peter Mackenzie
Non-Executive Director

Charter of the Committee

The Board of Directors established the BIRMC in compliance with Section 10. (3) of Direction No. 05 of 2022 on Corporate Governance for Finance Companies in Sri Lanka issued by the Central Bank of Sri Lanka.

The Board has approved the BIRMC charter in which sets out the membership, source of authority, duties, and responsibilities of the BIRMC. The functions of the BIRMC in managing the risks of the Company have been discussed in detail under the "Risk Management" from pages 24 to page 37 of this Annual Report.

Committee Meetings and Methodology

The BIRMC met 04 times during the year ended 31st December 2022, and its deliberations and conclusions were reported to the Board of Directors. The BIRMC 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 ensures adequacy of the effectiveness of the risk management framework of the Company.
The scope of the Committee was based on the guidelines defined by the Central Bank for Finance Companies. In particular, the Committee reviewed risks flowing from the business plan and strategy, economic, credit, market, liquidity, and operational risks as well as interest rate mismatch risk.

Activities and Functions of the Committee

- Assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance, and technology through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.
- Develop risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that AMWCL will accept or avoid in order to achieve strategic business objectives.
- Review the AMWCL's risk policies, including RAS, at least annually,
- Review the adequacy and effectiveness of senior management level committees (Credit, ALCO, ITSC, and operational) to address specific risks and manage those within quantitative and qualitative risk limits as specified by the Committee.
- Assess all aspects of risk management, including updated business continuity and disaster recovery plans.
- Assess the performance of the Compliance Officer and the Head of Risk.
- Establish an independent compliance function to assess AMWCL's compliance with laws, regulations, directions, rules, regulatory guidelines, and approved policies on business operations.
- Establish an independent risk management function responsible for managing risk-taking activities across the AMWCL.
- 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.
- Consider proposed material changes to the Company's risk profile or Risk Appetite arising from planned new or increased business.
- Select a dedicated compliance officer from key management personnel to carry out the compliance function and report to the Committee periodically.

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

Trevine Fernandopulle
Chairman
Board Integrated Risk Management Committee
30 March 2023

Report of the Remuneration Committee

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

The composition of the Committee meets the requirement set out in the listing Rules of the Colombo Stock Exchange. The profiles of the members are set out on pages 10 to 12.

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

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

Nihal Kekulawala
Chairman - Remuneration Committee
30 March 2023

Report of the Related Party Transactions Review Committee

The Board appointed Related Party Transactions Review Committee comprises of two Independent Non-Executive Directors, Mr. Nihal Kekulawala as Chairman, Mr. Trevine Fernandopulle together with one Non-Executive Director, Mr. Peter Mackenzie.

The AMWCL Acting Company Secretary functions as the Secretary to the Committee.

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

Name	Directorship Status	Attended/Eligible Meetings
Mr. Nihal Kekulawala	Independent Non-Executive Director	4/4
Mr. Trevine Fernandopulle	Independent Non-Executive Director	4/4
Mr. Peter Mackenzie	Non-Executive Director	4/4

Terms of Reference of the Committee

The Committee was mandated by the Terms of Reference approved by the Board of Directors for the purpose of reviewing in advance all proposed related party transactions and communicating its comments and observations to the Board.

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.

Report of the Related Party Transactions Review Committee (Contd..)

Related party Transactions During 2022

Details of related party transactions during the period under review are disclosed under Note 31 on pages 117 to 118 Financial Statements.

Name of the related party	Relationship	Nature of the transaction	Aggregate value of related party transactions entered into during the financial year (Mn.)	Aggregate value of related party transactions as a % of Net Interest Income	Terms and conditions of the related party transactions
Associated Motorways (Pvt) Ltd	Parent	Management fees paid	1.11	0.14%	As per the agreement
		Rent paid	3.56	0.46%	As per the agreement
		Salary/Fuel reimbursements	6.48	0.83%	As per the agreement
		Inter Company vehicle purchases	16.06	2.05%	Normal commercial terms
			27.20	**3.48%**	
		Rental income received	0.95	0.12%	As per the agreement
			0.95	**0.12%**	

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 on page 66 of this Annual Report.

Nihal Kekulawala
Chairman
Related Party Transactions Review Committee
30 March 2023

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 of 31 December 2022 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

Chandima Nanayakkara
Acting Company Secretary
30 March 2023

Financial Reports

Independent Auditors' Report

Independent auditor's report

To the Shareholders of AMW Capital Leasing and Finance PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the acCompanying financial statements give a true and fair view of the financial position of AMW Capital Leasing and Finance PLC ("the Company") as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

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

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

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

Report on the audit of the financial statements (Contd)

Key audit matters (Contd)

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 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 2022, total gross amount of loans and advances and rentals receivable on lease and hire purchase assets amounted to Rs. 8,319 million, with a total allowance for impairment of Rs. 921 million. Total net amount of loans and advances represent 80% of the total assets. Management assesses whether the credit risk of loans and advances to customers and rentals receivable on lease and hire purchase assets have increased significantly since their initial recognition and applies a three-stage impairment approach to calculate the Expected Credit Loss (ECL) by grouping the portfolio into different segments, namely motor car, motorcycle, dual purpose, land vehicles and other assets. ECL is calculated on either an individual basis or a collective basis. Collective impairment is calculated incorporating key parameters, including probability of default, loss given default, exposure at default, discount factor for the period and economic factor adjustment. Individual impairment is determined using discounted cash flows. 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: - The complex calculations with key variables being used in the ECL model requiring significant management judgment and use of assumptions; - The magnitude of the reported amounts of loans and advances and rentals receivable on lease and hire purchase assets and the impairment allowances thereof; and - The determination of ECL in an uncertain economic environment.	The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and advances and rentals receivable on lease and hire purchase assets in line with SLFRS 9 adopted, included the following: - Understanding, evaluating and testing the design and operating effectiveness of key controls in lending and credit risk mitigation process; - Assessing the appropriateness of the criteria (E.g.: days past due, industry segments) used by management to determine whether customer credit facilities are impaired; - Assessing the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgement made and assumptions used by management respectively, which included, cash flow estimates, discount rates, expected recoveries when defaults occur and management overlays; - Checking the reasonability of the macro-economic and other forward-looking information used by management, by comparing them against reliable publicly available information; - Checking the underlying calculations and data on a sample basis for accuracy and completeness; and - Assessing the accuracy and sufficiency of related financial statement disclosures. Based on our procedures, we found the methodology adopted to be appropriate, and the estimates and assumptions within the ECL model to be reasonable. We also found the disclosures in the financial statements in respect of the impairment to be adequate.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 December 2022 ("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 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.

Independent Auditors' Report

Independent auditor's report

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

Report on the audit of the financial statements (Contd)

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number: 4084
COLOMBO
Date: 30 March 2023

Statement of Financial Position

As at 31 December	Note	2022 Rs.	2021 Rs.
ASSETS			
Cash and bank	3	337,096,577	288,455,180
Other financial assets	4	80,238,238	80,331,811
Other non financial assets	5	49,098,162	43,406,197
Deferred tax assets	6	86,151,258	39,337,550
Rentals receivable on lease and hire purchase assets	7	1,118,908,129	1,954,075,734
Loans and advances	8	6,279,256,677	6,575,354,012
Equity instruments at fair value through other comprehensive income	9	2,120,229	2,100,826
Debt instruments at amortised cost	10	1,177,977,921	470,753,293
Property, plant and equipment	11	40,558,567	26,713,054
Intangible assets	12	-	262,346
Right-of-use assets	13	60,422,841	92,265,444
Total assets		**9,231,828,599**	**9,573,055,447**
EQUITY AND LIABILITIES			
Liabilities			
Bank overdraft	3	67,065,862	44,565,998
Trade and other payables	14	438,334,848	433,701,111
Time deposits	15	1,770,848,966	2,175,067,640
Interest bearing borrowings	16	3,125,861,723	3,240,438,779
Lease liabilities	13	73,060,622	97,340,524
Income tax payable	17	159,746,842	227,817,172
Employee benefit obligation	18	29,094,358	29,860,266
Total liabilities		**5,664,013,221**	**6,248,791,490**
Equity			
Stated capital	19	200,000,000	200,000,000
Retained profit		3,189,378,330	2,957,692,844
Fair value through OCI reserve		1,427,881	1,535,524
Statutory reserve fund	20	177,009,168	165,035,589
Total equity		**3,567,815,378**	**3,324,263,957**
Total equity and liabilities		**9,231,828,599**	**9,573,055,447**

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

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

Director Director
Colombo, Sri Lanka
30 March 2023

Accounting policies and notes on pages 83 to 132 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Comprehensive Income

Year ended 31 December	Note	2022 Rs.	2021 Rs.
Interest income	21	1,580,462,501	1,378,303,310
Less: Interest expenses	22	(798,399,803)	(511,429,807)
Net interest income		**782,062,698**	**866,873,503**
Other operating income / (expenses)	23	208,438,955	358,635,719
Total operating income		**990,501,653**	**1,225,509,222**
Credit loss expense	24	(16,897,124)	(173,414,841)
Net operating income		**973,604,529**	**1,052,094,381**
Less: Operating expenses			
Administration cost		(315,859,532)	(227,262,118)
Personnel cost		(206,727,932)	(245,844,862)
Distribution cost		(34,784,923)	(31,129,108)
Operating profit before Value Added Tax (VAT) on financial services		**416,232,142**	**547,858,293**
Less: Value Added Tax on financial services		(101,738,616)	(115,072,505)
Profit before taxation	25	314,493,526	432,785,788
Income tax expenses	26	(75,021,947)	(69,780,444)
Profit for the year		**239,471,579**	**363,005,344**
Other comprehensive income Items that will not be reclassified to profit or loss			
Actuarial gain / (loss) on employee benefit obligation	18	5,982,123	7,865,308
Fair value gain on equity instruments	9	19,403	2,560
Income tax relating to other comprehensive income	26	(1,921,683)	(1,807,574)
Other comprehensive income for the period, net of tax		**4,079,842**	**6,060,294**
Total comprehensive income for the year		**243,551,421**	**369,065,638**
Basic / Diluted earnings per share	27	11.97	18.15
Dividend per share	28	-	-

Accounting policies and notes on pages 83 to 132 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

	Note	Stated Capital Rs.	Retained Profit Rs.	Statutory Reserve Fund Rs.	Fair Value through OCI Reserve Rs.	Total Equity Rs.
Balance as at 01 January 2021		**200,000,000**	**2,606,860,081**	**146,885,374**	**1,452,864**	**2,955,198,319**
Profit for the year		-	363,005,344	-	-	363,005,344
Other comprehensive income net of tax		-	5,977,634	-	82,660	6,060,294
Dividend paid	28	-	-	-	-	-
Transfers	20	-	(18,150,215)	18,150,215	-	-
Balance as at 31 December 2021		**200,000,000**	**2,957,692,844**	**165,035,589**	**1,535,524**	**3,324,263,957**
Profit for the year		-	239,471,579	-	-	239,471,579
Other comprehensive income net of tax		-	4,187,486	-	(107,644)	4,079,842
Dividend paid	28	-	-	-	-	-
Transfers	20	-	(11,973,579)	11,973,579	-	-
Balance as at 31 December 2022		**200,000,000**	**3,189,378,330**	**177,009,168**	**1,427,881**	**3,567,815,378**

Statement of Cash Flows

Year ended 31 December	Note	2022 Rs.	2021 Rs.
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES			
Net profit before income tax		314,493,526	432,785,788
Adjustments for :			
Interest income on debt instruments at amortized cost	21	(149,704,383)	(28,430,998)
Accrued loan interest	16	465,416,878	113,214,933
Dividend income	23	(240,000)	(240,000)
Retiring gratuity - charge for the year	18	6,657,559	7,592,232
Gain/(loss) on disposal of property, plant and equipment	23	305,968	-
Interest on lease liabilities	13	10,534,351	10,051,059
Depreciation and amortization	11, 12 & 13	32,099,560	38,712,391
Operating profit before changes in working capital		**679,563,459**	**573,685,405**
Increase in trade and other payables		4,633,737	41,910,350
Increase in other financial assets and non financial assets		(5,598,392)	(45,301,619)
Net investment in lease, hire purchase and loans and advances		1,131,264,940	(749,216,300)
Net deposits from customers		(404,218,674)	75,204,122
Net cash generated from / (used in) operations		**1,405,645,069**	**(103,718,042)**
Gratuity paid	18	(1,441,344)	(3,857,953)
Income tax paid	17	(191,827,668)	(241,478,680)
Net cash generated from / (used in) operating activities		**1,212,376,058**	**(349,054,675)**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Dividends received	23	240,000	240,000
Acquisition of plant, equipment and intangible assets	11	(20,857,329)	(13,794,073)
Redemption of right to use of assets/lease liabilities		5,765,601	-
Net investments made during the year		(707,224,628)	288,471,434
Interest received from debt instruments at amortized cost	21	149,704,383	28,430,998
Net cash (used in) / generated from investing activities		**(572,371,973)**	**303,348,359**
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES			
Lease payments during the year	13	(33,868,616)	(35,444,542)
Loans obtained	16	3,448,000,000	1,400,000,000
Loan settlements made	16	(4,027,993,935)	(1,293,901,971)
Net borrowing from related parties		-	(99,336,769)
Net cash used in financing activities		**(613,862,551)**	**(28,683,282)**
Net increase / (decrease) in cash and cash equivalents		26,141,533	(74,389,597)
Cash and cash equivalents at the beginning of the year		243,889,182	318,278,779
Cash and cash equivalents at the end of the year	3	**270,030,715**	**243,889,182**

Accounting policies and notes on pages 83 to 132 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

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 2022 were authorised for issue by the Directors on 30 March 2023.

