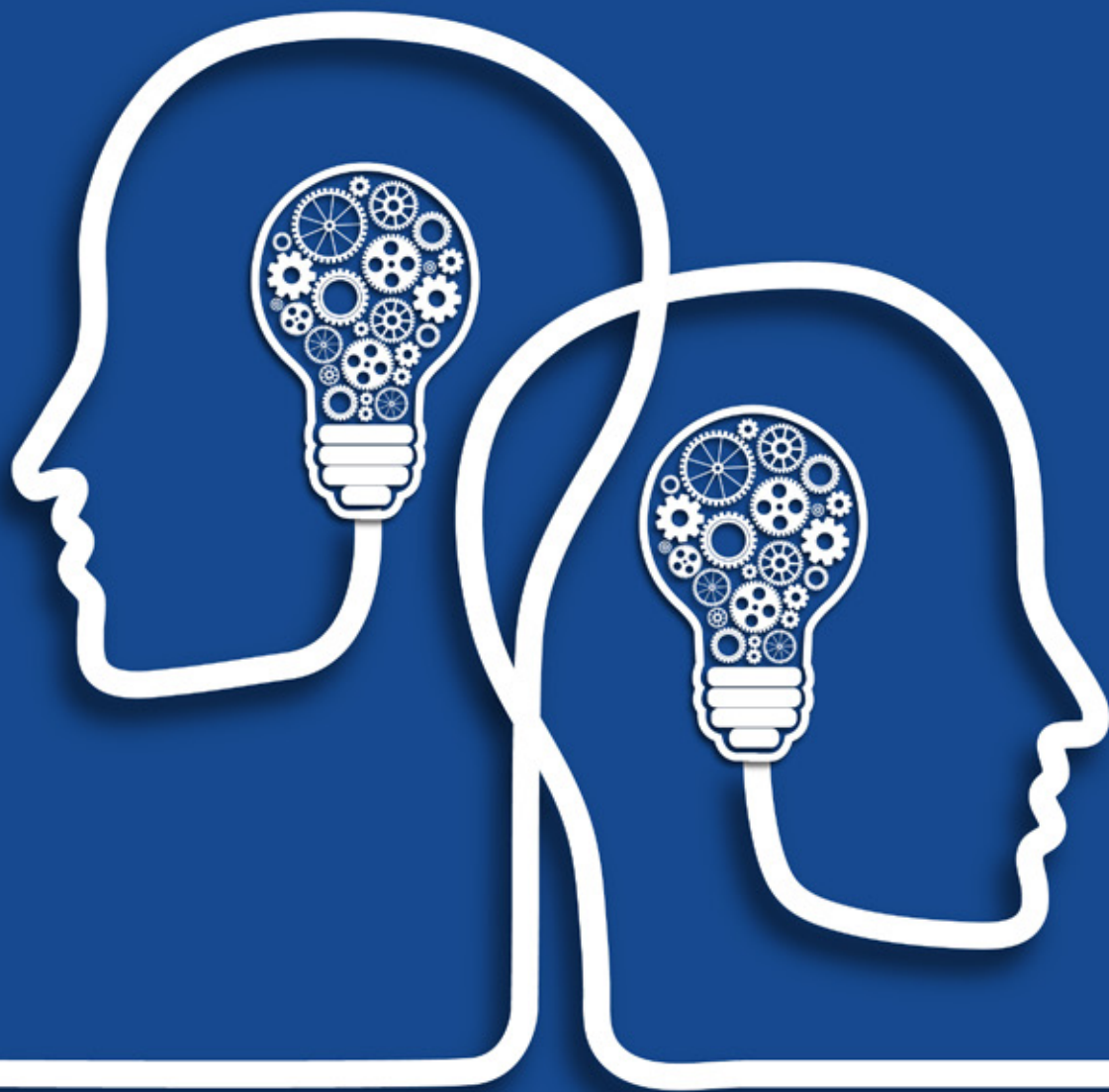


SYNERGY WITH STRATEGY



ASSOCIATED MOTOR FINANCE COMPANY PLC
ANNUAL REPORT 2021/2022



Associated Motor Finance
Company PLC.
ESTD. 1962

SYNERGY WITH STRATEGY

“

With the successful merger between Associated Motor Finance Company PLC (AMF) and former Arpico Finance Company PLC (AFC), our vision, mission, and core values were redefined focusing on accomplishing our shared goal. We have been successful in managing the market headwinds mainly due to the pandemic situation and economic uncertainty through which we remained resilient by synergizing the strengths of both companies and driving our game to achieve the desired profit target. This was primarily made possible by the commitment and teamwork of all staff members through embracing unique strategic directions. As a result, we were able to tactfully triumph the challenges ahead of us to reach the success we aspired for through coaction and collaborative efforts of everyone involved in the business.

”

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RENEWING OUR PERSPECTIVES



OVERVIEW

Associated Motor Finance Company PLC (AMF), incorporated on 25th July 1962, is one of the oldest licensed finance companies registered in Sri Lanka under the Companies Act No. 07 of 2007 and the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011. After a long history of success and significant strength in the specialized area of financing, AMF acquired Arpico Finance Company PLC (AFC), the oldest operating finance company in the nation with a history of over 70 years with a highly diversified asset portfolio in 2014 to double its size.

According to the Master Consolidation Plan of the Central Bank of Sri Lanka (CBSL), AMF marked a major milestone in its journey last year when the company merged with AFC on the 1st of April 2021, to become a single entity and one of the strongest in the industry. AMF has leveraged its new position of strength to steer through tough times with resilience and further consolidated its position as a result. With two organizations now combining to become Associated Motor Finance Company PLC, the merged organization will be better able to weather this trying time than many others in the sector due to its track record of tenacity and endurance.



Through emerging synergies from this union, AMF now caters to a wider clientele across different market segments with an island-wide branch network, covering 12 strategic cities and townships, as well as its extensive dealer network. The Company's diverse portfolio of financial products and services include leasing and hire purchase, mortgage loans, personal loans, time and savings deposits, Islamic finance, real estate and import and trading.

VISION

“Trusted partner for your financial needs”

MISSION

“To provide a resilient foundation for our clients to experience the best in financial services by constantly offering diverse and innovative services, in an empowering and rewarding work culture that ensures increased shareholder value.”

TRUST

It is a core value that must be upheld by every employee in order to ensure an honest and value-driven work environment, a strong client relationship and a stable and sustainable organization. It has been a value that has been upheld with pride in the past and continues to be an important principle the company aspires to maintain.

AGILITY

The ability to adapt to changes and developments in the industry in order to sustain customer demands and expectations. It enhances the responsiveness to reasonable expectations and developments in the market, ensuring a competitive advantage.

INNOVATION

This core value is instilled to view the company as an organization that introduces new services, practices and products that fosters a progressive outlook on its employees and customers. It is important not merely to be on par with other financial institutions but to surpass competitors and fulfill the organization’s responsibility towards its clients by ensuring service excellence and advancement.

ACCOUNTABILITY

Ensuring responsible management of client wealth and provision of services in an ethical, reliable and answerable manner. Maintaining accountability is the response of the organization to the trust placed in them by their clients.

TEAMWORK

Ensuring the employees work in cohesion towards the achievement of the company goals, providing support and assistance to one another and thus, establishing a positive work environment that ensures efficiency, effectiveness and equity.

PERFORMANCE DRIVEN CULTURE

This core value is imperative to attract future talent into the organization for long run survival. It guarantees a just and equitable work environment, thereby empowering employees and providing equal opportunities for success.

For the year ended 31st march	2021/22	2020/21	% Change	2020/21	2019/20	% Change
Result on Operation						
For the year ended Rs. Mn						
Interest Income	2,301	1,069	115%	1,069	1,315	-19%
Interest expense	1,519	696	118%	696	872	-20%
Net interest income	781	373	110%	373	443	-16%
Profit before income tax	492	(9)	5328%	(9)	12	-180%
Profit after income tax	299	(6)	4983%	(6)	23	-126%

Financial Position

At the end of the year Rs. Mn

Total Asset	15,161	6,492	134%	6,492	7,714	-16%
Lending portfolio	8,777	2,916	201%	2,916	4,616	-37%
Deposits from public	11,173	4,059	175%	4,059	4,622	-12%
Borrowings	765	1,056	-27%	1,056	1,406	-25%
Shareholders' funds	2,699	1,229	120%	1,229	1,232	-0%
Market capitalisation	963	1,670	-42%	1,670	2,256	-26%

Information per Ordinary Share

Earnings - basic (Rs.)	2.86	(1.09)	362%	(1.09)	23.95	-105%
Net asset Value (Rs)	23.82	219.14	-89%	219.14	219.73	0%
Market value at the end of the period (Rs.)	8.50	297.75	-97%	297.75	402.20	-26%
Price earnings (time)- Ordinary shares	2.97	(272.31)	101%	(272.31)	16.80	-1721%

Ratios

Return on average assets (%)	4.55	(0.13)	3530%	(0.13)	0.47	-129%
Return on average shareholder's funds (%)	25.06	(0.77)	3376%	(0.77)	3.17	-124%
Net interest margin (%)	7.22	5.88	25%	5.78	6.63	-13%
Equity to assets (%)	17.81	18.93	-6%	18.93	15.97	-99%

Compliance Ratios

Core capital to risk weighted assets (Tier I) (%)	14.9%	1.84%	710%	1.84%	13.7%	-87%
Total capital to risk weighted assets (Tier II) (%)	15.8%	-10.29%	254%	-10.29	14.8%	-170%
Liquid assets to total assets (%)	27.68%	25.53%	8%	25.53	10.6%	141%
Liquid assets to deposits (%)	37.56%	40.84%	-8%	40.84	19.4%	111%



3,438

DEPOSIT CUSTOMERS

2,137

SHAREHOLDER BASE

31,344

LENDING CUSTOMERS

78%

DEPOSIT RENEWAL RATIO

353

TOTAL EMPLOYEES

Dear Shareholders,

I take great pride in welcoming you to the Annual General Meeting of Associated Motor Finance Company PLC (AMF) and to place before you the Annual Report and Audited Financial Statements for the year ending 31st March 2022. The preceding year was a challenging, yet successful one for us and I would like to commence my message by thanking the AMF Team for rising to the occasion and contributing to the outcomes presented to you.

**Mr. K.D.U.S. Nanayakkara
Chairman**

STATE OF ECONOMY AND COVID-19 IMPACT

The COVID-19 pandemic continued to grip the country as new variants disrupted normal business and social activities in Sri Lanka. However, access to the COVID-19 vaccine reduced the impact of the virus and enabled countries to re-open borders and slowly build up economic activities to pre-COVID levels. As a result, the Sri Lankan economy appeared to regain some momentum towards the end of 2021, bouncing back strongly after two years of weak growth. According to CBSL figures, GDP increased by 3.7% as a consequence of increasing domestic consumption and a substantial contribution from the export sector. Agriculture, manufacturing, and the service sector all improved significantly. It was also encouraging to see the tourism and construction industries strengthening. Most crucially, the country's financial systems remained largely robust, with banks and financial institutions underpinning the system's stability. All other industries seemed to be recovering well enough to achieve satisfactory growth in 2021.

However, the pandemic's long-term impact, along with policies to manage the pandemic, exacerbated Sri Lanka's deep-rooted vulnerabilities resulted in plummeting foreign exchange inflows. This caused the government to restrict imports, increased interest rates to curb skyrocketing inflation and a shortage in fuel and gas supply. All of it resulted in a rapid depreciation of the Sri Lankan rupee.

In the latter half of 2021, the Sri Lankan economy hit crucial crossroads due to an acute shortage of dollar liquidity, sending the country back into unstable territory in Q1 2022. These forces conspired to generate a condition of political and social turmoil by the end of the financial year ending March 2022, the full impact of which will only be realized in the following financial year.



NON-BANKING FINANCIAL INSTITUTIONS (NBFI) INDUSTRY PERFORMANCE

Performance of the LFCs and SLCs sectors improved considerably during 2021, especially in terms of credit growth and profitability. By the end of March 2022, the sector's total asset base had grown by 14.3% to Rs. 1,590 Bn, up from the previous year's figure of Rs. 1,391 Bn. Loans and advances represented a major portion with Rs. 1,213 Bn which was 76% of total assets. However, the loans and advances portfolio of the sector was highly concentrated on finance leases which accounted for 48.3% of total loans and advances. The growth of the leasing portfolio declined mainly due to government limitations on the importation of motor vehicles as a strategy to limit foreign currency outflows.

The NBFI sector's asset quality improved, with the gross NPL ratio falling to 9.1% as of March 2022, down from 11.3% the previous year. This improvement was mostly due to effective recovery techniques, which resulted in a 9% decrease in gross non-performing loans. Overall economic revival and improved business conditions were also reflected in lower NPLs, signaling a drastic improvement in sector-wide credit risk. Profit after tax increased by 102% from Rs. 29.7Bn by year end March 2021 to Rs. 59.8Bn by the year end March 2022.

The NBFI sector continued to show great potential and despite facing challenges, remained well-capitalized during the year. Furthermore, with the implementation of the CBSL's master plan in 2021 in an attempt to build a strong and stable NBFI sector complying with prudential requirements with diversified business models, the sector witnessed a significant improvement in regulatory capital and compliance levels. The sector's capital base increased to Rs. 265.8Bn by March 2022 from Rs. 218.7Bn in March 2021, with the infusion of new capital by several LFCs to meet regulatory requirements of Rs. 2.5Bn by 01st of January 2022. As a result, the sector's core capital and total capital ratios increased to 16.2% and 17.7%, respectively, as of March 31, 2022 from the 14.2% and 15.4% reported at the end of the previous financial year.

The sector-maintained liquidity well above the minimum required level during 2021. The overall regulatory liquid assets available in the sector were Rs. 155.9Bn by the end of 2021, against the stipulated minimum requirement of Rs. 89.9 Bn.

CHALLENGES FACED AND MITIGATION STRATEGIES USED

As a leading financial services provider, we play an important role in the economic life of individuals and businesses all around Sri Lanka. We continue to be committed to cater to customers at the bottom of the economic pyramid, who have been economically marginalized and have limited or no access to obtain services from banks, to

help them to become financially stable and bankable. Towards this end, it is essential that our business model remains agile and highly responsive.

With our focus in the first half of the year remaining very much on controlling the pandemic's impact, we continued to emphasize the safety and well-being of our staff. COVID-19 safety precautions put in place at the start of the pandemic remained in effect this year as well. At the same time, we continued to collaborate closely with health officials to better understand the various viral mutations and to assist update our COVID-19 processes as needed. We also advised all staff to get the necessary COVID-19 vaccines this year in order to protect their long-term health and well-being.

AMF has always recognized the necessity of maintaining in touch with consumers. Until COVID-19, our preferred modalities of client involvement were predominantly through the traditional brick and mortar system where customers physically visit the branches. However, since the pandemic, and our shift towards digitalization, we were able to adapt our social media activities and payment platforms to specifically appeal to each consumer category which has helped us to increase customer loyalty and convenience. In addition, due consideration was given towards the financial well-being of our customers by offering them moratoriums, loans at concessionary rates, new rental payment plans, and default interest waive-offs during these trying times.

Despite the COVID-19 related challenges that prevailed for most of the year, AMF was able to successfully record an outstanding growth in the loan portfolio, deposits portfolio, total assets, equity, revenues, and profits. This growth momentum was made possible by the precise strategies developed and implemented after the post-merger to manage the business in a sustained manner while ensuring that value was created for all our stakeholders amidst a chaotic operating environment.

Framed by the foundational principles of credit and lending, our business model has continued to grow and evolve through a process of managed evolution. One such phase is where AMF marked a major milestone in its journey last year when the company merged with Arpico Finance Company PLC (AFC) to become a strong single entity in the industry. AMF has leveraged its new position of strength to steer through tough times with resilience and further consolidated its position as a result. Looking at our results for 2022, it is clear that the synergies of the merged entity and post-merger strategies prepared us well for this unprecedented crisis. Supported by the merged Company's committed workforce and prudent management strategies, the Company's Profit Before Tax (PBT) rose to LKR 492 Mn in FY 2021/2022.