The immediate holding Company of AMW Capital Leasing and Finance PLC is Associated Motorways (Private) .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 preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

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

The financial statements include the following components:

- A statement of financial position as at 31 December 2022;
- 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 33. 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 2022 were authorised for issue by the Board of Directors on 30 March 2023. The Directors have the power to amend and reissue the financial statements.

2.2 Significant Accounting Judgments, Estimates and Assumptions

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

Estimates and Assumptions

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period 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 and Rentals Receivable on Lease and Hire Purchase Assets

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

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on an ECL basis and the related qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs such as unemployment levels and collateral values, and the effect on probability of default (PD) , exposure at default (EAD) and loss given default (LGD); and
- Election of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Company reviews its individually significant loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, Management Judgment is required when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

ECL principles

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

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

- Stage 1: When loans are first recognised, the Company recognises an allowance based on 12 month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECLs. Stage 2 loans also include facilities, where the credit risk has improved, presumed if interest and/or principal repayments are 30 days past due and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired, the Company records an allowance for the life time ECLs.

The calculation of ECLs

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

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

- PD -The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Definition of Default

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

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

Write-offs

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

2.2.3 Employee Benefit obligations

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

2.2.4 Fair Value of Financial Instruments

The determination of fair value of financial assets and financial liabilities recorded on the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that includes the use of mathematical models. The valuation of financial instrument is described in Note 35 to the financial statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in Note 35 the financial statements.

2.2.5 Taxation

Income Taxes

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

Deferred Income Tax Assets

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

2.2.6 Estimated useful lives of property, plant and equipment (PPE)

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

2.2.7 Commitment and Contingent Liabilities

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

2.3 Events after the Reporting Period

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

2.4 Changes in Accounting Policies and Disclosures

2.4.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022.

(i) Amendment to LKAS 16, Property, Plant and Equipment

Proceeds before intended use –this amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities

(ii) Amendments to SLFRS 3, Reference to the Conceptual Framework

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

(iii) Amendments to LKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

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

(iv) Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.
- LKAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under LKAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

2.4.2 Accounting standards/ amendments issued but not effective

The following standards and interpretations had been issued but not mandatory for annual reporting periods ending 31 December 2022. Further, the Company has not early adopted these new standards and/or amendments.

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

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

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

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

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

(ii) Disclosure Initiative: Accounting Policies - Amendments to LKAS 1

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023.

(iii) Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

2.5 Summary of Significant Accounting Policies

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

2.5.1 Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

2.5.2 Recognition of Income and Expense

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

Expenses are recognised in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the statement of comprehensive income.

For the purpose of presentation of the statement of profit or loss, the “function of expense method” has been adopted on the basis that it represents fairly the elements of Company’s performance.

a) Interest Income and Interest Expense

Under SLFRS 9, interest income is recorded using the Effective Interest Rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9 is similar to interest bearing financial assets classified as available-for-sale or held to maturity under LKAS 39 that are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

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

Interest and Similar Income

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

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

Revenue – other

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

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

b) Dividends

Income is recognised when the Company’s right to receive the payment is established.

c) Rental Income

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

d) Fee and Commission Income

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

e) Other Gains and Losses

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

2.5.3 Tax

a) Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date under the Inland Revenue Act No.24 of 2017 is effective from 1 April 2018 onwards.

b) Deferred Tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax (i.e. withholding tax), except:

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Value Added Tax on Financial Services

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

2.5.4 Property, Plant & Equipment Cost

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

All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

Depreciation

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

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

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

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

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

2.5.5 Right-of-use Assets and Lease Liabilities

The Company leases various offices. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options as described in Note 13.

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

To determine the incremental borrowing rate, the Company:

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

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

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

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

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

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

2.5.6 Intangible Assets

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

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

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

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

Amortization

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

2.5.7 Lease and Hire Purchase Receivables

Finance and Operating Leases

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

Finance Leases

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

Operating Leases

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

Hire Purchase

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

2.5.8 Financial Instruments

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

Financial Assets

a) Initial recognition and measurement

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

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

b) Measurement categories of financial assets and liabilities

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

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss. (FVTPL)

Financial Assets at Amortized cost:

The Company only measures loans, receivables, and other financial investments at amortized cost if both of the following conditions are met:

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

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

The details of the above conditions are outlined below.

Business model assessment

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

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

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

The SPPI test

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

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

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

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

Debt instruments at FVOCI

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

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset meet the SPPI test.

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

Equity instruments at FVOCI

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

c) Derecognition of Financial Assets

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a 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 amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.5.10 Cash and Bank Balances

Cash and Bank balances in the statement of financial position comprise cash at banks and in hand. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown separately within liabilities in the statement of financial position.

2.5.11 Post-Employment Benefits

Employee Benefit Obligation

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

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

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

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

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

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

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

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and Employees' Trust Fund respectively. The contribution paid and payable is recognized as an expense during the year.

2.5.12 Trade and other payables

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

2.5.13 Provisions and Contingent Liabilities

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

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

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

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

2.5.14 Stated capital and equity

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

2.5.15 Dividends

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

2.5.16 Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

b) Diluted earnings per share

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

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

2.5.17 Related party transactions

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

According to LKAS 24 - "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors has been classified as Key Management Personnel of the Company. Emoluments paid to Key Management Personnel have been disclosed in Note 31.2.

2.5.18 Segment reporting

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

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

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

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

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

		2022 Rs.	2021 Rs.
3.	**CASH AND BANK**		
	Cash in hand	117,258,116	98,183,286
	Cash at bank	219,838,461	190,271,894
		337,096,577	288,455,180
	Bank overdraft	(67,065,862)	(44,565,998)
	Cash and cash equivalents	**270,030,715**	**243,889,182**
3.1	**Net debt reconciliation**		
	This section sets out an analysis of net debt and movements in net debt for each of the periods presented.		
	Cash and cash equivalents	270,030,715	243,889,182
	Borrowings		
	- Interest bearing borrowings	(3,125,861,723)	(3,240,438,779)
	- Lease liabilities	(73,060,622)	(97,340,524)
	Net debt	**(2,928,891,630)**	**(3,093,890,121)**
	Cash and cash equivalents	270,030,715	243,889,182
	Gross debt – fixed interest rates	(3,036,927,862)	(2,338,090,704)
	Gross debt – variable interest rates	(161,994,483)	(999,688,599)
	Net debt	**(2,928,891,630)**	**(3,093,890,121)**

	Liability from financing activities		Assets	Total
	Borrowings	Lease Liabilities	Cash and Cash Equivalents	
Net debt as at 1 January 2021	**(3,110,919,836)**	**(73,514,101)**	**318,278,779**	**(2,866,155,158)**
Cash flows	-	-	(74,389,597)	(74,389,597)
Loan repayments to related parties	99,336,769	-	-	99,336,769
Securitization loans obtained from banks	(1,400,000,000)	-	-	(1,400,000,000)
Securitization loan interest	(122,757,683)	-	-	(122,757,683)
Repayment of securitization loans	1,293,901,971	-	-	1,293,901,971
Interest charge on lease liabilities	-	(10,051,059)	-	(10,051,059)
New lease liabilities	-	(50,392,849)	-	(50,392,849)
Lease payments during the year	-	36,617,485	-	36,617,485
Net debt as at 31 December 2021	**(3,240,438,779)**	**(97,340,524)**	**243,889,182**	**(3,093,890,121)**
Cash flows	-	-	26,141,533	26,141,533
Securitization loans obtained from banks	(3,448,000,000)	-	-	(3,448,000,000)
Securitization loan Interest	(465,416,878)	-	-	(465,416,878)
Repayment of securitization Loans	(4,027,993,935)	-	-	(4,027,993,935)
Interest charge on lease liabilities	-	(10,534,351)	-	(10,534,351)
New lease liabilities	-	945,636	-	945,636
Lease payments during the year		33,868,616	-	33,868,616
Net debt as at 31 December 2022	**(3,125,861,723)**	**(73,060,622)**	**270,030,715**	**(2,928,891,630)**

		2022 Rs.	2021 Rs.
4.	**OTHER FINANCIAL ASSETS**		
	Portfolio related financial assets		
	VAT receivable on lease rentals	6,709,281	6,946,507
	Insurance receivable on lease and hire purchase	22,329,400	22,709,046
	Insurance receivable on loans and advances	28,822,088	22,958,280
	RMV charges receivable	2,382,271	4,859,329
	Operating lease rentals receivable	-	316,538
	Seizing charges receivable	929,341	1,056,304
	Lawyer fee receivable	8,788,476	9,053,555
	Other financial assets		
	Refundable deposits	17,079,044	18,951,544
	Other Receivable - Related parties (Note 4.1)	3,002,607	-
	Advance on domestic creditors	-	15,002,256
	Insurance Commission Receivable	33,131,265	-
	Miscellaneous receivables	8,804,052	16,145,457
	Less : Impairment provision for Other Financial Assets (Note 4.2)	(51,739,587)	(37,667,005)
		80,238,238	**80,331,811**

			2022 Rs.	2021 Rs.
4.1	**Other Receivable - Related parties**			
	Associated Motorways (Pvt) Ltd	Parent	3,002,607	-
			3,002,607	**-**

		2022 Rs.	2021 Rs.
4.2	**Impairment provision for other financial assets**		
	Balance as at 01 January	37,667,005	39,251,067
	Provisions / (reversal of provisions) made during the year	14,072,582	(1,584,062)
	Balance as at 31 December	**51,739,587**	**37,667,005**
5.	**OTHER NON FINANCIAL ASSETS**		
	Input VAT receivable	6,900,060	6,900,060
	Other prepayments	49,098,162	41,271,306
		55,998,222	48,171,366
	Less: Impairment provision for other non financial assets	(6,900,060)	(4,765,169)
		49,098,162	**43,406,197**
5.1	**Impairment provision for other non financial assets**		
	Balance as at 01 January	4,765,169	3,905,055
	Provisions made during the year	2,134,891	860,114
	Balance as at 31 December	**6,900,060**	**4,765,169**

	2022 Rs.	2021 Rs.
6. DEFERRED TAX (ASSETS) / LIABILITIES		
Balance as at the beginning of the year	(39,337,550)	69,929,392
Provision / (reversal) made during the year	(48,735,391)	(111,074,516)
Charge / (reversal) for the year through statement of other comprehensive income	1,921,683	1,807,574
Balance as at 31 December	**(86,151,258)**	**(39,337,550)**
6.1 Deferred Tax (Assets) / Liabilities		
The closing deferred tax assets balance relates to the following:		
Accelerated depreciation for tax purposes	2,415,050	1,006,901
Future rentals receivable - lease	7,497,983	27,974,269
Employee benefit obligations	(8,728,308)	(7,166,464)
Expected credit loss expenses	(84,156,598)	(61,278,339)
Fair value gain / (loss) on equity instruments	611,949	484,902
Right-of-use assets	(3,791,334)	(1,218,019)
Provision - sales promotion	-	859,200
	(86,151,258)	**(39,337,550)**

6.2 Composition of deferred tax assets and liabilities

	2022		2021	
	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Deferred tax liabilities				
Property, plant and equipment	8,050,166	2,415,050	4,195,423	1,006,901
Equity securities - FVOCI	2,039,829	611,949	2,020,426	484,902
Future rentals receivable - lease	24,993,278	7,497,983	116,559,452	27,974,269
Provision - sales promotion	-	-	3,580,000	859,200
Deferred tax assets				
Retirement benefit obligations	(29,094,359)	(8,728,308)	(29,860,267)	(7,166,465)
Provision for expected credit loss expenses	(280,521,995)	(84,156,598)	(255,326,413)	(61,278,340)
Right-of-use assets	(12,637,781)	(3,791,334)	(5,075,080)	(1,218,020)
	(287,170,862)	**(86,151,258)**	**(163,906,459)**	**(39,337,550)**

Deferred tax has been computed according to the provisions of the Inland Revenue Act No. 24 of 2017. The Company is liable to income tax at 30% (2021: 24%) per annum on taxable profits.

	2022 Rs.	2021 Rs.
7. RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS		
7.1 Rentals receivable on lease assets		
Receivable after five years		
Rentals receivable	1,287,966	422,832
Unearned income	(192,238)	(19,076)
	1,095,728	**403,756**
Receivable from one to five years		
Rentals receivable	793,287,506	1,472,600,592
Unearned income	(131,829,983)	(264,435,165)
	661,457,523	**1,208,165,427**
Receivable within one year		
Rentals receivable	644,511,906	1,048,435,082
Unearned income	(162,303,936)	(289,381,097)
	482,207,970	**759,053,985**
Overdue rental receivable		
Rentals receivable	353,364,009	420,288,310
	353,364,009	**420,288,310**
Total		
Future rentals receivable	1,439,087,379	2,521,458,506
Overdue rentals receivable	353,364,009	420,288,310
Total rentals receivable	1,792,451,388	2,941,746,816
Unearned income	(294,326,158)	(553,835,339)
	1,498,125,230	2,387,911,477
Less : Provision for credit loss expenses	(379,217,101)	(433,835,743)
Balance as at 31 December	**1,118,908,129**	**1,954,075,734**
7.2 Rentals receivable on hire purchase assets		
Receivable after five years		
Rentals receivable	-	-
Unearned income	-	-
	-	-
Receivable from one to five years		
Rentals receivable	-	-
Unearned income	-	-
	-	-
Receivable within one year		
Rentals receivable	-	-
Unearned income	-	-
	-	-
Overdue rental receivable		
Rentals receivable	40,615,279	40,377,639
	40,615,279	40,377,639
Total		
Future rentals receivable	-	-
Overdue rentals receivable	40,615,279	40,377,639
Total rentals receivable	40,615,279	40,377,639
Unearned income	-	-
	40,615,279	40,377,639
Less : Provision for credit loss expenses	(40,615,279)	(40,377,639)
Balance as at 31 December	-	-

		2022 Rs.	2021 Rs.
7.	**RENTALS RECEIVABLE ON LEASE AND HIRE PURCHASE ASSETS (Contd...)**		
	Total rentals receivable on lease assets and hire purchase assets		
	Future rentals receivable	1,439,087,379	2,521,458,506
	Overdue rental receivable	393,979,288	460,665,949
	Total rentals receivable	1,833,066,667	2,982,124,455
	Unearned income	(294,326,158)	(553,835,339)
		1,538,740,509	2,428,289,116
	Less : Provision for credit loss expenses (7.3)	(419,832,380)	(474,213,382)
	Balance as at 31 December	**1,118,908,129**	**1,954,075,734**
7.3	**Provision for credit loss expenses**		
	Balance as at 01 January	474,213,382	453,820,705
	Provisions / (Reversal) made during the year	(54,381,002)	18,852,408
		419,832,381	472,673,113
	Charged against interest in suspense (as required by CBSL)	-	1,540,269
	Balance as at 31 December	**419,832,380**	**474,213,382**
7.4	**Maturity analysis of lease rentals receivable on lease and hire purchase assets**		
	Less than 1 year	644,511,906	1,048,435,082
	1 to 2 years	435,216,574	712,076,326
	2 to 3 years	245,342,968	443,501,609
	3 to 4 years	98,645,584	237,966,528
	4 to 5 years	14,082,381	79,056,129
	More than 5 years	1,287,966	422,832
		1,439,087,379	2,521,458,506
	Less: Unearned interest income	(294,326,158)	(553,835,339)
	Gross rentals receivable	1,144,761,221	1,967,623,167
	Overdue rental receivable	393,979,288	460,665,949
	Less : Provision for credit loss expenses	(419,832,380)	(474,213,382)
	Balance as at 31 December	**1,118,908,129**	**1,954,075,734**

7.5 Assumptions used and sensitivity analysis

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

Forward-looking economic assumptions - The most significant assumptions used for ECL estimate as at 31 December 2022 are set out below.

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

	Sensitivity on provision for impairment losses	
	1% Increase	1% Decrease
GDP Growth (%)	(190,284)	190,284
Inflation (YoY Average)	74,470	(74,470)
Interest Rate (PLR)	191,964	(191,964)
Unemployment (% of Labor Force)	2,917,470	(2,937,200)
Sector NPL Ratio %	133,794	(154,411)
Credit Growth	(50,950)	57,484

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

The Company has made improvements to its impairment model during the year after the regular revision of the model. Under the updated ECL model, the following improvements made compared to previous years' impairment model;

Implication on foreign exchange rate on credit loss has not been considered.
Sector Parameter such as Credit Growth and Sector NPL rate has been considered to the model.
Impact on following qualitative factors considered to the model;

- Government Policies
- Status of the Industry Business
- Management Outlook
- Regulatory Impact

Considering the uncertain economic situation in the country the Company has applied a 10% economic model overlay with a view to manage macroeconomic forecast uncertainty in the model.

	Sensitivity on provision for impairment losses	
	1% Increase	1% Decrease
Impact to the provision for credit loss expenses	(880,261)	880,261

7.6 Capital outstanding on non performing assets as at 31.12.2022 amounts to Rs.553,715,640.28 (As at 31.12.2021 amounts to Rs.442,022,694).

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

	2022 Rs.	2021 Rs.
8. LOANS AND ADVANCES		
8.1 Instalments Receivable on Auto Loans		
Receivable after five years		
Instalments receivable	32,379,396	42,475,029
Unearned income	(2,352,898)	(2,951,028)
	30,026,498	**39,524,001**
Receivable from one to five years		
Instalments receivable	5,121,271,150	5,494,865,084
Unearned income	(976,662,566)	(1,073,411,648)
	4,144,608,584	**4,421,453,436**
Receivable within one year		
Instalments receivable	2,941,783,325	3,006,254,050
Unearned income	(827,276,897)	(866,565,381)
	2,114,506,428	**2,139,688,669**
Overdue instalment receivable		
Instalments receivable	427,273,784	354,108,482
	427,273,784	**354,108,482**
Total		
Instalments receivable	8,095,433,871	8,543,594,163
Overdue instalments receivable	427,273,784	354,108,482
Total instalments receivable	8,522,707,655	8,897,702,645
Unearned income	(1,806,292,361)	(1,942,928,056)
	6,716,415,294	6,954,774,589
Less: Provision for credit loss expenses (8.3)	(501,406,286)	(416,759,138)
Balance as at 31 December	**6,215,009,008**	**6,538,015,451**

		2022 Rs.	2021 Rs.
8.	**LOANS AND ADVANCES (Contd...)**		
8.2	Loans against fixed deposits	64,247,669	37,338,561
	Total loans and advances	6,279,256,677	6,575,354,012
8.3	Provision for credit loss expenses		
	Balance as at 01 January	416,759,138	288,971,647
	Provisions made during the year	84,647,149	127,916,750
	Charged against interest in suspense (as required by CBSL)	-	(129,259)
	Balance as at 31 December	**501,406,286**	**416,759,138**
8.4	Less than 1 year	2,941,783,325	3,006,254,050
	1 to 2 years	2,103,985,228	2,120,296,730
	2 to 3 years	1,601,086,346	1,594,010,940
	3 to 4 years	1,103,057,820	1,125,141,503
	4 to 5 years	313,141,755	655,415,911
	More than 5 years	32,379,396	42,475,029
		8,095,433,870	8,543,594,162
	Less: Unearned interest income	(1,806,292,361)	(1,942,928,056)
	Gross instalments receivable	6,289,141,509	6,600,666,106
	Overdue instalments receivable	427,273,784	354,108,482
	Loans against fixed deposits	64,247,669	37,338,561
	Less : Provision for credit loss expenses	(501,406,286)	(416,759,138)
	Balance as at 31 December	**6,279,256,677**	**6,575,354,012**

8.5 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 quaterly basis.

Forward-looking economic assumptions - The most significant period-end assumptions used for ECL estimate as at 31 December 2022 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 (%)	(1,199,698)	1,199,698
Inflation (YoY Average)	152,055	(152,055)
Interest Rate (PLR)	60,262	(60,262)
Unemployment (% of Labor Force)	24,109,253	(22,810,050)
Sector NPL Ratio %	60,466	(84,622)
Credit Growth	146,210	(210,745)

The Company has made improvements to its impairment model during the this year after the regular revision of the model. Under the updated ECL model, the following improvements made compared to previous years' impairment model;

Implication on foreign exchange rate on credit loss has not been considered.
Sector Parameter such as Credit Growth and Sector NPL rate has been considered to the model.
Impact on following qualitative factors considered to the model;

- Government Policies
- Status of the Industry Business
- Management Outlook
- Regulatory Impact

Considering the uncertain economic situation in the country the Company has applied a 10% economic model overlay with a view to manage macroeconomic forecast uncertainty in the model.

	Sensitivity on provision for impairment losses	
	1% Increase	1% Decrease
Impact to the provision for credit loss expenses	(3,064,760)	3,064,760

8.6 Capital outstanding on non performing assets as at 31.12.2022 amounts to Rs.786,442,133/- (As at 31.12.2021 Rs. 276,898,114).

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

		No of shares		2022	2021
	Holding %	2022	2021	Rs.	Rs.
9. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME					
Unquoted Investments					
Credit Information Bureau of Sri Lanka	0.04%	100	100	2,120,229	2,100,826
				2,120,229	**2,100,826**

Unquoted equity investment includes shares of Credit Information Bureau of Sri Lanka which is carried at adjusted net asset value, which is assumed to approximate its fair value.

9.1 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 2021 and 31 December 2022:

Opening balance as at 1 January 2021	**2,098,266**
Acquisitions	-
Gains recognised in other comprehensive income	2,560
Closing balance as at 31 December 2021	**2,100,826**
Acquisitions	-
Gains recognised in other comprehensive income	19,403
Closing balance as at 31 December 2022	**2,120,229**

9. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Contd...)

9.2 Valuation inputs and relationship to fair value

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

Description	Fair value		Unobservable input / Valuation technique	Range of inputs		Relationship of unobservable inputs to fair value
	2022	2021		2022	2021	
Unlisted equity securities	2,120,229	2,100,826	Adjusted net assets value per share	21,202	21,008	2021: increasing / decreasing adjusted net assets per share by 5% would change the fair value by Rs 104,913.
						2022: increasing / decreasing adjusted net assets per share by 5% would change the fair value by Rs 125,414

9.3 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:

	2022 Rs.	2021 Rs.
Gains/(losses) recognised in other comprehensive income Related to equity investments	19,403	2,560
Dividends from equity investments held at FVOCI recognised in profit or loss in Other operating income (see Note 23)	240,000	240,000

10. DEBT INSTRUMENTS AT AMORTISED COST

	2022 Rs.	2021 Rs.
Quoted Investments		
Government debt securities	138,888,900	13,991,191
Treasury bills repurchases	1,039,089,021	456,762,102
	1,177,977,921	**470,753,293**

As at 31 Decemeber 2022 Cost	As at 01.01.2022 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2022 Rs.
11. PROPERTY, PLANT AND EQUIPMENT				
Computer equipment	45,350,599	5,789,854	(32,405,113)	18,735,340
Office equipment	32,140,063	18,467,364	(7,792,974)	42,814,453
Furniture and fittings	58,770,714	6,237,733	(15,264,126)	49,744,321
Motor vehicles	85,000	-		85,000
Motor vehicles on hire	19,620,536	-		19,620,536
	155,966,912	30,494,951	(55,462,213)	130,999,650

Depreciation	As at 01.01.2022 Rs.	Charge for the year Rs.	Disposals during the year Rs.	As at 31.12.2022 Rs.
Computer equipment	44,588,139	1,877,220	(32,138,707)	14,326,653
Office equipment	28,423,978	1,968,706	(7,774,302)	22,618,381
Furniture and fittings	46,173,827	2,859,923	(15,243,237)	33,790,513
Motor vehicles	85,000	-	-	85,000
Motor vehicles on hire	19,620,536	-	-	19,620,536
	138,891,480	6,705,849	(55,156,246)	90,441,083

Capital work in progress	As at 01.01.2022 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2022 Rs.
Capital work in progress	9,637,622	12,427,172	(22,064,795)	-
	9,637,622	12,427,172	(22,064,795)	-

As at 31 December 2021 Cost	As at 01.01.2021 Rs.	Additions during the year Rs.	As at 31.12.2021 Rs.
Computer equipment	45,009,815	340,784	45,350,599
Office equipment	30,826,832	1,313,231	32,140,063
Furniture and fittings	18,208,810	754,683	18,963,493
Motor vehicles	85,000	-	85,000
Motor vehicles on hire	19,620,536	-	19,620,536
Fixtures	36,805,972	3,001,249	39,807,221
	150,556,965	5,409,947	155,966,912

11. PROPERTY, PLANT AND EQUIPMENT (Contd...)

Depreciation	As at 01.01.2021 Rs.	Charge for the year Rs.	As at 31.12.2021 Rs.
Computer equipment	43,212,811	1,375,328	44,588,139
Office equipment	26,584,094	1,839,884	28,423,978
Furniture and fittings	15,760,719	1,176,761	16,937,480
Motor vehicles	85,000	-	85,000
Motor vehicles on hire	19,620,536	-	19,620,536
Fixtures	25,589,110	3,647,237	29,236,347
	130,852,270	**8,039,210**	**138,891,480**

Capital work in progress	As at 01.01.2021 Rs.	Additions during the year Rs.	Transferred during the year Rs.	As at 31.12.2021 Rs.
Capital work in progress	1,253,496	9,637,622	(1,253,496)	9,637,622
	1,253,496	**9,637,622**	**(1,253,496)**	**9,637,622**

Written down value	2022 Rs.	2021 Rs.
Computer equipment	4,408,687	762,460
Office equipment	20,196,072	3,716,085
Furniture and fittings	15,953,808	2,026,013
Fixtures	-	10,570,874
	40,558,567	17,075,432
Capital work in progress	-	9,637,622
	40,558,567	**26,713,054**

11.1 During the financial year, Company acquired plant and equipment to the aggregate value of Rs.20,857,329/- (2021 - Rs.13,794,073/-). Cash payments amounting to Rs.20,857,329/- (2021 - Rs.13,794,073) were made during the year for purchase of plant and equipment.