Achieving another strategic milestone in its transformational journey, AMF's rights issue in 2021 to raise Rs. 500 Mn in equity was oversubscribed further strengthening its core capital requirements to be fully compliant with CBSL requirements. The rights issue oversubscription points toward the improving financial stability and trust of AMF and the Company's ability to move steadily forward with its five-year strategic plan. Accordingly, the Company's Core Capital grew by 65% to LKR 2.624 Bn, from LKR 1.590 Bn during the period under review.

The strength of our balance sheet was further underpinned by healthy capital and liquidity ratios. AMF remained well capitalized and sufficiently liquid throughout the year. At 14.9% and 15.8% respectively our core capital and total capital ratios for FY 2021/22 remained significantly above the regulatory minimum of 7% and 11%. The Liquid Asset to Deposit Ratio stands at 37.65%, indicating the company's healthy financial standing highlighting its ability to pay off obligations through liquid assets. We also improved recoveries in order to drive a significant decrease in non-performing loans (NPL). It is noteworthy to mention that we were able to reduce the gross NPL portfolio by 38% in relative to the industry, which only recorded a marginal decline of 9% during the year under review.

FUTURE STRATEGY

It is not surprising that we begin the new fiscal year with many fresh aspirations and ambitions to propel our company forward. While existing challenges persist and new ones develop in the macroeconomic climate, we will remain strong while aggressively managing risks to achieve growth. The capacity of the Company to remain resilient amid such a difficult year gives us the confidence to look ahead with hope.

Our immediate focus is on increasing profitability by leveraging on high yielding products, reducing operational costs through cost savings, optimizing synergies of the merged entity, and strengthening and concentrating more on recoveries to achieve impairment reversals through stringent collection policies and other strategies. As a long-term goal, we will actively pursue expansion by utilizing branches as regional administrative units and employing technology to expand our network and serve clients across the island.

As we enter into an uncertain economic climate, I want to reassure AMF's stakeholders that your company will proceed with caution in terms of strategy execution. Given the projected volatility in the next few months, our focus will be on mitigating short-term downside risks.

Looking ahead, the Board will be vigilant of changing conditions, including the foreign exchange liquidity issue, increasing interest rates, inflationary pressures, and other possible disruptions that might endanger AMF's long-term growth prospects.

Having said that, I am confident that our human capabilities coupled with new technological initiatives, well-founded risk mitigation strategies, and customer-centric business model will provide a solid foundation for future growth.

ACKNOWLEDGEMENT

I would like to thank my fellow directors on the Board for their unstinted support, and the senior management and all employees of AMF for their continued and untiring efforts to ensure the growth and success of the business amidst the difficult operating environment that prevailed during the year under review. The guidance provided by the Governor of the Central Bank of Sri Lanka, the Director, and the officials of the Department of Supervision of Non-Bank Financial Institutions have been invaluable. I must also recognize our customers, depositors, and other stakeholders for partnering with us and having sustained faith in the company and being a part of our success story year-on-year.



Mr. K.D.U.S. Nanayakkara
Chairman

Dear Stakeholders,

MACROECONOMIC BACKDROP

The COVID-19 pandemic threw the world economy into unprecedented turmoil, bestowing organizations, communities, and governments with a plethora of problems. Though a successful vaccination campaign kept the pandemic under control, the worldwide economic recovery was hampered by the spread of different Covid variants. Further, supply chain disruptions and geopolitical tensions in Eastern Europe, exacerbated by the Ukraine-Russia war, continue to impede economic recovery. These unfavorable global catastrophes reverberated on the domestic front, as Sri Lanka experienced yet another year of volatility and uncertainty. However, with the effective execution of the vaccination campaign, relaxed mobility restrictions, and flexible monetary policy support, business activity reverted to pre-pandemic levels by the end of 2021.

Meanwhile, unsustainable debt and a balance-of-payment crisis further strained the local economy. The severe macroeconomic issues resulting from the depletion of foreign currency reserves and subsequent tightening of monetary policy by the Central Bank resulted in a steady increase in interest rates and a spiraling rupee depreciation. This prompted yields on government securities to rise into the double digits, reflecting market conditions in light of the government's increased funding needs. Furthermore, economic operations were hampered by rising global disasters such as supply chain disruptions and major increases in commodity prices, as well as endless power, fuel and gas shortages.

Due to these challenges, YoY inflation reached double digits, rising to 21.5% by March 2022, the highest level ever recorded. Interest rates have also risen, with the Standing Deposit Facility Rate and Standing Lending Facility Rate, which were 4.5% and 5.5% at the commencement of the financial year, rising to 6.5% and 7.5%, respectively, by March 2022.

Regardless of the obstacles, the year's upheavals provided several possibilities to rethink and reinvent business processes, driving businesses to improve efficiency and convenience.

There was an emphasis on remote working and digital solutions, resulting in rapid improvements that would otherwise have taken several years to accomplish.



INDUSTRY DEVELOPMENTS

Despite increased uncertainty and fluctuating economic conditions, the NBFi industry showed commendable resilience, improving its profitability, asset quality, and capital strength. However, credit growth and asset quality were negatively impacted during the second quarter due to continued travel restrictions and the pandemic outbreak reaching its peak with the Delta variant. The NBFi sector recovered thereafter, recording 102% profitability growth and 14% asset growth by March 2022. Furthermore, the relaxation of restrictions, along with prolonged moratorium relief, enabled the industry to maintain asset quality, which stood at 9.1% as of March 2022, compared to 11.3% in March 2021.

Rising interest rates followed by tighter monetary policy measures at the outset of 2022, dampened industry growth putting pressure on net interest margins. Furthermore, the continuation of import restrictions, as well as the resultant increase in secondhand vehicle prices and inflationary consequences, further depressed industry growth, causing considerable uncertainty in revenue generation, cost structures, and bottom line.

OPERATIONAL HIGHLIGHTS

The year under review will be remembered as one of the most turbulent in the history of the Sri Lankan economy and finance industry. AMF demonstrated persistent endurance in the face of complex and adverse business conditions, capitalizing on our strategic foresight and culture of agility, and teamwork to successfully handle external headwinds. By remaining open to our stakeholders' requirements through challenging times and pressing ahead with the proper strategy and adaptability, we were able to deliver substantial growth in profitability and capital growth, as well as ongoing stability and value creation to all our stakeholders.

During this challenging period, AMF completed another strategic landmark by amalgamating with Arpico Finance Company PLC (AFC) on April 1, 2021, in accordance with the Central Bank Master Consolidation Plan which was reintroduced in 2021. The incorporation of AFC into AMF enabled the combined firm to serve varied market segments while strengthening its brand identity in the market. The merged entity is in a better position to pursue more growth opportunities due to extended geographical locations by leveraging former AFC branches as well as the AMF dealer network.

Through emerging synergies from this union, AMF now caters to a wider clientele across

different market segments with an island-wide branch network, covering 12 strategic cities and townships, as well as its extensive dealer network. With the merged company's outstanding success during the year, this strategic amalgamation was proven to be beneficial. During the financial year 2021/22, AMF achieved a pre-tax and post-tax profit of Rs.492 Mn and Rs. 299 Mn respectively, proving our resilience and exceptional crisis management ability.

The gradual resumption of normalcy following the lockdown enabled us to begin lending and recovery activities by the second quarter of the year. We designed a multi-pronged approach to ensure continual value generation for all of our stakeholders whilst being well cognizant of the risks posed by the adverse economic conditions. Economic hardships had a significant influence on customers' business continuity, affecting their capacity to repay loans. As a result, AMF implemented a case-by-case loan restructuring approach to allow clients to repay their loans in a flexible and sustainable way whilst continuing to rebuild their businesses and livelihoods. AMF also complied with the CBSL's moratorium criteria by offering various repayment options to clients. These measures combined with our strong recovery strategy, enabled us to reduce 180-day NPLs to 16.6%, down from 18.3% in March 2021 and achieve an impairment reversal of Rs. 354Mn,

compared to a Rs. 45Mn impairment charge in the previous year.

During the year under review, AMF achieved another strategic milestone in its transformative journey to raise Rs. 500Mn in equity and significantly strengthen its core capital requirements to be fully compliant with CBSL regulations.