11.2 Gross carrying amount of fully depreciated property, plant and equipment still in use is Rs.130,614,804/- (2021 - Rs.127,960,630/-)

11.3 None of the property, plant and equipment have been pledged as securities against borrowings as at the reporting date.

As at 31 December 2022	As at 01.01.2022 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2022 Rs.
12. INTANGIBLE ASSETS				
Cost/carrying value				
Computer software	73,320,660	-	-	73,320,660
	73,320,660	**-**	**-**	**73,320,660**

	As at 01.01.2022 Rs.	Amortization during the year Rs.	Disposals during the year Rs.	As at 31.12.2022 Rs.
Amortization				
Computer software	73,058,314	262,346	-	73,320,660
	73,058,314	**262,346**	**-**	**73,320,660**

	2022 Rs.	2021 Rs.
Written down value		
Computer software	-	262,346
	-	**262,346**

As at 31 December 2021	As at 01.01.2021 Rs.	Additions during the year Rs.	Disposals during the year Rs.	As at 31.12.2021 Rs.
Cost/carrying value				
Computer software	73,320,660	-	-	73,320,660
	73,320,660	**-**	**-**	**73,320,660**

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

	2021 Rs.	2020 Rs.
Written down value		
Computer Software	262,346	744,328
	262,346	**744,328**

12.1 During the financial year, Company has not acquired intangible assets (2021 - Rs. Nil). Therefore no cash payments have been made during the year.

12.2 Gross carrying amount of fully depreciated intangible assets still in use is Rs. 73,320,060 (2021 - Rs. 71,776,205).

		2022 Rs.	2021 Rs.
13.	**LEASES**		
13.1	Amounts recognised in the statement of financial position		
	Right-of-use assets		
	Buildings		
	Balance as at 01 January	92,265,444	73,236,739
	Additions during the year	7,206,219	49,219,905
	Early termination	(13,917,457)	-
	Amortisation during the year	(25,131,365)	(30,191,200)
	Balance as at 31 December	**60,422,841**	**92,265,444**
	Lease liabilities		
	Balance as at 01 January	97,340,524	73,514,101
	Additions during the year	7,206,219	50,392,849
	Payments during the year	(33,868,616)	(36,617,485)
	Early termination	(8,151,856)	-
	Interest on lease liabilities	10,534,351	10,051,059
	Balance as at 31 December	**73,060,622**	**97,340,524**
	Current	22,986,033	26,993,182
	Non-current	50,074,589	70,347,342
		73,060,622	**97,340,524**
13.2	Amounts recognised in the statement of profit or loss		
	The statement of profit or loss shows the following amounts relating to leases:		
	Depreciation charge of right-of-use assets		
	Buildings	25,131,365	30,191,200
	Interest on lease liability	10,534,351	10,051,059
	The total cash outflow for leases	33,868,616	36,617,485
13.3	Maturity analysis of undiscounted cash flows of lease liability		
	Less than 1 year	29,851,813	35,321,907
	1 to 5 years	54,131,531	78,489,184
	More than 5 years	4,846,680	3,167,042
		88,830,024	**116,978,133**

13.4 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.

13.5 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).

		2022 Rs.	2021 Rs.
14	**TRADE & OTHER PAYABLES**		
	Trade creditors - Related parties (14.1)	580,738	580,738
	- Non related parties	10,833,820	30,274,046
	Other payables - Related parties (14.2)	15,932,338	17,300,963
	- Non related parties - Advances received from customers	51,038,331	143,094,123
	- Non related - Other parties	359,949,621	242,451,241
		438,334,848	**433,701,111**

		Relationship	2022 Rs.	2021 Rs.
14.1	**Trade creditors - Related parties**	**Relationship**		
	Associated Motorways (Pvt) Limited	Parent	580,738	580,738
			580,738	**580,738**
14.2	**Other payables - Related parties**	**Relationship**		
	Interest payable on current account - Associated Motorways (Pvt) Ltd	Parent		
	Other payable - Associated Motorways (Pvt) Ltd.	Parent	3,381,400	3,157,274
	Other payable - Orient Insurance Limited	Other related party	1,480,291	1,480,291
	Insurance payable - Orient Insurance Limited	Other related party	11,070,647	12,663,398
			15,932,338	**17,300,964**

		2022 Rs.	2021 Rs.
15.	**TIME DEPOSITS**		
	Balance as at 01 January	2,093,518,751	1,999,690,720
	Fixed deposits during the year	2,119,657,939	748,851,615
	Interest capitalized for renewals	51,228,110	64,264,181
	Top up's (additions by customer to original deposit)	10,750,189	6,541,071
	Withdrawals during the year	(2,624,812,617)	(725,828,835)
	Balance as at 31 December	1,650,342,373	2,093,518,751
	Interest payable	120,506,593	81,548,888
	Balance as at 31 December	**1,770,848,966**	**2,175,067,640**

16. INTEREST BEARING BORROWINGS

	2022 Within One Year Rs.	2022 After One Year Rs.	2022 Total Rs.	2021 Total Rs.
Securitization Loan (16.1)	2,013,841,647	1,112,500,000	3,125,861,723	1,830,896,030
Short Term Loan (16.2)	-	-	-	1,409,542,749
	2,013,841,647	1,112,500,000	3,125,861,723	3,240,438,779

	As at 01.01.2022 Rs	Loans obtained Rs.	Accrued interest Rs.	Repayment Rs.	As at 31.12.2022 Rs.	Term of the loan	Interest rate	Security offered
16.1 Securitization loan								
Securitization (NDB) 1500 M	1,340,750,180	-	105,685,231	(321,435,411)	1,125,000,000	60 months	IRR at 10.70%	Lease Portfolio
Securitization (HNB) 1500 M	490,145,850	-	94,501,661	(422,653,028)	161,994,483	60 months	AWPLR + (2.25%-2.75%)	Auto Loan Portfolio
Securitization (NDB) 1500 M	-	1,500,000,000	137,519,692	(512,519,692)	1,125,000,000	36 months	12.15%	Auto Loan Portfolio
Securitization (Capital One) 948 M	-	948,000,000	90,730,432	(324,863,192)	713,867,240	24 months	IRR at 12.3%	Auto Loan Portfolio
	1,830,896,030	2,448,000,000	428,437,015	(1,581,471,323)	3,125,861,723			
16.2 Short term loan								
Hatton National Bank	509,542,749	-	7,626,712	(517,169,461)	-	12 Months	AWPLR + 1.5%	Auto Loan Portfolio
National Development Bank	900,000,000	1,000,000,000	29,353,151	(1,929,353,151)	-	12 Months	8.55% to 9.20%	Auto Loan Portfolio
	1,409,542,749	1,000,000,000	36,979,863	(2,446,522,612)	-			

	Bank name	Type of facility	Interest rate	Rs.	Security offered
16.3 Unutilised funding facilities					
	Commercial Bank	Over draft	AWPLR + 2.5%	200,000,000	No securities
	Hatton National Bank	Contingency fund	AWPLR + 1%	500,000,000	Auto Loan Portfolio
	National Development Bank	Contingency fund	AWPLR + 2.5%	250,000,000	Auto Loan Portfolio
				950,000,000	

	2022 Rs.	2021 Rs.
17. INCOME TAX PAYABLE		
Balance as at 01 January	227,817,172	288,440,892
Provision for the year	126,248,333	221,545,309
(Over) / under provision in respect of previous year	(2,490,995)	(40,690,349)
	351,574,510	469,295,852
Payments made during the year	(191,827,668)	(241,478,680)
Balance as at 31 December	**159,746,842**	**227,817,172**
18. EMPLOYEE BENEFIT OBLIGATION		
Balance as at 01 January	29,860,266	33,991,295
Current service cost	3,747,471	5,535,034
Interest for the year	2,910,088	2,057,198
Benefits paid	(1,441,344)	(3,857,953)
Actuarial (gain) / loss	(5,982,123)	(7,865,308)
Balance as at 31 December	**29,094,358**	**29,860,266**

Employee benefit plan of the Company is not externally funded.

The employee benefit obligations is based on the actuarial valuation carried out as at 31 December 2022 by Milliman Limited. The principal assumptions used in determining the cost of employee benefits were:

		2022	2021
a)	Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)	17.80%	10.60%
b)	Future salary increase	25%	5%
c)	Staff turnover	20.00%	20.00%
d)	Retirement age	As per government regulations	As per government regulations
e)	Company will continue as a going concern		

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

	2022		2021	
A sensitivity was carried out as follows.				
Effect on the present value of defined benefit obligation	+1%	-1%	+1%	-1%
One percentage point change in the discount rate	(949,408)	1,021,996	(1,048,311)	1,130,206
One percentage point change in the salary escalation rate	1,079,366	(1,014,542)	1,162,886	(1,096,411)

	2022 Rs.	2021 Rs.
Information about maturity profile of the defined benefit obligations		
Future working life time	5,532,579	5,118,104
Within the next 12 months	15,631,773	15,736,020
Between 1-5 years	4,207,968	6,463,941
Between 5-10 years	3,722,039	2,971,391
Beyond 10 years	**29,094,358**	**29,860,266**

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

		2022 Rs.	2021 Rs.
19.	**STATED CAPITAL**		
	Number of ordinary shares issued and fully paid	20,000,000	20,000,000
	Balance as at 01 January	200,000,000	200,000,000
	Balance as at 31 December	**200,000,000**	**200,000,000**

The holders of the ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

		2022 Rs.	2021 Rs.
20.	**STATUTORY RESERVE FUND**		
	Balance as at 01 January	165,035,589	146,885,374
	Transfers during the year	11,973,579	18,150,215
	Balance as at 31 December	**177,009,168**	**165,035,589**

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.

		2022 Rs.	2021 Rs.
21.	**INTEREST INCOME**		
	Leases	296,902,109	428,741,834
	Hire purchases	-	475,195
	Term loans	1,126,036,757	917,191,456
	FD loan interest	7,819,252	3,463,827
	Interest income on debt instruments at amortized cost	149,704,383	28,430,998
		1,580,462,501	**1,378,303,310**
22.	**INTEREST EXPENSES**		
	Related party current account	-	1,137,010
	Securitization loan	486,745,733	301,118,684
	Bank borrowings	-	24,416,701
	Interest on time deposits	301,119,719	174,706,353
	Interest on lease liabilities	10,534,351	10,051,059
		798,399,803	**511,429,807**
23.	**OTHER OPERATING INCOME / (EXPENSES)**		
	Overdue interest income	39,141,536	46,928,931
	Profit from pre-termination	102,829,467	214,276,301
	Dividend income	240,000	240,000
	Commission from insurance	37,923,243	50,774,375
	Income from additional charges	18,054,607	44,827,708
	Bank charges claimed on cheque returns	951,727	668,141
	Rental income - Related party	952,875	907,500
	Loss on disposal of property, plant and equipment	(305,968)	-
	Other income	8,651,468	12,763
		208,438,955	**358,635,719**

24. CREDIT LOSS EXPENSE

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

	Stage 1	Stage 2	Stage 3		Total
Total financial assets as at 31.12.2022	Collective	Collective	Collective	Individual	
Loans and advances					
Motor car	2,977,972,785	1,472,506,185	916,424,077	71,526,142	5,438,429,189
Motor cycle	72,152,384	42,420,504	30,995,228	-	145,568,115
Motor tricycle	17,852,296	5,957,089	12,592,044	-	36,401,429
Dual purpose	409,583,064	312,262,813	147,025,217	6,768,557	875,639,652
Other	81,078,971	73,595,119	56,443,449	9,173,007	220,290,545
Lease and hire purchase					
Motor car	267,993,403	63,192,302	65,741,195	-	396,926,900
Motor cycle	80,737,032	44,893,999	114,479,414	-	240,110,446
Motor tricycle	31,676,571	26,364,548	46,266,831	-	104,307,950
Dual purpose	160,744,455	77,637,120	106,840,114	-	345,221,689
Other	142,275,645	111,038,918	184,143,068	16,398,474	453,856,106
Cash at bank	117,258,116	-	-	-	117,258,116
Other financial assets	81,657,674	9,123,745	40,229,281	967,125	131,977,825
Loans against fixed deposits	64,247,669	-	-	-	64,247,669
Equity instruments at fair value through other comprehensive income	2,120,229	-	-	-	2,120,229
Debt instruments at amortised cost	1,177,977,921	-	-	-	1,177,977,921
Total financial assets as at 31.12.2022	**5,685,328,215**	**2,238,992,343**	**1,721,179,917**	**104,833,305**	**9,750,333,780**
Total financial assets as at 31.12.2021					
Loans and advances					
Motor Car	4,143,320,524	1,047,280,309	379,390,092	413,427,713	5,983,418,637
Other	563,249,506	185,808,627	55,191,119	71,119,607	875,368,860
Lease and hire purchase					
Motor car	516,130,888	116,351,540	48,217,895	71,978,001	752,678,324
Motor cycle	230,129,959	102,899,096	56,537,632	159,787,781	549,354,469
Motor tricycle	64,290,716	28,974,817	20,887,172	25,040,252	139,192,958
Other	555,662,303	196,891,203	70,483,445	260,013,507	1,083,050,458
Cash at bank	190,271,894	-	-	-	190,271,894
Other financial assets	71,480,521	5,527,512	40,990,783	-	117,998,816
Loans against fixed deposits	37,338,561	-	-	-	37,338,561
Equity instruments at fair value through other comprehensive income	2,100,826	-	-	-	2,100,826
Debt instruments at amortised cost	470,753,293	-	-	-	470,753,293
Total financial assets as at 31.12.2021	**6,844,728,991**	**1,683,733,104**	**671,698,139**	**1,001,366,861**	**10,201,527,095**

24. CREDIT LOSS EXPENSE (Contd...)

Impairment allowance and credit loss expense

	Stage 1	Stage 2	Stage 3		Total
	Collective	Collective	Collective	Individual	
Impairment allowance as at 31st December 2020	**22,020,404**	**18,608,040**	**68,179,185**	**673,315,789**	**782,123,418**
Loans and advances					
Motor car	3,707,977	(80,620)	(10,631,518)	106,223,651	109,276,213
Other	811,352	525,268	(2,438,153)	19,663,332	18,561,799
Lease and hire purchase					
Motor car	(698,890)	(431,152)	(4,406,323)	1,062,860	(4,473,505)
Motor cycle	(2,140,656)	(805,340)	(7,867,299)	8,086,038	(2,727,256)
Motor tricycle	113,705	26,768	114,560	4,287,367	4,542,400
Other	6,934,398	5,282,634	6,093,778	13,255,421	31,566,230
Total impairment loss for the year ended 31.12.2021	**8,727,886**	**4,517,558**	**(19,134,955)**	**152,578,669**	**156,745,881**
Write-off during the year	-	-	-	18,253,022	18,253,022
Impairment charge / (reversal) for other financial assets	-	-	-	(1,584,062)	(1,584,062)
Credit loss expense for the year ended 31.12.2021	**8,727,886**	**4,517,558**	**(19,134,955)**	**169,247,629**	**173,414,841**
Charged against interest in suspense (as required by CBSL)				1,411,010	1,411,010
Impairment allowance as at 31st December 2021	**30,748,290**	**23,125,598**	**49,044,230**	**825,721,406**	**928,639,524**
Impairment allowance as at 31st December 2021	30,748,290	23,125,598	49,044,230	825,721,406	928,639,524
Loans and advances					
Motor car	60,091,363	102,354,074	(142,443,515)	21,284,270	41,286,192
Motor cycle	734,479	1,870,839	4,785,727	-	7,391,045
Motor tricycle	960,148	382,217	2,167,566	-	3,509,931
Dual purpose	11,372,997	28,133,174	35,182,868	872,814	75,561,853
Other	913,849	6,763,862	(55,273,869)	19,834,874	(27,761,284)
Lease and hire purchase					
Motor car	24,774,225	3,024,365	(52,606,899)	457,616	(24,350,693)
Motor cycle	22,291,041	2,101,256	(74,654,914)	-	(50,262,617)
Motor tricycle	6,722,336	1,892,666	(3,306,727)	-	5,308,275
Dual purpose	18,330,979	5,988,991	50,199,373	-	74,519,343
Other	4,814,045	5,029,006	(71,002,976)	296,607	(60,863,318)
Total impairment loss for the year ended 31.12.2022	**151,005,462**	**157,540,450**	**(306,953,366)**	**42,746,181**	**44,338,728**

	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	Stage 3 Individual	Total
24. CREDIT LOSS EXPENSE (Contd...)					
Write-off during the year	-	-	-	2,641,094	2,641,094
Impairment of interest income	-	-	-	(32,577,631)	(32,577,631)
Interests in suspense taken to earned income	-	-	-	2,494,933	2,494,933
Credit Loss Expense for the year ended 31.12.2022	**151,005,462**	**157,540,450**	**(306,953,366)**	**15,304,577**	**16,897,124**
Charged against Interest in Suspense (as required by CBSL)				-	-
Impairment Allowance as at 31st December 2022	**181,753,752**	**180,666,048**	**(257,909,136)**	**868,467,587**	**972,978,252**

	Stage 1	Stage 2	Stage 3	Total
24.1 Stage Transition				
Impairment Allowance as at the beginning of the year	**30,748,290**	**23,125,598**	**874,765,636**	**928,639,524**
Changes due to loans and receivables recognised in opening balance that have:				
Transferred to/(from) Stage 1	45,123,444	20,503	(40,990,722)	4,153,224
Transferred to/(from) Stage 2	63,445,472	92,649,584	(47,880,744)	108,214,312
Transferred to/(from) Stage 3	44,251,809	70,908,697	(183,189,315)	(68,028,810)
Net remeasurement of loss allowance	**152,820,725**	**163,578,783**	**(272,060,782)**	**44,338,726**
Impairment Allowance as at the end of the year	**183,569,015**	**186,704,380**	**602,704,855**	**972,978,252**

There are no financial assets that are credit-impaired at the reporting date that are purchased or originated credit-impaired.

		2022 Rs.	2021 Rs.
25.	**PROFIT BEFORE TAXATION**		
	is stated after charging :		
	Staff salaries	175,894,714	176,669,833
	Defined contribution plan cost - E.P.F & E.T.F	26,803,544	25,888,646
	Directors' emoluments and key managerial persons' remuneration	144,973,610	66,044,851
	Auditors' remuneration		
	- Audit	2,459,200	1,832,688
	- Non audit	580,800	432,718
	Management fees	1,107,800	1,232,000
	Defined benefit plan - expense	6,657,559	7,592,232
	Provision for impairment losses	16,897,124	173,414,841
	Depreciation and amortization	32,099,562	38,712,393

26. INCOME TAX

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

		2022 Rs.	2021 Rs.
	Current income tax		
	Current income tax charge (26.1)	123,757,339	180,854,960
	Deferred income tax		
	Deferred taxation charge / (reversal) (26.2)	(48,735,391)	(111,074,516)
	Income tax expense reported in the income statement	**75,021,947**	**69,780,444**
	Income tax expense recognised in other comprehensive income		
	Charge / (reversal) on deferred tax	1,921,683	1,807,574
		1,921,683	**1,807,574**
26.1	Reconciliation of accounting loss to income tax expense		
	Profit / (Loss) before taxation	314,493,526	432,785,788
	Disallowable expense	303,581,238	738,136,859
	Allowable expenses	(150,377,234)	(247,717,191)
	Taxable profit /(Tax loss) for the year	**467,697,530**	**923,205,456**
	Business profit for the year	467,697,530	922,965,456
	Non business income	240,000	240,000
	Tax loss utilized for the year	-	-
	Taxable income	**467,457,530**	**923,205,456**

	2022 Rs.	2021 Rs.
26.1 Reconciliation of accounting loss to income tax expense (Contd...)		
Current income tax expense		
Current tax at 14%	16,800	33,600
Current tax at 15%	18,000	-
Current tax at 24%	56,094,904	221,511,709
Current tax at 30%	70,118,630	-
Under / (over) provision in respect of previous year	(2,490,995)	(40,690,349)
Current income tax expense for the year	**123,757,339**	**180,854,960**
Deferred tax	(48,735,391)	(111,074,516)
Income tax expense	**75,021,947**	**69,780,444**
Deferred tax arising from		
Accelerated depreciation for tax purposes	1,408,148	(1,466,615)
Future rental receivable	(20,476,285)	(68,480,481)
Employee benefit obligation	(3,356,480)	(1,972,620)
Right-of-use assets and lease liabilities	(2,573,315)	1,140,358
Expected credit loss expenses	(22,878,259)	(41,154,358)
Provision - Sales promotion	(859,200)	859,200
	(48,735,391)	**(111,074,516)**
Other comprehensive income		
Actuarial gain / (loss) on employee benefit obligations	1,794,637	1,887,674
Fair value gain / (loss) on equity instruments	127,046	(80,100)
	1,921,683	1,807,574
	(46,813,708)	**(109,266,942)**

Income tax has been computed according to the provisions of the Inland Revenue Act No. 24 of 2017. The Company is liable to income tax at 14% - 30% (2021: 14% - 24%) per annum on taxable profits.

27. BASIC EARNINGS PER SHARE

27.1 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.

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

		2022 Rs.	2021 Rs.
	Amounts used as the numerators:		
	Net profit attributable to ordinary shareholders	239,471,579	363,005,344
	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
27.3	Basic /diluted earnings per share	**11.97**	**18.15**

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.

		2022 Rs.	2021 Rs.
28.	**DIVIDEND PER SHARE**		
	Declared and paid during the year	-	-
	Dividend per share	-	-

There was no dividend declaration during the financial year.

29. CAPITAL COMMITMENTS AND CONTINGENCIES

29.1 Capital commitments

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

30. EVENTS AFTER THE REPORTING PERIOD

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

	2022 Rs.	2021 Rs.
31. RELATED PARTY DISCLOSURES		
31.1 Transaction with related entities		
Associated Motorways Private Limited - Parent		
Transactions during the period		
Management fees paid	1,107,800	1,232,000
Rent paid	3,561,950	7,957,500
Interest paid	-	1,137,010
Fees paid for repair services	-	177,099
Salary/fuel reimbursements	6,478,487	395,600
Inter Company loans obtained and interest charged	-	1,400,000,000
Inter Company vehicle purchases	16,056,628	732,308,052
	27,204,865	**2,143,207,261**
Rental income received	952,875	907,500
	952,875	**907,500**
Amounts due to - Associated Motorways Private Limited		
Trade creditors	580,738	580,738
Other payable	3,381,400	3,157,274
	3,962,138	**3,738,012**
Amounts due from - Associated Motorways Private Limited		
Other Receivable	3,002,607	-
	3,002,607	**-**
Associated Motor (Lanka) Private Limited - Affiliate		
Transactions during the period		
Inter Company vehicle purchases	321,077,182	58,475,185
Amounts Due to		
Trade creditors	-	-
Orient Insurance Limited - Other Related Company		
Transactions during the Year		
Insurance commission income	19,024,964	26,730,818
Insurance premiums paid on fixed assets insured	5,603,090	2,238,062
	24,628,055	**28,968,880**
Amounts due to Orient Insurance Limited		
Insurance premium payable	11,070,647	12,663,398
Other payables	1,480,291	1,480,291
	12,550,938	**14,143,689**
Fixed deposit	**300,000,000**	**200,000,000**

	2022 Rs.	2021 Rs.
31. RELATED PARTY DISCLOSURES (Contd...)		
31.2 Transactions with Key Management Personnel and close family members of Key Personnel		
Transactions with Key Management Personnel		
Directors emoluments and key management persons' remuneration	144,973,610	66,044,851
New fixed deposits made	3,816,607	1,041,203
Fixed deposits withdrawn/Renewal	4,478,968	-

	31.12.2022 Rs.	31.12.2021 Rs.
Amounts Due to Key Management Personnel		
Fixed Deposits	7,817,713	4,919,728

	2022 Rs.	2021 Rs.
Transactions with close family members of Key Personnel		
New fixed deposits made	2,687,000	2,390,719
Fixed deposits withdrawn/Renewal	2,390,719	2,236,825

31.3 Terms and conditions of transactions with related parties

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

32. 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.