The oversubscription to the rights issue reflects AMF's improved financial stability and trust, as well as the Company's capacity to move steadily forward with its five-year strategic plan. As a result, the Company's Core Capital increased by 65% to LKR 2.623Bn, up from LKR 1.6Bn during the period under review. In addition, based on the CBSL Prompt Corrective Action (PCA) framework, AMF was rated as a well-capitalized Company as the total capital adequacy ratio reached 15.8% by March 2022, which is significantly over the required ratio of 14% for the well capitalized category with an asset base less than Rs. 100Bn. Further, maintaining sufficient liquidity was one of our key priorities during the year under review and as a result, the Liquid Asset to Deposit Ratio stood at a significant 37.65%, indicating the company's strong financial standing.

Therefore, it is with great pleasure that I mention that our prudent planning, futuristic thinking, stable structures, and coherence of the AMF team enabled us to conquer the gamut of unprecedented challenges to stay focused on our successful journey towards visionary aspirations.

STAKEHOLDER MANAGEMENT

During this challenging period, the company's primary objective was to protect the interests of both internal and external stakeholders and assure their well-being. To maintain uninterrupted service to deposit clients, lenders, and suppliers, the organization implemented a variety of measures. As a result, in order to improve public depositors' trust in their investments, the Company paid interest in advance to all public depositors. Deposit withdrawals were also processed swiftly upon depositor request to help them in meeting their personal obligations during difficult times. Furthermore, loan repayments to institutional funding sources were made on schedule and without the need for any moratoriums. Aside from external stakeholders, the company also ensured that no employee benefits were reduced.

We are glad to notify our investors and other stakeholders that we met and surpassed our goals for the fiscal year 2021/22. We were able to conclude the year on a high note by providing excellent value to all stakeholders. Thus, I take this opportunity to reassure all stakeholders that AMF will continue this momentum to deliver exceptional value to all its stakeholders.

LOOKING AHEAD

Despite the enormous hurdles, AMF persevered and succeeded in making a positive shift towards profitability by developing a culture of sustainable growth for the financial year 2021/22. Interest rate increases, unpredictable customer cash flows, and sluggish economic confidence will all pose challenges to growth prospects in the years ahead. Nonetheless, the Company continues to pursue sustainable growth by using timely managed strategies to increase client confidence and wealth creation. AMF is convinced that executing strategies to suit the present business situation and making optimal business decisions from time to time would assist the company build a suitable atmosphere to meet its growth and profit ambitions in the future.

APPRECIATION

We displayed the power of our perseverance as we navigated through a year of ongoing uncertainty and tribulations by relying on an experienced and capable team that assisted to post an amazing performance. Despite the numerous hurdles, I am grateful for AMF's leadership team's persistent dedication and extraordinary efforts in attaining these great accomplishments.

I would like to commend the Chairman and Board of Directors for their forward-thinking attitude to overcoming all hurdles. The participation of top management, as well as the cooperation and continuous effort of the whole team, has been extraordinary and has assisted the Company in navigating the difficult year. The Governor of the Central Bank of Sri Lanka, the Director, and officials from the Department of Supervision of Non-Banking Financial Institutions provided us with appropriate guidance at all times. Our pillars of support have been our committed shareholders and stakeholders, which include customers and business partners. The last year has tested our tenacity, but the manner in which we have stayed resilient underlines our brand strength and financial stability.

As the CEO, I reassure you that, despite the multifaceted challenges we face, AMF is well-gearred in all aspects to meet our ambitious targets and to drive the business prudently towards greater heights. I reserve my last words of tribute to all our stakeholders and wish to convey our sincere well wishes to everyone as we look forward to your continued support in our future endeavors.



Mr. T.M.A. Sallay
**Executive Director/
Chief Executive Officer**



SEATED L TO R

Shanil Dayawansa Executive Director - Lending, Deposits & Marketing | **A S Dayawansa** Executive Director - Human Resources & Administration
T M A Sallay Executive Director / CEO | **K D U S Nanayakkara** Chairman / Independent Non-Executive Director
J P I Nalatha Dayawansa Deputy Chairman / Executive Director - Operations & Recoveries

STANDING L TO R

Suren Goonewardene Independent Non-Executive Director | **Ranil Wijegunawardena** Independent Non-Executive Director
Tauchira Gooneratne Kandamby Independent Non-Executive Director | **Nilanka Pieris** Non-Independent Non-Executive Director

Mr. K.D.U.S. Nanayakkara
 Chairman / Independent
 Non-Executive Director

Mr. K.D.U.S Nanayakkara, an Independent Non-Executive Director of the Board of Associated Motor Finance Company PLC since 5th November 2015 was appointed as Chairman of the Company on 18th May 2020.

Mr. Nanayakkara holds a Bachelor of Science Degree in Pure Mathematics and Physics from the University of Colombo and a MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is also a Fellow member of the Chartered

Institute of Management Accountants, UK.

Mr. Nanayakkara commenced his career at Linea Intimo, a fully-owned subsidiary of MAS Holdings in 1999 and moved up the rank to become the Director Finance of MAS Active division in 2013, where he served in this capacity till the end of 2017. During this period, the Finance Team of MAS Active won the prestigious CIMA Case Study Award in 2012. This case study was based on the successful Finance transformation with the implementation of Lean Enterprise in a service function. Subsequently, he served as the Director – Manufacturing and Planning of MAS Active,

the sportswear division of MAS Holdings. He has been an active member in setting up a manufacturing partnership in China, India and Jordan. He was also responsible in setting up MAS operations in the Western Hemisphere. He was appointed as a Board Director of MAS Legato (Pvt) Ltd., MAS’s captive shared services operation with effect from 1st January 2017. Currently he serves as the Chief Executive Officer of MAS Legato (Pvt) Ltd.

Mr. J.P.I. Nalatha Dayawansa

Deputy Chairman / Executive Director - Operations & Recoveries

Mr. Nalatha Dayawansa is a Diploma holder in Automobile Engineering in Stuttgart, Germany and has been an apprentice of Dimo, Mercedes Benz, AG and Bosch GmbH. He has undergone extensive training locally and internationally in relation to automobile engineering. He possesses vast knowledge and experience in this field, which prompted him to start his own business venture namely, Imperial Import & Export Company (Pvt) Ltd in 1983 and pioneered the import of used high-end cars. It also involves the importation of farm and earth moving equipment and prime movers from the UK. He is also a Diploma holder in Economics and Management from the London School of Economics UK.

Mr. Dayawansa was appointed as an Executive Director to the Board of Associated Motor Finance Company PLC in 1982 and after the demise of his father late Mr. J.P.I. Piyadasa in 1995: he succeeded as the Chairman and Managing Director of the Company. He has over 37 years of extensive experience in many industries such as Finance, Hospitality and Leisure, Garments, Exports and Imports. In addition to the above, he is currently the Chairman and Managing Director of Poltech (Ceylon) Ltd., a public limited company

engaged in garment exports and also the Chairman and Managing Director of Imperial Import & Export Company (Pvt) Ltd., a private limited company engaged in importing and trading of used motor vehicles from the UK.

Mr. Dayawansa served as an Executive Director of Arpico Finance Company PLC from December 2014 until March 2021, prior to the amalgamation with Associated Motor Finance Company PLC.

Subsequently, he was appointed as the Deputy Chairman of the company with effect from 1st April 2021.

Mr. J.P.I. Shanil Dayawansa

Executive Director – Lending, Deposits & Marketing

Mr. Shanil Dayawansa holds a Degree in Accounting and Management (BA) from the University of Essex UK and a Master's Degree in International Business (MA) from the Monash University in Melbourne, Australia. Both these qualifications focus on finance and management of business.

He was appointed as an Executive Director to the Board of Associated Motor Finance Company PLC in September 2009. He provides a youthful perspective to the Board of Associated Motor Finance Company PLC.

Mr. Dayawansa was appointed to the Board of Arpico Finance Company PLC in 2014 and he served as the Managing Director

from June 2015 until 31st March 2021 prior to the amalgamation with Associated Motor Finance Company PLC. Company PLC.

T.M.A. Sallay

Executive Director / Chief Executive Officer

Mr. Sallay is a financial professional with over 36 years of extensive and diverse work experience in the fields of Finance, Auditing, Marketing, Credit & Recoveries, Project Management and Event Management. He has held many positions, both strategic and operational, in many organizations and has wide exposures in diverse sectors such as Finance, Hospitality, Healthcare, International Event Organization, Communications and Trading & Manufacturing.