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 entity basis and are not allocated to operating segments.

	Finance Lease		Hire Purchase		Term Loans		Unallocated		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	296,902,109	428,741,834	-	475,195	1,133,856,009	920,655,283	149,704,383	28,430,998	1,580,462,501	1,378,303,310
Other operating income	39,156,870	111,558,998	-	123,646	149,538,354	239,555,305	19,743,730	7,397,770	208,438,955	358,635,719
Total revenue	**336,058,979**	**540,300,832**	**-**	**598,841**	**1,283,394,363**	**1,160,210,588**	**169,448,113**	**35,828,768**	**1,788,901,456**	**1,736,939,029**
Interest expenses	(120,435,193)	(119,184,467)	-	(74,486)	(677,964,610)	(392,170,854)	-	-	(798,399,803)	(511,429,807)
Depreciation and amortization	-	-	-	-	-	-	(32,099,562)	(38,712,393)	(32,099,562)	(38,712,393)
Unallocated expenses	-	-	-	-	-	-	(627,011,441)	(580,596,200)	(627,011,441)	(580,596,200)
Credit loss expense	(21,268,749)	(21,268,749)	-	2,416,341	(127,916,751)	(127,916,751)	132,288,375	(26,645,682.16)	(16,897,124)	(173,414,841)
Profit before tax									**314,493,526**	**432,785,788**
Taxation									(75,021,947)	(69,780,444)
Profit after tax									**239,471,579**	**363,005,344**
Segment assets	1,111,159,884	1,995,004,328	-	1,246,814	6,255,041,062	6,564,467,443	-	-	7,366,200,946	8,560,718,585
Unallocated assets	-	-	-	-	-	-	1,861,836,319	1,012,336,862	1,861,836,319	1,012,336,862
Total assets	**1,111,159,884**	**1,995,004,328**	**-**	**1,246,814**	**6,255,041,062**	**6,564,467,443**	**1,861,836,319**	**1,012,336,862**	**9,231,828,599**	**9,573,055,447**
Segment liabilities	683,956,847	1,302,234,813	-	813,855	3,850,191,340	4,284,942,099	-	-	4,519,392,783	5,587,990,767
Unallocated liabilities	-	-	-	-	-	-	1,141,638,641	660,800,724	1,144,620,438	660,800,723
Total liabilities	**683,956,847**	**1,302,234,813**	**-**	**813,855**	**3,850,191,340**	**4,284,942,099**	**1,141,638,641**	**660,800,724**	**5,664,013,221**	**6,248,791,490**

33. 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.

	2022			2021		
	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	337,096,578	-	337,096,578	288,455,180	-	288,455,180
Other financial assets	63,159,194	17,079,044	80,238,238	80,331,811	-	80,331,811
Other non financial assets	18,682,676	30,415,486	49,098,162	27,480,153	15,926,044	43,406,197
Rentals receivable on lease and hire purchase assets	448,606,633	662,553,251	1,118,908,129	745,506,552	1,208,569,183	1,954,075,734
Loans and advances	2,080,405,980	4,174,635,081	6,279,256,677	2,114,376,574	4,460,977,437	6,575,354,012
Debt instruments at amortised cost	1,177,977,921	-	1,177,977,921	470,753,293	-	470,753,293
Equity instruments at fair value through other comprehensive income	-	2,120,229	2,120,229	-	2,100,826	2,100,826
Deferred tax assets	-	86,151,258	86,151,258	-	39,337,550	39,337,550
Property, plant & equipment	-	40,558,567	40,558,567	-	26,713,054	26,713,054
Intangible assets	-	-	-	-	262,346	262,346
Right-of-use assets	29,012,227	63,253,217	60,422,841	29,012,227	63,253,217	92,265,444
As at 31 December	**4,154,941,209**	**5,076,766,132**	**9,231,828,599**	**3,755,915,790**	**5,817,139,657**	**9,573,055,447**
Liabilities						
Bank overdraft	67,065,862	-	67,065,862	44,565,998	-	44,565,998
Trade & other payables	438,334,848	-	438,334,848	433,701,111	-	433,701,111
Time deposits	1,257,073,257	513,775,709	1,770,848,966	225,988,921	1,949,078,718	2,175,067,639
Amounts due to related parties	-	-	-	-	-	-
Interest bearing borrowings	2,013,361,723	1,112,500,000	3,125,861,723	1,972,581,635	1,267,857,144	3,240,438,779
Lease liabilities	22,986,033	50,074,589	73,060,622	26,993,182	70,347,342	97,340,525
Provision for income tax	159,746,842	-	159,746,842	227,817,172	-	227,817,172
Employee benefit obligations	-	29,094,358	29,094,358	-	29,860,266	29,860,266
As at 31 December	**3,958,568,564**	**1,705,444,657**	**5,664,013,221**	**2,931,648,019**	**3,317,143,470**	**6,248,791,489**

34. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged 2022 Rs.	2021 Rs.	Included Under
Rentals receivables	Bank Overdraft-Com Bank	240,074,730	288,995,102	Rentals Receivable on Lease Assets
Rentals receivables	Contingency Fund-HNB	-	619,776,518	Rentals Receivable on Auto Loan Assets
Rentals receivables	Securitization Loan- Capital One	1,445,484,763	-	Rentals Receivable on Auto Loan Assets
Rentals receivables	Securitization Loan- NDB 1.5Bn	1,321,896,252	-	Rentals Receivable on Lease Assets and Auto Loan Assets
Rentals receivables	Securitization Loan- NDB	803,882,303	1,780,532,423	Rentals Receivable on Lease Assets
Rentals receivables	Securitization Loan- HNB	116,098,044	1,407,509,434	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.

35. DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

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

	31 December 2022		31 December 2021	
Financial Assets	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Financial assets				
Rentals receivable on lease and hire purchase assets	1,118,908,129	747,920,915	1,954,075,734	1,894,155,858
Loans and advances	6,279,256,676	4,038,878,233	6,575,354,012	6,539,017,820
Debt instruments at amortised cost	1,177,977,921	1,197,060,314	470,753,293	470,762,102
Total financial assets	**8,576,142,727**	**5,983,859,462**	**9,000,183,039**	**8,903,935,780**
Financial Liabilities				
Time Deposits	1,770,848,966	1,406,064,464	2,175,067,640	1,840,515,248
Interest Bearing Borrowings	3,125,861,723	2,584,499,759	3,240,438,779	3,155,139,797
Total Financial Liabilities	**4,896,710,689**	**3,990,564,223**	**5,415,506,419**	**4,995,655,045**

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.

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

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

	2022			2021		
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets measured at amortised cost						
Rentals receivable on lease and hire purchase assets	-	747,920,915	-	-	1,894,155,858	-
Loans and advances	-	4,038,878,233	-	-	6,539,017,820	-
Debt instruments at amortised cost	-	1,197,060,314	-	470,762,102	-	-
Financial liabilities measured at amortised cost						
Time deposits	-	1,406,064,464	-	-	1,840,515,248	-
Amounts due to related parties	-	-	-	-	-	-
Interest bearing borrowings	-	2,584,499,759	-	-	3,155,139,797	-

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.

36. RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 Risk Management

Risk-taking is an inherent element of finance business, and profits are a part of 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 is consistent with the Company's strategies and risk appetite and that there is an appropriate balance between risk and reward to maximize shareholder wealth. The Company is primarily exposed to credit risk, interest rate risk, liquidity risk, operational risk, and compliance risk in its business activities while being exposed to business and strategic risk in its strategic direction formulation and execution.

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

Impact of Economic Uncertainty

Inflation increased significantly during the year 2022, and in order to mitigate the risk, the Central Bank of Sri Lanka (CBSL) increased the policy rates by 7% on 08 April 2022 and decided to stop capital and interest repayment for all sovereign bonds and loans, which increased economic uncertainty in the country. Further, civil activists have conducted many protests against the present and then government. Several riots have occurred during the year, which created economic and political uncertainty within the country. The economic and political uncertainty severely impacted businesses as well as the general public of the country, and therefore, credit risk and liquidity risk increased significantly since the loss of disposable income. This note outlines the steps taken by AMWCL to mitigate the impact of economic uncertainty and the judgments applied by the management in assessing the values of assets and liabilities as at 31 December 2022.

Credit risk management

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

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

The Company has temporarily stopped lending activities due to highly volatile market conditions and the unprecedented economic situation in the country. The Company has granted a moratorium to loan customers as directed by the Central Bank of Sri Lanka (CBSL). Further, AMWCL has used several risk mitigation strategies to reduce the credit risk of the Company, such as restructured credit facilities to reduce the impact on the customers while reducing credit risk. During 2022 the Company was able to manage credit risk at an acceptable level and maintained NPA ratio below the industry average.

Liquidity risk management

The management continuously monitors the effect of economic uncertainty on the liquidity and funding risk profile of the Company. The Company has stopped accepting deposits temporally to manage the weighted average cost of the Company; in addition, the Company has invested all the rental collections on government treasury bills to maintain a high liquidity position. The Company calibrates stress testing scenarios based on current market conditions to assess the impact on the Company's liquidity. Further, AMWCL analyzed cash flow and maturity profile continuously to identify potential liquidity risk. The Company has a contingency funding arrangement with Banks which have higher credit rating scores. A contingency funding arrangement acts as a cushion during a liquidity crisis. In 2020, the Company renegotiated with banks and was able to reduce interest rates, improved payment terms, and increase funding arrangements to ensure adequate liquidity.

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

Operational risk management

The operational risks have arisen with the poor economic condition, and AMWCL has taken several risk mitigation actions to reduce operational risk and ensure employees' safety. The Company has obtained insurance coverage to safeguard the employees and assets. Further, the Company conducted BCP testing during the year to ensure business continuity during a disruption. Limited staff reported to work during the year due to the fuel shortage and riots in the country, so the staff has been provided online access to work from home through Virtual Private Network (VPN) to ensure business continuity.

36.1.1 Board Integrated Risk Management Committee

The Company has set up a Board Integrated Risk Management Committee (BIRMC), appointed by the Board of Directors as per the CBSL Direction No.5 of 2021 on Corporate Governance with the broad objective of assessing all risks, including credit risks to the Company. The BIRMC has the following key objectives;

- Assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance, and technology through appropriate risk indicators and management information, and make recommendations on the risk strategies and the risk appetite to the Board.
- Develop risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level, and types of risk that AMWCL accepts or avoids to achieve strategic business objectives.
- Review the adequacy and effectiveness of senior management level committees (such as credit, ALCO, ITSC, and operational) to address specific risks and manage those within quantitative and qualitative risk limits as specified by the Committee.
- Review the AMWCL's risk policies, including RAS, at least annually.
- Assess all aspects of risk management, including updated business continuity and disaster recovery plans.
- Establish an independent risk management function responsible for managing risk-taking activities across the AMWCL.

The BIRMC comprises Independent Directors, and the Committee has the authority to invite any officer of the Company to the BIRMC meeting. The BIRMC acts as the second line of defence of the Company.

The Risk Management Division is responsible for implementing and maintaining risk-related policies and procedures to ensure a risk awareness culture is in place within the Company. The Division works closely with the BIRMC to ensure that procedures are compliant with the overall risk management framework.

36.1.2 Asset and Liability Management Committee (ALCO)

The Chief Executive Officer chaired the ALCO. GM-Finance, GM-Credit & Operation, GM-Marketing, Head of Risk & Compliance, and Head of Deposits are the other members of the Committee that meet at least twice a month to monitor and manage assets and liabilities of the Company and also the overall liquidity position. Decisions taken by ALCO are referred to BIRMC for ratification.

36.1.3 Credit Policy Committee

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

36.1.4 Operational Risk Management Committee (ORMC)

The Operational Risk Management Committee (ORMC) is responsible for assessing operational risks, including people, systems, internal controls, fraud, and external risks of AMWCL at Branch, Region and Service divisions. The Chief Executive Officer, GM-Credit and Operations, GM-Finance, GM-Marketing, Head of Risk Management, Head of Operation, Head of IT, Head of Compliance, HRBP, and Head of Internal Audit are the other members of the ORMC. The Committee meets quarterly to monitor and manage credit risk, and decisions taken at CPC are referred to BIRMC for ratification.