He is a Fellow member of the Chartered Institute of Management Accountants, UK (FCMA) and Chartered Global Management Accountant (CGMA) and a fully qualified Member of the Institute of Certified Management Accountants of Australia (CMA). He is also a Fellow member of Chartered Institute of Marketing, UK (FCIM) and a holder of a Master's in Business Administration from the Asia University of Malaysia.

Mr. Sallay joined Associated Motor Finance Company Ltd., (AMF) in 1997 as the Group Accountant.

He was promoted to the post of General Manager in 2003 and to the post of CEO/ General Manager in 2011. He served as an Executive Director of Arpico Finance Company PLC from December 2014 until March 2021.

He was subsequently appointed to the Board of Associated Motor Finance Company PLC as an Executive Director /Chief Executive Officer in April 2021.

His past work experience has seen him focus on his core strengths in the realm of finance, through over 26 years of service with several established financial institutions.

Mrs. A.S. Dayawansa

Executive Director – Human Resources & Administration

Mrs. A.S. Dayawansa was appointed as an Executive Director to the Board of Associated Motor Finance Company PLC in 1995. In addition to this, she has been holding directorships at Poltech (Ceylon) Ltd., a public limited company engaged in garment exports and at Imperial Import & Export Company (Pvt) Ltd., a private company engaged in importing and trading of used motor vehicles from the UK. She is also the Managing Partner of Ayathi, a dress boutique, which caters exclusively to the high-end market. She has over 23 years of experience in sectors such as Finance, Garments, Imports and Exports.

Mr. Tauchira Gooneratne Kandamby

Independent Non-Executive Director

Mr. Kandamby counts over 30 years of professional experience in management & consultancy in the fields of accounting, auditing, corporate management, finance, tax and has extensive exposure to a wide range of enterprises relating to construction, engineering, services, trading, agriculture, energy, information technology, entertainment etc.

He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and Certified Management Accountants of Sri Lanka. He also holds a Post-graduate Executive Diploma in Bank Management from the Institute of Bankers Sri Lanka.

Mr. Kandamby was appointed to the Board of Associated Motor Finance Company PLC on 23rd April 2020. He serves as the Chairman of Audit, Remuneration & Nomination Committees.

He has functioned as Chief Executive Officer/General Manager of Nanda Investments & Finance PLC and also held senior management positions as an Accountant abroad and presently serves as Director of private companies & practice in the name of T G Kandamby & Company.

Mr. Ranil Wijegunawardane

Independent Non-Executive Director

Mr. Wijegunawardane counts over 30 years of professional experience in Financial & Management accounting, Taxation, Auditing, Administration, Procurement, Information Technology, Systems implementations and General & Corporate Management in leading listed Companies as well as other Institutions.

He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. He also has a Post-graduate Diploma in Management awarded by the University of Sri Jayewardenepura and a Diploma in Treasury Investment & Risk Management awarded by the Institute of Bankers in Sri Lanka.

Mr. R. Wijegunawardane was appointed to the Board of Associated Motor Finance Company PLC on 18th May 2020. He serves as the Chairman of the Related Party Transaction Committee.

He has functioned as the Managing Director /Chief Executive Officer of Colombo Dockyard PLC and also previously held the position of Chief Finance Officer at the said company. He has served at several leading Companies in Sri Lanka and overseas in the capacity of Director, CEO, CFO and General Manager.

Mr. P. Suren Goonewardene

Independent Non-Executive
Director

Mr. Suren Goonewardene has over three decades worth of rich domain experience spanning across multiple industries from Telecom to Information Communication Technology and has an exceptionally strong track record of transforming organizations and leading businesses into successes in each of his roles.

He holds a bachelor's degree in Business Accounting from Monash University, Australia, a Fellow member, and holder of the Graduate Diploma in Marketing from the Chartered Institute of Marketing, UK., and Certified Management Accountants of Sri Lanka. He is a member of the Certified Practicing Accountants, Australia and a Fellow member of the Sri Lanka Institute of Marketing.

He is the Managing Director of Lankem Ceylon PLC, a well diversified conglomerate. He also serves on numerous Boards of Private and Public Companies which include First Guardian Equities (Pvt) Ltd, Dawin investment Trust (Pvt) Ltd., ACME Printing & Packaging (Pvt) Ltd., J K Packaging (Pvt) Ltd and Sun Agro Life Science (Pvt) Ltd.

He has functioned in the capacity of Chairman and Managing Director, Bharti Airtel Lanka Limited, Chief Operating Officer, Dialog Television and

Fixed Line Services, Group Managing Director, Lanka Bell Limited and has also served on the Boards of Ceylon Shipping Corporation and Civil Aviation Authority of Sri Lanka. He was a Council Member of the Employers' Federation of Ceylon and a former Vice President of the Indian Chamber of Commerce in Sri Lanka.

Mr. Goonewardene was appointed to the Board of Arpico Finance Company PLC as an Independent Non-Executive Director in August 2019 and functioned as the Chairman of the Audit Committee. He was appointed to the Board of Associated Motor Finance Co PLC in April 2021. He serves as the Chairman of the Integrated Risk Management Committee.

Mr. Goonewardene's experience spans across multiple industries and possess expertise in the fields of Telecommunication, Information Technology, Strategic Planning, Organizational Restructuring, Investment/Credit Management, Finance, Marketing & Sales, General Management and Business Consultancy.

Mr. Nilanka Pieris

Director – Non-Independent
Non-Executive

Mr. Pieris is a Finance Professional with over 31 years of diverse experience in areas of Financial Planning & Control, Financial Auditing, Credit Operations & Management, Business Development & Analysis, Information Technology, Project Management and Logistics Operations.

He is a Fellow member of the Institute of Bankers (Sri Lanka), a Fellow member of the Sri Lanka Institute of Credit Management, an Associate member of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant, member of the Sri Lanka Institute of Directors and Chartered member of the Chartered Institute of Logistics and Transport.

Having commenced his banking career with Seylan Bank he was subsequently appointed to the Board of Arpico Finance Company PLC as an Independent Non-Executive Director in January 2012 and appointed as a Senior Director in 2019 until January 2021. He served as the Chairman of the Audit Committee, Integrated Risk and Related Party Transactions Committees.

He also functioned as an Independent Non-Executive Director of People's Bank where he served as the Chairman of the Audit, Risk, IT Committees and was a member of the Credit Committee.

He was appointed to the Board of Associated Motor Finance Company PLC in April 2021. He heads the IT Steering Committee of the Company in addition to serving as a member of the Audit, Integrated Risk and Related Party Transaction committees.

In addition to his appointments in the Banking and Non-Banking Financial sector he is the Managing Director of Gensoft (Pvt) Ltd which is the largest software development company for the logistics industry in Sri Lanka and also serves as a Director of Gensoft Pte Ltd which is a company incorporated in Singapore.

From an educational perspective, he is a visiting lecturer at the University of Kelaniya. In an Honorary capacity, he serves on the Governing Council of the Sri Lanka Institute of Credit Management, as the Treasurer of the Singhalese Sport Club and as a Member of the Technology and Innovation Committee of the Sri Lanka Institute of Directors.



SEATED L TO R

Chandrin Fernando Deputy CEO | **Geethika Wickramasinghe** DGM Deposits
Anusha Prasangika SAGM Finance | **Vajira Panditharathna** SAGM Recovery & Operations

STANDING L TO R

Dileepa Dharmarathne SAGM Credit | **Shantha Gunasekara** AGM Marketing

Chandrin Fernando

DEPUTY CHIEF EXECUTIVE OFFICER

Former CEO of Arpico Finance Company PLC, Mr. Fernando is a Fellow of the Chartered Institute of Management Accountants, UK, Chartered Global Management Accountant, UK, and a Fellow of the Chartered Certified Accountants, UK. He is a Chartered Marketer holding an Associate Membership from the Chartered Institute of Marketing, UK. He also holds a bachelor's degree in Business Administration (Special) from the University of Sri Jayewardenepura with a Second Upper Division Class Honors and an MBA from the

University of Cardiff Metropolitan, UK. Mr. Fernando served on the CIMA Sri Lanka Board in 2014. He held many positions while serving as a Director of the CIMA Sri Lanka Division and he was a member of the 'Global Markets Committee' which reports to the CIMA London Council. He is the former Chairman of MEHSANA Region of AICPA which covers the Middle East, South Asia and North Africa comprising 28 countries. Mr. Fernando possesses extensive experience in the Non-Banking Financial Service industry and counts over 22 years of professional experience. He is well versed in the fields of Finance, Marketing, Trading, Construction, Real Estate and Plantations.