36.2 Credit Risk

36.2.1 Overview

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

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

36.2.2 Portfolio analysis: Product-wise

The lending portfolio is primarily made up of finance leasing with 18.14% of exposure, with hire purchase and auto loans being 0.49% and 81.36% respectively as at 31 December 2022.

Product	As at 31 Dec 2022 Exposure Rs.Mn	As at 31 Dec 2022 %	As at 31 Dec 2021 Exposure Rs.Mn	As at 31 Dec 2021 %
36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd..)				
36.2.2.1 Exposure based on Product class				
Finance Leasing	1,498	18.15%	2,388	25.45%
Hire Purchase	41	0.49%	40	0.43%
Auto Loans	6,716	81.36%	6,955	74.12%
Total	**8,255**	**100%**	**9,383**	**100%**

36.2.2.2 Portfolio Analysis: Exposure Based on Asset type

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

Product	As at 31 Dec 2022 Exposure Rs.Mn	As at 31 Dec 2022 %	As at 31 Dec 2021 Exposure Rs.Mn	As at 31 Dec 2021 %
Motor Cars	5,836	70.70%	6,739	71.82%
Two Wheeler	386	4.67%	620	6.61%
Three Wheeler	141	1.70%	156	1.66%
Dual Purpose vehicles	1,221	14.79%	1,213	12.93%
Commercial vehicles	576	6.97%	541	5.77%
Working Capital Loans	9	0.11%	18	0.19%
Equipment	3	0.03%	2	0.02%
Agricultural Tractors	84	1.02%	93	1.00%
Total	**8,255**	**100%**	**9,383**	**100%**

Rs. Mn

As at 31 Dec	2022	2021
36.2.2.3 Non-Performing Portfolio		
Non-Performing Portfolio	1,340	719
Total Advances	8,255	9,383
Non-Performing %	16.23%	7.66%
Loan Loss Provisions	972.98	928.57

36.2.2.4 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 into consideration. Allowances are assessed collectively for losses on leases, auto loans and hire purchase facilities with similar characteristics. Individually significant leases, auto loans and hire purchase accommodations are assessed on individual basis.

Impairment made at the end of reporting period, 31 December 2022 amounts to Rs. 921.23 Mn.(2021 - Rs.928.57 Mn.)

36.2.2.5 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 the 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. The amount recovered in excess of the dues is refunded to the customer.

The following table shows the fair value of collateral and credit enhancements held by the Company as at 31st December 2022

	Maximum Exposure to Credit Risk (Rs.)	Net Exposure to Credit Risk (Rs.)
Cash and cash equivalents (excluding cash in hand)	219,838,461	219,838,461
Other financial assets	80,238,238	80,238,238
Loans and receivables	7,398,164,806	557,553,088
Debt instruments at amortised cost	1,177,977,921	1,177,977,921
	8,876,219,426	**2,035,607,708**

Carrying value of financial assets as at 31 December	2022 Rs.	2021 Rs.
Other financial assets	80,238,238	80,331,811
Cash and cash equivalents (excluding cash in hand)	219,838,461	248,567,198
Rentals receivable on lease and hire purchase assets	1,118,908,129	1,954,075,734
Loans and advances	6,279,256,677	6,575,354,012
Equity instruments at Fair Value Through Other Comprehensive Income	2,120,229	2,100,826
Debt instruments at amortised cost	1,177,977,921	470,753,293
	8,878,339,655	**9,331,182,874**

Fair value of collateral held and net exposure of credit impaired assets as at 31.12.2022	Fair Value of Collateral (Rs.)	Net Exposure to Credit Risk (Rs.)
Credit impaired assets	33,455,000	25,307,438

The collateral held as security on financial assets that are credit-impaired at the reporting date amounts to Rs. 33,455,000 and therefore, net exposure of those credit impaired assets as at 31.12.2022 is Rs.25,307,438. Collateral amount disclosed only for the repossessed vehicles.

Collateral details;

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

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

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

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

36.2.3 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.

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

As at 31 December 2022	Leases		Hire Purchase		Auto Loans		Total	
Arrears Bucket	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding
1- 29 days	6,771	241,493	-	-	21,903	1,404,400	28,674	1,645,893
30- 59 days	13,252	163,650	-	-	59,595	1,051,973	72,847	1,215,623
60- 89 days	18,198	132,800	-	-	64,004	747,295	82,202	880,095
90- 179 days	36,077	169,489	-	-	121,350	733,514	157,427	903,003
180- 365 days	25,628	52,887	-	-	48,247	137,832	73,875	190,719
Over 365 days	152,678	16,707	22,644	-	78,901	21,454	254,223	38,161

As at 31 December 2021	Leases		Hire Purchase		Auto Loans		Total	
Arrears Bucket	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding	Arrears	Capital Outstanding
1- 29 days	12,798	417,755	-	-	28,585	1,531,830	41,383	1,949,585
30- 59 days	20,994	263,653	-	-	41,157	796,941	62,151	1,060,594
60- 89 days	20,802	144,909	-	-	34,030	404,616	54,832	549,525
90- 179 days	65,343	217,781	-	-	99,643	564,868	164,987	782,649
180- 365 days	38,183	45,873	-	-	33,144	65,999	71,327	111,872
Over 365 days	159,791	24,839	22,958	-	85,198	40,479	267,948	65,319

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

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

As at 31 December 2022	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)	219,838	-	-	-	-	-	-	219,838
Other Financial Assets	80,238	-	-	-	-	-	-	80,238
Rentals Receivable on Lease and Hire Purchase Assets	1,537,688	248	177	151	206	79	192	1,538,741
Less : Credit Loss Expenses	-	-	-	-	-	-	-	(419,832)
Loans and Advances	6,776,172	1,426	1,112	811	855	186	100	6,780,663
Less : Credit Loss Expenses	-	-	-	-	-	-	-	(501,406)
Debt Instruments at Amortised Cost	1,177,978	-	-	-	-	-	-	1,177,978
	9,791,915	1,675	1,289	962	1,061	265	292	8,876,219

As at 31 December 2021	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)	190,272	-	-	-	-	-	-	190,272
Other Financial Assets	80,332	-	-	-	-	-	-	80,332
Rentals Receivable on Lease and Hire Purchase Assets	2,426,833	431	285	166	283	84	208	2,428,289
Less : Credit Loss Expenses	-	-	-	-	-	-	-	(474,213)
Loans and Advances	6,988,387	1,560	838	439	665	99	126	6,992,113
Less : Credit Loss Expenses	-	-	-	-	-	-	-	(416,759)
Debt Instruments at Amortised Cost	470,753	-	-	-	-	-	-	470,753
	10,156,577	1,991	1,123	605	948	183	334	9,270,787

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

36.3 Liquidity Risk

36.3.1Overview

Liquidity Risk arises when a financial institution is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due. It arises in the functions of lending, trading and investment activities. It includes both the risk of unexpected increases in the cost of funding assets due to unanticipated funding requirements and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

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

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

As at 31 December 2022	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	337,097	-	-	-	-	-	337,097
Other financial assets	-	63,159	17,079	-	-	-	80,238
Rentals receivable on lease and hire purchase assets	81,922	113,633	448,958	680,560	112,728	1,288	1,439,089
Loans and advances	277,169	626,063	2,038,551	3,705,072	1,416,200	32,379	8,095,434
Total undiscounted financial assets	**1,555,277**	**1,121,744**	**2,504,588**	**4,385,632**	**1,528,928**	**33,667**	**11,129,836**
Financial liabilities							
Bank overdraft	67,066	-	-	-	-	-	67,066
Trade and other payables	438,335	-	-	-	-	-	438,335
Time deposits	40,874	118,228	1,097,971	156,885	356,890	-	1,770,848
Amounts due to related parties	-	-	-	-	-	-	-
Interest bearing borrowings	335,005	300,000	1,378,357	1,112,500	-	-	3,125,862
Lease liabilities	2,142	4,291	16,553	39,323	9,221	1,530	73,060
Total undiscounted financial liabilities	**883,423**	**422,519**	**2,492,881**	**1,308,708**	**366,111**	**1,530**	**5,475,171**
GAP	**671,855**	**699,225**	**11,707**	**3,076,924**	**1,162,817**	**32,137**	**5,654,666**
Cumulative GAP	**671,855**	**1,371,080**	**1,382,787**	**4,459,711**	**5,622,528**	**5,654,666**	

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

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

As at 31 December 2021	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	288,455	-	-	-	-	-	288,455
Other financial assets	-	61,380	18,952	-	-	-	80,332
Rentals receivable on lease and hire purchase assets	43,868	206,697	797,870	1,155,578	317,023	423	2,521,459
Loans and advances	104,603	479,742	2,421,909	3,714,308	1,780,557	42,475	8,543,594
Total undiscounted financial assets	**436,926**	**747,819**	**3,238,731**	**4,869,886**	**2,097,580**	**42,898**	**11,433,840**
Financial liabilities							
Bank overdraft	44,566	-	-	-	-	-	44,566
Trade and other payables	358,826	33,278	41,596	-	-	-	433,700
Time deposits	4,507	4,660	216,822	1,136,511	1,311,883	-	2,674,383
Amounts due to related parties	-	-	-	-	-	-	-
Interest bearing borrowings	-	1,530,603	750,246	1,142,916	-	-	3,423,765
Lease liabilities	1,950	3,899	17,547	46,791	46,791	-	116,978
Total undiscounted financial liabilities	**409,849**	**1,572,440**	**1,026,211**	**2,326,219**	**1,358,674**	**-**	**6,693,392**
GAP	**27,077**	**(824,621)**	**2,212,520**	**2,543,667**	**738,906**	**42,898**	**4,740,448**
Cumulative GAP	**27,077**	**(797,544)**	**1,414,976**	**3,958,644**	**4,697,550**	**4,740,448**	**-**

The Asset and Liability Committee (ALCO) meets 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.

36.4 Interest Rate Risk

36.4 Interest Rate Risk

36.4.1 Overview

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

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

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

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

36.4.1.1 Interest Rate Sensitivity Gaps (Rs. '000)

As at 31 December 2022	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	6,802	335,913	743,121	955,379	1,545,079	5,948,226	9,534,520
Debt instruments at amortised cost	497,089	362,000	318,889	-	-	-	1,177,978
Total sensitive assets	**503,891**	**697,913**	**1,062,010**	**955,379**	**1,545,079**	**5,948,226**	**10,712,498**
Sensitive liabilities							
Bank overdraft	67,066	-	-	-	-	-	67,066
Time deposits	10,606	30,268	118,228	942,526	155,445	513,776	1,770,849
Amounts due to related parties	-	-	-	-	-	-	-
Interest bearing borrowings	185,005	150,000	300,000	451,429	926,929	1,112,500	3,125,863
Lease liabilities	-	2,142	4,291	5,402	11,152	50,075	73,062
Total sensitive liabilities	**262,677**	**182,410**	**422,519**	**1,399,356**	**1,093,525**	**1,676,351**	**5,036,840**
Gap	241,214	515,503	639,491	(443,978)	451,553	4,271,875	5,675,658
Cumulative Gap	**241,214**	**756,717**	**1,396,208**	**952,230**	**1,403,783**	**5,675,658**	

As at 31 December 2021	Less than 7 days Rs.	8 - 30 days Rs.	1 - 3 months Rs.	3 - 6 months Rs.	6 - 12 months Rs.	Over 1 year Rs.	Total Rs.
Sensitive assets							
Rentals receivable on lease, hire purchase and auto loan assets	8,191	140,358	686,439	1,010,396	2,209,384	7,010,286	11,065,054
Debt instruments at amortised cost	150,000	220,753	100,000	-	-	-	470,753
Total sensitive assets	**158,191**	**361,111**	**786,439**	**1,010,396**	**2,209,384**	**7,010,286**	**11,535,807**
Sensitive liabilities							
Bank overdraft	44,566	-	-	-	-	-	44,566
Time deposits	69,956	529,293	629,369	306,259	349,895	290,296	2,175,068
Amounts due to related parties	-	-	-	-	-	-	-
Interest bearing borrowings	-	75,000	1,400,000	171,429	321,429	1,267,857	3,235,715
Lease liabilities	-	1,622	3,245	14,601	38,936	38,936	97,340
Total sensitive liabilities	**114,522**	**605,915**	**2,032,614**	**492,289**	**710,260**	**1,597,089**	**5,552,689**
Gap	**43,669**	**(244,803)**	**(1,246,176)**	**518,107**	**1,499,124**	**5,413,197**	**5,983,118**
Cumulative Gap	**43,669**	**(201,134)**	**(1,447,310)**	**(929,203)**	**569,921**	**5,983,118**	

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

36.4.1.2 Income impact from change in interest rates within one month

	Increase in funding cost 2022		Increase in funding cost 2021	
(Rs.'000)	100 bps	200 bps	100 bps	200 bps
P&L impact (Monthly)	7,567	15,134	(7,975)	(15,951)

Assumptions and method

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

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

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

36.5 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 2021.