Geethika Wickramasinghe

DEPUTY GENERAL MANAGER- DEPOSITS

Geethika Wickramasinghe counts over 32 years of experience in the Banking & Finance sector. She has headed both Operations & Credit Operations at Seylan Bank PLC & served as a Branch Manager in Union Bank PLC. Geethika was at UB Finance Company Ltd as AGM Deposits & AGM Credits. She worked at Orient Finance PLC as AGM Fund Mobilization prior to joining Arpico Finance PLC as a Deputy General Manager and is currently appointed to Associated Motor Finance Company PLC as

Deputy General Manager - Deposits w.e.f. 01 April 2021. Geethika is a Double Master's Degree holder from the University of Colombo & American City University USA and a Diploma holder from the Institute of Bankers of Sri Lanka. Geethika also holds two international diplomas in Compliance & Anti Money Laundering (Merit) from the University of Manchester UK, awarded by the International Compliance Association UK.

Dileepa Dharmarathna

SENIOR ASSISTANT GENERAL MANAGER – CREDIT

Mr. Dharmarathna holds a BSc Degree and Master of Business Studies Degree from the University of Colombo. He has over 23 years experience in finance covering credit, marketing, and recoveries. He was the Credit Manager at Nation Lanka Finance PLC prior to joining Arpico Finance Company PLC in June 2012 as an Assistant General Manager, Credit and Operations. He was appointed to Associated Motor Finance Company PLC as Senior Assistant General Manager - Credit w.e.f. 01 April 2021.

Anusha Prasangika

SENIOR ASSISTANT GENERAL MANAGER – FINANCE

Anusha is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and an Associate member of the Chartered Institute of Management Accountants, UK and the Chartered Global Management Accountant,

UK. She also holds a Master of Business Administration degree from the University of Colombo. She started her career at Deloitte Sri Lanka (SJMS Associates) as an Auditor and was subsequently promoted as Manager – Assurance and Advisory – Technical and worked in Assurance and Advisory services. She counts over 14 years of experience in accounting, auditing and due diligence and taxation and IFRS consultancy in Banking and Finance, Insurance, Manufacturing and Trading sectors. She joined Arpico Finance Company PLC as the Asst. General Manager – Finance in October 2016 and appointed to Associated Motor Finance Company PLC as the Senior Asst. General Manager - Finance w.e.f. 01 April 2021.

Vajira Panditharathne

SENIOR ASSISTANT GENERAL MANAGER – RECOVERY & OPERATIONS

Mr. Panditharathne holds a Diploma in Writership and Communication from the University of Sri Jayewardenepura and also holds a Diploma in Psychology and Counseling. He has successfully completed the Certificate in Marketing from SLIM. He possesses over 17 years of experience in the finance industry and 10 years in the field of Mass Media Communications. Of this period, 8 years were spent in managerial positions.

Shantha Gunasekara

ASSISTANT GENERAL MANAGER – MARKETING

Mr. Gunasekara holds a Diploma in Marketing from the Faculty of Asia Lanka Vocational Education and a Higher Diploma in Practical Accountancy from the Institute of Professional Accountancy Training. He is also a part qualified member of the Association of Accounting Technicians of Sri Lanka and holds a Diploma in Public Management from the University of Sri Jayewardenepura. He holds a Diploma in Micro Finance from the Institute of Bankers of Sri Lanka. He has over 28 years of experience in the finance industry, of which 17 years in managerial positions.

We are proud to showcase our dynamic talent pool of Senior Managers, Managers & Assistant Managers who are highly skilled and knowledgeable in their respective areas. With innovative thinking, leadership & managerial skills, they are the key players who contribute to improving the productivity and profitability of the Company.

They use their learning in different ways to be successful which is vital in comprehending the limitations of their respective expertise and different viewpoints.

Understanding when and how to alter direction along with the willingness to adapt, overcome and learn is always followed with great success.



SEATED L TO R

Niluka Mahanama Senior Manager - Internal Audit | **Subashini Dias** Senior Manager - Fixed Deposits | **Chamila Herath** Senior Manager - Legal
Prashadi Wijesena Senior Manager - Finance | **Amila Lokukumara** Senior Manager - Minuwangoda Branch
Shashima Peiris Senior Manager - Strategic Unit

STANDING L TO R

Shamindra Greero Manager - Sales | **Hashan Gunawardana** Assistant Manager - IT | **Monro Silva** Senior Manager - Fixed Deposits
Nilmini Karunathilake Senior Manager - Compliance | **Chinthaka Jayathilake** Assistant Manager - Administration
Chamara Wanniarachchi Senior Manager - Mathara Branch | **Mohammed Recaz** Manager - Islamic Finance
Gayan Ranasinghe Assistant Manager - Human Resource

IMPLEMENTING OUR STRATEGIES



MANAGEMENT DISCUSSION AND ANALYSIS

SRI LANKAN ECONOMY

Following the COVID-19 pandemic induced contraction in 2020, the Sri Lankan economy rebounded in 2021 with a GDP growth of 3.7%, in real terms, compared to the contraction of 3.6% recorded in 2020. The steady recovery in economic activity was also reflected in the marginal decline in the unemployment rate from 5.5% in 2020 to 5.1% in 2021. Pandemic induced disruptions to global and domestic supply chains, the rise in global commodity prices and upward revisions to administered prices locally caused headline inflation to substantially increase from 4.2% in 2020 to 12.1% by end of 2021, significantly deviating from the target level of 4%-6%.

Sri Lanka's external sector continues to remain under stress as the current account deficit widen and gross official reserves (GOR) depleted during the period under review. The Sri Lankan rupee, which depreciated by 7.0% in 2021, depreciated significantly by 33.0% by end of March 2022. To prevent further inflationary pressures, the Central Bank of Sri Lanka increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 700 basis points to 13.50% and 14.50% respectively, in April 2022.

The political and social unrest, and unfavorable global economic situation have worsened the economy so much so that at the time of writing, the country is witnessing the worst economic contraction in its history. The government is currently negotiating with key bilateral and multilateral partners for aid and financing facilities to resolve persistent and long-standing issues in the economy.

NON-BANK FINANCIAL INSTITUTION (NBFI) SECTOR

Performance of the NBFI sector, which comprised of 39 LFCs (including two companies whose business operations were suspended in 2020 by the Monetary Board) and 3 SLCs by end of 2021 improved considerably during the year, particularly in terms of credit growth and profitability. The CBSL re-introduced the Masterplan in 2021 in an attempt to build a strong and stable 25 NBFIs complying with prudential requirements with diversified business models and have already granted 6 preliminary approvals to 12 LFCs/SLCs for acquisitions and amalgamations under the Masterplan.

ASSET BASE

In comparison to the previous period affected by the Covid-19 epidemic, a significant improvement in the NBFI sector was observed as the credit appetite increased in tandem with the recovery of economic activities. By the end of March 2022, the sector's total asset base had grown by 14.3% percent to Rs. 1,590 Bn, up from the previous year's negative growth of 3.0% to Rs. 1,391 Bn. Loans and advances represented a major portion with Rs. 1,213 Bn which was 76% of total assets. Out of loans and advances, leases accounted for 38.7% whilst loans accounted for 32.7% of the total assets. Investments and other assets accounted for 11.0% and 6.3% respectively

ASSET QUALITY

Asset quality of the NBFI sector displayed an improvement with the gross NPL ratio dropping to 9.1% as at 31st March 2022 compared to 11.3% recorded as at the prior year-end. This improvement was mainly due to the efficient recovery strategies ensuing in a drop in gross non-performing loans by 9%, and growth in the lending portfolio with a 14% increase in net loans and advances as a result of increased new lending during the period.

Similarly, the net NPL ratio declined to 1.9% by the end of 2022 compared to 2.8% recorded by the end of 2021.

PROFITABILITY

The profitability of the NBFi sector saw an improvement with a growth in Profit after tax by 102% from Rs. 29.7Bn by year-end March 2021, to Rs. 59.8Bn by year-end March 2022. Although total income has decreased by 3%, the key drivers of profitability are the decline in interest expenses and loan loss provision by 23% and 77%, respectively.

FUNDING & LIQUIDITY

The sector continued to remain resilient with capital maintained above the minimum regulatory requirement during the year. The sector's capital base increased to Rs. 265.8Bn as of 31.03.2022 from Rs. 218.7Bn as of 31.03.2021, with the infusion of new capital by several LFCs to meet the regulatory requirement of Rs. 2.5Bn by 01.01.2022. As a result, the sector's core capital and total capital ratios increased to 16.2% and 17.7%, respectively, as at 31.03.2022 from the 14.2% and 15.4% reported at the end of the previous financial year.

With a share of 50.4%, customer deposits continued to dominate the liabilities of the sector. The deposits increased by 5.9% to Rs. 801.7Bn, while borrowings, which account for 23.3% share of the liabilities, increased by 27.7% to Rs. 370.8Bn and capital, which accounts for 21.0% share of the liabilities, increased by 24.9% to Rs. 333.7Bn.

The NBFi sector maintained liquidity well above the minimum regulatory requirement during the year. The overall regulatory liquid assets available in the sector were Rs. 155.9Bn by the end of 2021, against the stipulated minimum requirement of Rs. 89.9Bn. Further, the liquid assets to deposits and borrowing ratio increased to 14.3% as at 31.03.2022 from 12.6% recorded as at 31.03.2021.

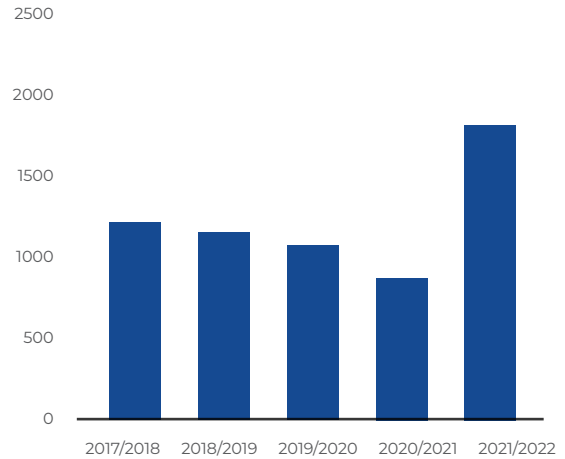
INTEREST INCOME

The interest income of the Company grew by 115% to reach Rs. 2,301 Mn during the financial year under review compared to Rs. 1,069 Mn earned in the previous financial year. Of the total interest income, the leasing portfolio derived an income of Rs. 1,884 Mn an increase of 89% compared to the Rs. 998 Mn earned in the previous financial year. As the highest contributor to interest income over the last few years, in the year 2021/22 too, the leasing portfolio contributed 71% to the total income of the company.

Interest income from other loans and advances showed a significant growth in 2021/22 and earned Rs. 157 Mn compared to Rs. 14 Mn earned in the previous financial year. This was mainly due to the merger of the portfolio of the subsidiary - Arpico Finance Company PLC (AFC) with the Company.

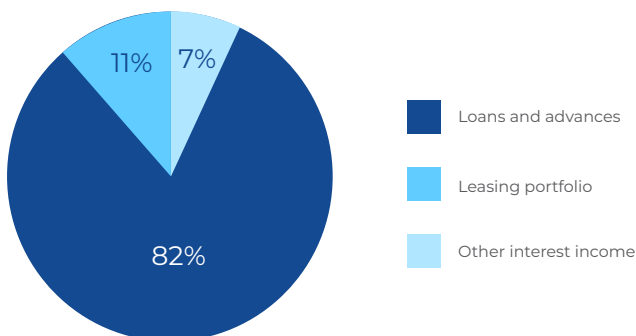
Other interest income comprises of interest earned on fixed deposits with banks and other finance companies, and interest income from investments in government securities including Treasury Bills and Treasury Bonds. The other interest income earned during the year financial under review was Rs.260 Mn compared to Rs. 57 Mn earned in the previous financial year.

Growth of Interest Income Rs(Mn)

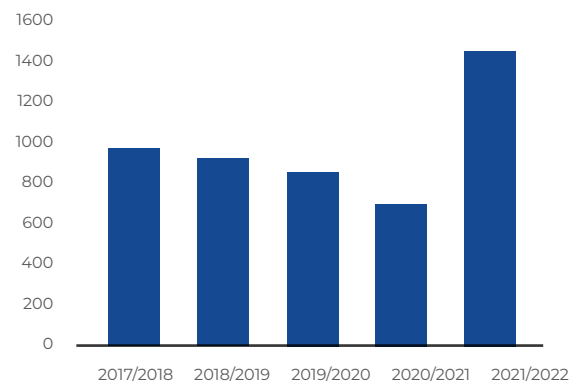


INTEREST EXPENSES

AMF's interest expenses comprise mainly of interest due to customers and banks, debt issued and other borrowed funds. During the financial year under review interest expenses increased only by 118% to Rs. 1,519 Mn compared to Rs. 696 Mn in the previous financial year, which was mainly due to, the merger of the company with its subsidiary – AFC. The deposit interest expenses increased by 111% to Rs. 1,172 Mn compared to Rs. 555 Mn in the previous financial year. The deposit interest expenses of the Company amounted to 77% of the total interest expenses during this same period.

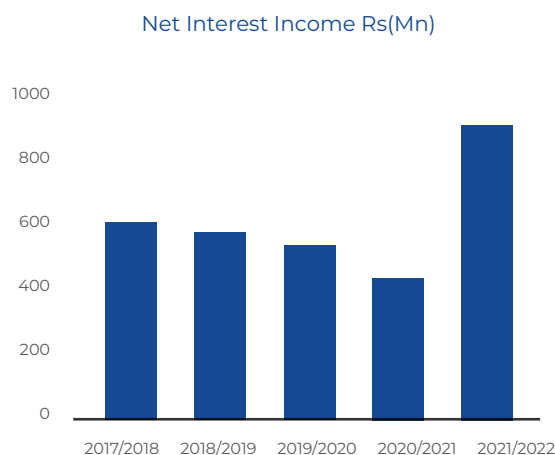


Interest expense Rs(Mn)



NET INTEREST INCOME

The Net Interest Income (NII) increased by 110% to Rs. 782 Mn in the financial year under review compared to Rs. 373 Mn in the previous financial year. The predominant reason for the growth realized in NII was due to the increase in the leasing portfolio with the merger of the lending portfolios of the company and AFC.



IMPAIRMENT

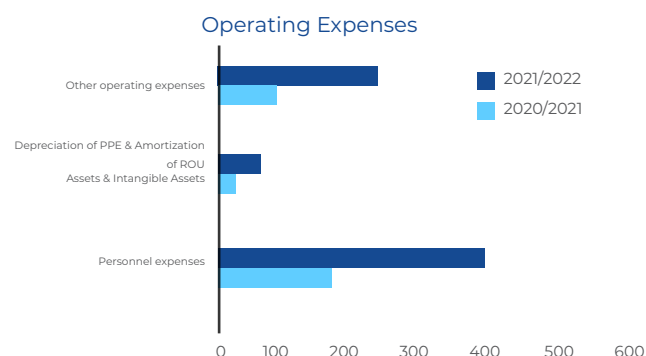
The company recorded a reversal of Impairment of Rs 354 Mn during the year under review compared to the impairment charge of Rs 45 Mn in the last financial year, because of the strategic focus on asset quality improvement. Furthermore, despite a highly challenging business environment where the asset quality of the sector deteriorated, the Company was able to maintain better asset quality ratios than the industry (LFCs and SLCs).

OPERATING EXPENSES

The total operating expenses in 2021/22 were Rs. 894 Mn, an increase of 129% compared to the operating expenses of Rs. 390 Mn realized in the previous financial year. This increase is mainly attributed to the merger of the company with its subsidiary, AFC.