External capital requirements are enforced and regulated by the Central Bank of Sri Lanka. These requirements are established to ensure sufficient capital and reserves are maintained. The Company maintained capital and reserves of Rs. 3,348,727,162/- as at 31 December 2022 which is above the minimum regulatory requirement as at that date.

37 UNUSUAL EVENTS OR TRANSACTIONS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

Implications of current / economic crisis

The management has assessed the prevailing macroeconomic conditions, its impact on the Company's business operations and has adopted effective business strategies where Company recorded a profit after tax during current financial year.

The Company is expected to encounter macro-economic challenges such as devaluation of the rupee, import restrictions, rise in general inflation (Year on Year inflation of 57.2% in December 2022), low foreign currency reserves, shortage of essential supplies, increase in policy rates (from 7th July 2022, the SDF Rate was 14.50% and SLF Rate was 15.50% and revised to 15.50% and 16.50% respectively effective from 3rd March 2023) and the resultant pressure on disposable income levels of general public. Accordingly, the Company is expected to encounter numerous challenges in the form of subdued demand for credit and greater credit risk due to the potential loss of income of the customer base. The Company has factored Macroeconomic variables when computing the impairment provision.

The future impact will heavily depend on the time taken for the economy to rebound. The overall impact on the economy, consumer spending and the recovery of the country's enterprises will also be key determinants of future impact on our business. The Board continues to monitor the potential implications of these factors on the Company's business activities and takes the required proactive steps. Furthermore, accounting assumptions and estimates used in the preparation of financial statements have been carefully evaluated given the movements in macroeconomic variables. Necessary changes have been incorporated where applicable, and further changes will be incorporated appropriately based on these evaluations.

Based on the proactive analyses and measures taken, financial strength of the Company and the backing of the Group, the management is confident that the Company has taken adequate steps to manage the above challenges effectively.

Five Year Summary

FIVE YEARS AT A GLANCE - FINANCIAL PERFORMANCE

For the Year ended 31 Dec	2018 Rs	2019 Rs	2020 Rs	2021 Rs	2022 Rs
Interest Income	2,034,384,438	1,968,208,589	1,636,284,210	1,378,303,310	1,580,462,501
Less : Interest Expenses	(1,063,919,426)	(988,244,860)	(674,854,588)	(511,429,807)	(798,399,803)
Net Interest Income	**970,465,012**	**979,963,729**	**961,429,622**	**866,873,503**	**782,062,698**
Rental Income from Operating Leases	438,681	-	-	-	-
Other Operating Income	389,852,380	379,960,070	292,221,552	358,635,719	208,438,955
Total Operating Income	**1,360,756,073**	**1,359,923,799**	**1,253,651,174**	**1,225,509,222**	**990,501,653**
Provision for Impairment Losses	(54,509,883)	(121,721,612)	(270,538,366)	(173,414,841)	(16,897,124)
Net Operating Income	**1,306,246,190**	**1,238,202,187**	**983,112,808**	**1,052,094,381**	**973,604,529**
Less: Operating Expenses					
Administration Cost	(237,385,822)	(251,033,531)	(204,780,867)	(227,262,118)	(315,859,532)
Personnel Cost	(215,611,353)	(240,342,934)	(197,323,753)	(245,844,862)	(206,727,932)
Distribution Cost	(41,590,466)	(39,355,658)	(21,699,420)	(31,129,108)	(34,784,923)
Operating Profit	**811,658,549**	**707,470,064**	**559,308,768**	**547,858,293**	**416,232,142**
Less: Value Added Tax on Financial Services	(129,424,284)	(104,003,297)	(92,669,172)	(115,072,505)	(101,738,616)
Debt Repayment Levy	(18,037,521)	(63,656,737)	(2,040,212)	-	-
Profit Before Taxation	**664,196,744**	**539,810,030**	**464,599,384**	**432,785,788**	**314,493,526**
Taxation	(308,781,782)	(197,046,301)	(176,498,684)	(69,780,444)	(75,021,947)
Profit for the year	**355,414,962**	**342,763,729**	**288,100,700**	**363,005,344**	**239,471,579**

Five Year Summary

FIVE YEARS AT A GLANCE - FINANCIAL POSITION

For the Year ended 31 Dec	2018 Rs	2019 Rs	2020 Rs	2021 Rs	2022 Rs
ASSETS					
Cash and Bank	214,689,348	254,934,938	432,495,187	288,455,180	337,096,577
Other Financial Asset	90,388,541	74,785,758	73,533,687	80,331,811	80,238,238
Other Non Financial Assets	14,950,330	9,843,509	4,902,703	43,406,197	49,098,162
Deferred tax assets	-	-	-	39,337,550	86,151,258
Rentals Receivable on Lease and Hire Purchase Assets	5,639,237,678	3,847,454,176	2,797,074,803	1,954,075,734	1,118,908,129
Loans and Advances	5,136,831,821	5,526,124,117	4,983,138,643	6,575,354,012	6,279,256,677
Equity Instruments at Fair Value Through Other Comprehensive Income	80,400	1,981,382	2,098,266	2,100,826	2,120,229
Debt Instruments at Amortised Cost	532,884,042	437,185,444	759,224,727	470,753,293	1,177,977,921
Property, Plant and Equipment	25,191,303	23,676,136	20,958,191	26,713,054	40,558,567
Intangible Assets	4,875,095	2,375,611	744,328	262,346	-
Right of Use Assets	-	75,828,734	73,236,739	92,265,444	60,422,841
Total Assets	**11,659,128,558**	**10,254,189,805**	**9,147,407,274**	**9,573,055,447**	**9,231,828,599**
EQUITY AND LIABILITIES					
Liabilities					
Bank Overdraft	47,708,211	17,415,790	114,216,408	44,565,998	67,065,862
Trade and Other payables	637,894,899	468,175,592	401,333,514	433,701,111	438,334,848
Time Deposits	2,359,395,820	2,265,482,274	2,099,863,518	2,175,067,640	1,770,848,966
Amounts due to Related Parties	2,446,344,980	1,171,289,033	99,336,769	-	-
Interest Bearing Borrowing	3,431,632,634	3,227,974,834	3,011,583,067	3,240,438,779	3,125,861,723
Lease Liability	-	73,942,968	73,514,101	97,340,524	73,060,622
Provision for Income Tax	231,621,952	195,354,555	288,440,892	227,817,172	159,746,842
Deferred Tax Liabilities	155,618,443	136,719,982	69,929,392	-	-
Employee Benefit Obligation	25,716,283	29,152,744	33,991,294	29,860,266	29,094,358
Total Liabilities	**9,335,933,222**	**7,585,507,772**	**6,192,208,955**	**6,248,791,490**	**5,664,013,220**
Equity					
Stated Capital	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Retained Profit	2,007,853,183	2,334,832,987	2,606,860,081	2,957,692,844	3,189,378,330
Fair Value through OCI Reserve	-	1,368,707	1,452,864	1,535,524	1,427,881
Statutory Reserve Fund	115,342,153	132,480,339	146,885,374	165,035,589	177,009,168
Total Equity	**2,323,195,336**	**2,668,682,033**	**2,955,198,319**	**3,324,263,957**	**3,567,815,378**
Total Equity and Liabilities	**11,659,128,558**	**10,254,189,805**	**9,147,407,274**	**9,573,055,447**	**9,231,828,598**

FINANCIAL INDICATORS

	2018	2019	2020	2021	2022
Return on Assets % (Before Tax)	4.93%	4.93%	5.08%	4.62%	3.34%
Return on Equity % (After Tax)	16.46%	13.84%	9.75%	11.56%	6.95%
Net Interest Margin %	8.61%	9.28%	11.26%	9.88%	8.92%
Total Capital Ratio %	18.69%	23.81%	29.72%	30.62%	36.53%
Loans and Advances %	92.40%	91.41%	85.05%	89.10%	80.14%
Investments %	4.60%	4.28%	8.32%	4.94%	12.78%
Other Assets %	3.00%	3.57%	6.62%	5.96%	7.08%
Gross NPA Ratio %	2.98%	5.18%	8.48%	7.57%	15.97%
EPS	17.77%	17.14%	14.41%	18.15	11.97
DPS	0.00%	0.00%	0.00%	0.00%	0.00%

Share Information

Stock Exchange

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

Ordinary Shares as at 31 December 2022 : 20,000,000

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

Distribution of Shareholders

There were 3 registered shareholders as at 31 December 2022, distributed as follows.

Distribution of shareholders	As at 31st December 2022				As at 31st December 2021			
	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 2022				As at 31st December 2021			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
Resident	2	90	18,000,001	90	2	90	18,000,001	90
Non-Resident	1	10	1,999,999	10	1	10	1,999,999	10
Total	3	100	20,000,000	100	3	100	20,000,000	100

Shareholders	As at 31 December 2022		As at 31 December 2021	
	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 31 December 2022		As at 31 December 2021	
	No. of Shares	%	No. of Shares	%
Public	2,000,000	10	2,000,000	10
Controlled Companies	18,000,000	90	18,000,000	90
Total	20,000,000	100	20,000,000	100

DIRECTORS' AND CEO'S SHARE HOLDINGS

Name	Position	No. of shares as at 31 December 2022	No. of shares as at 31 December 2021
Mr. T S A Fernandopulle	Chairman	-	-
Mr. R C J De Silva Munasinghe	Director/CEO	-	-
Mr. J D N Kekulawala	Director	-	-
Mr. A B Mundra	Director	-	-
Mr. P A Mackenzie	Director	-	-
Mr. A Maas (appointed w.e.f : 03.11.22)	Director	-	-
Mr. R Narasimhan (appointed w.e.f:27.04.22; resigned w.e.f: 05.09.22)	Director	-	-
Mr. B E Schwendtke (resigned w.e.f: 26.01.22)	Director	-	-
Total	-	-	-

SHARE PRICES FOR THE YEAR

	31.12.2022 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	31.12.2022	31.12.2021
Dividend Per Share (Rs.)	0.00	0.00
Dividend Payout Ratio	0.00	0.00
Net Asset Value Per Share (Rs.)	178.39	166.20

Corporate Information

Date of Incorporation	: 23 February 2006
Date of Re-registration	: 27 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: 08 June 2011
Principal Activity	: Leasing Auto Loans Acceptance of Deposits
Stated Capital	: Rs. 200,000,000/- (20,000,000 shares)
Legal Form	: Quoted on the Diri Savi Board of the CSE with Limited Liability

Board of Directors :

Mr. T S A Fernandopulle	- Chairman
Mr. R C J De Silva Munasinghe	- Director/CEO
Mr. J D N Kekulawala	- Member
Mr. A B Mundra	- Member
Mr. P A Mackenzie	- Member
Mr. A Maas (appointed w.e.f : 03.11.22)	- Member
Mr. R Narasimhan (appointed w.e.f: 27.04.22 and resigned w.e.f: 05.09.22)	- Member
Mr. B E Schwendtke (resigned w.e.f: 26.01.22)	- Member

Company Secretary	: Mrs. Ruvini E Weerasinghe (resigned w.e.f: 02.07.22) Ms. Chandima Nanayakkara (appointed w.e.f: 02.07.22)
Auditors	: M/s. PricewaterhouseCoopers Chartered Accountants
Bankers	: Bank of Ceylon Commercial Bank of Ceylon PLC Hongkong & Shanghai Banking Corporation PLC Nations Trust Bank PLC People's Bank Sampath Bank PLC DFCC Bank PLC Pan Asia Banking Corporation PLC National Development Bank PLC Union Bank of Colombo PLC Hatton National Bank PLC Cargills Bank Limited
Registered Office	: No. 185, Union Place, Colombo 2

Board Audit Committee :

Mr. J D N Kekulawala	- Chairman
Mr. T S A Fernandopulle	- Member
Mr. P A Mackenzie	- Member

Board Integrated Risk Management Committee :

Mr. T S A Fernandopulle	- Chairman
Mr. J D N Kekulawala	- Member
Mr. P A Mackenzie	- Member

Remuneration Committee :

Mr. J D N Kekulawala	- Chairman
Mr. T S A Fernandopulle	- Member
Mr. P A Mackenzie	- Member

Related Party Transactions Review Committee :

Mr. J D N Kekulawala	- Chairman
Mr. T S A Fernandopulle	- Member
Mr. P A Mackenzie	- Member

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