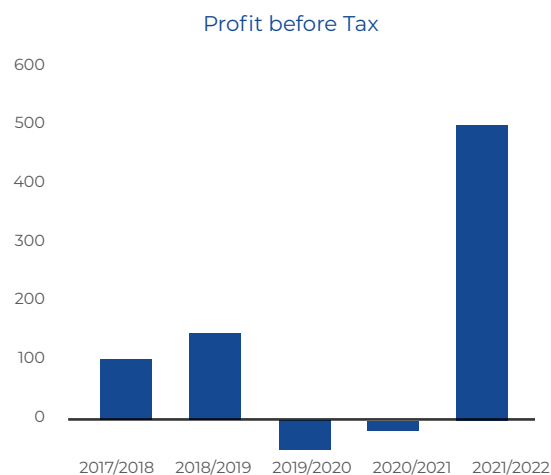
Personnel expenses continued to account for the largest share of overhead expenses during the financial year under review at 56% of the total operating expenses.

Personnel expenses increased by 111% to Rs.500 Mn due to the increased number of staff as a result of the merger with AFC and due to the enhanced employment benefits offered to employees of the Company.



PROFITABILITY

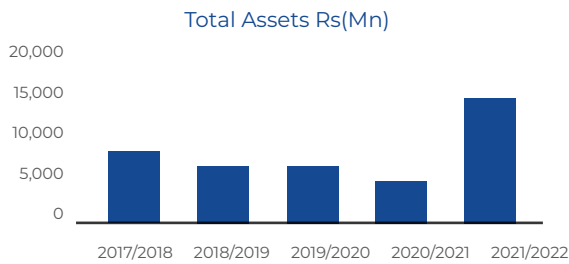
Profit before government taxes grew impressively to reach Rs. 492 Mn during the financial year under review compared to Rs. 9 Mn loss in the previous financial year.



Overall, the AMF's net profit for the year under review increased to Rs. 299 Mn compared to the Rs. 6 Mn loss in the previous financial year. The Company's profitability indicators such as Return on Average Assets - After Tax (ROA) and Return on Average Equity (ROE) increased to 4.55% and 25.06% respectively during the year being reviewed compared to -0.13% and -0.77% recorded in the previous financial year. It should be noted that the Company's ROE is well above the industry average, thus putting AMF in a strong position to capitalize on growth opportunities in the coming years.

TOTAL ASSETS

The Company recorded a noteworthy performance in terms of assets growth which increased to a total asset base worth Rs. 15.16 Bn resulting in a growth of 134% as of 31st March 2022 compared to Rs. 6.49 Bn as of 31st March 2021. This robust growth witnessed by the Company in terms of total assets is primarily due to the merger with Arpico Finance Company PLC and business volume expansion.



The company proactively manages the liquidity by investing most of the assets in risk-free assets at the higher yield to ensure the security of the deposits of our valued customers and wealth of the stake holders.

SHAREHOLDERS' FUND

The shareholders' fund as of 31st March 2022 was Rs. 2,699 Mn, which was an increase of 120% compared to Rs.1,229 Mn at the end of the previous financial year.

LENDING

The lending portfolio of the company consists of leasing, hire purchases, and loans against FD. The Lending portfolio of the Company was valued at increased by 208% from Rs. 3.1 Bn as at 31 March 2021 to Rs. 9.7 Bn as at 31 March 2022 due to increased lending volumes during the latter part of the year. The leasing portfolio contributed 87% to total lending although showcasing a slight increase compared to the 97% contributed to total lending in the previous financial year. Of the total lending portfolio, the leasing portfolio derived a volume of Rs. 8.5 Bn an increase of 177% compared to the Rs. 3.0 Bn in the previous financial year.

LIQUIDITY MANAGEMENT

The Company was able to maintain substantial excess liquidity levels well above the regulatory requirements throughout the year. At the end of the financial year, the Company's regulatory liquid asset level was Rs. 4,197Mn in excess of the minimum regulatory level of Rs. 1,118Mn. The Company's liquid asset ratio was 38% as at 31st March 2022.

Stakeholders are persons, groups, and entities who are impacted by the Company's goods, services, and operations, or whose actions, decisions, or attitudes influence the Company's strategy, objectives, and operations.

AMF seeks to develop long-term partnerships with its stakeholders that benefit both parties. AMF has a robust procedure in place to identify its key stakeholders. Through its stakeholder engagement approach, AMF is able to discover and understand their ambitions and problems, as well as create ways and means of contributing value to stakeholder engagements in order to build long-term connections. A continual discussion and engagement approach helps AMF to know its stakeholders' objectives and intentions and incorporate them into its business plans, providing value to the partnerships.

The value addition process operates in two directions: offering value to stakeholders and deriving value from stakeholders.

It is critical that we interact meaningfully with our stakeholders in order to achieve economic, environmental, and social sustainability. As a result, our stakeholder engagement approach is a well-organized framework that allows us to identify all stakeholder groups and effectively interact with them to solve their concerns. The parties impacted by our company activities are discovered through a scanning process of the business environment, and they are then categorized based on similarities to form broad stakeholder groupings. Stakeholder engagement occurs when resolving their problems in the best way possible to offer them with a superior service while also assuring the company's ideal performance.

Our customers are an integral stakeholder group that remains at the heart of our business. We strive to deliver a great customer experience, build mutually beneficial relationships with customers, and offer effective, easily accessible financial products and services to fulfill our customers' diverse aspirations. We focus on extending simple, transparent, and empathetic products that cater to their varied needs. We use digital solutions to enable effortless transactions that save time and reduce unnecessary visits to a branch.

LENDING

We continue to be committed to cater to customers at the bottom of the economic pyramid, who have been economically marginalized and have limited or no access to obtain services from banks, to help them to become financially stable and bankable.

To help our customers to rise above the economic hardships experienced during the pandemic and economic crisis in the latter part of the year, we offered moratoriums, loans at concessionary rates, new rental payment plans and waived off default interest.

We facilitate customers to make informed decisions by providing them with adequate information and clear explanations about our products and services. We use several mechanisms to help our customers to access our products and services and engage directly with our well-trained frontline customer service staff:

- Door-to-door after sales services are offered by staff
- Automated service whereby customers can log in and check the status of financial facility details and any other information, without standing in queues
- Online facilities to save time and infuse greater convenience
- Well-equipped call center to interact with customers and provide a high standard of personalized service.

DEPOSITS

Deposits continue to be our primary source of funding and accounted for 74% of the total funding as at 31st March 2022. Valuing the trust that our depositors have continued to place in us, we offered the highest return for their investments within the regulatory guidelines, serviced their obligations without any delays and ensured that they were given a value-added customer service.

The average deposit renewal ratio was maintained at 78% during the financial year under review which is a testament to the strong customer loyalty in our organization and customer satisfaction in the premium service standards extended by us.

CUSTOMER REACH

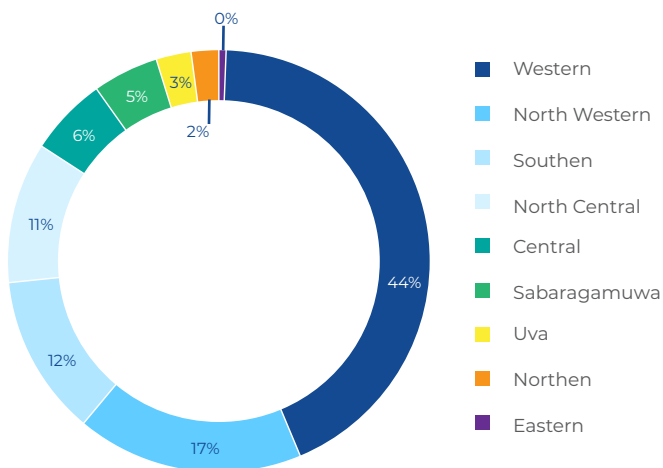
The merger with AFC increased our total customer touchpoints to more than 1,000, which comprise of 11 fully-fledged branches of AFC and an island-wide dealer network of AMF that enabled us to cater to customers from different parts of the country and from all walks of life to fulfill their evolving personal and business needs in the simplest manner backed by technology platforms.

At 44%, almost half of our customer base comes from Western Province, followed by Northwestern, Southern, and North Central Provinces.

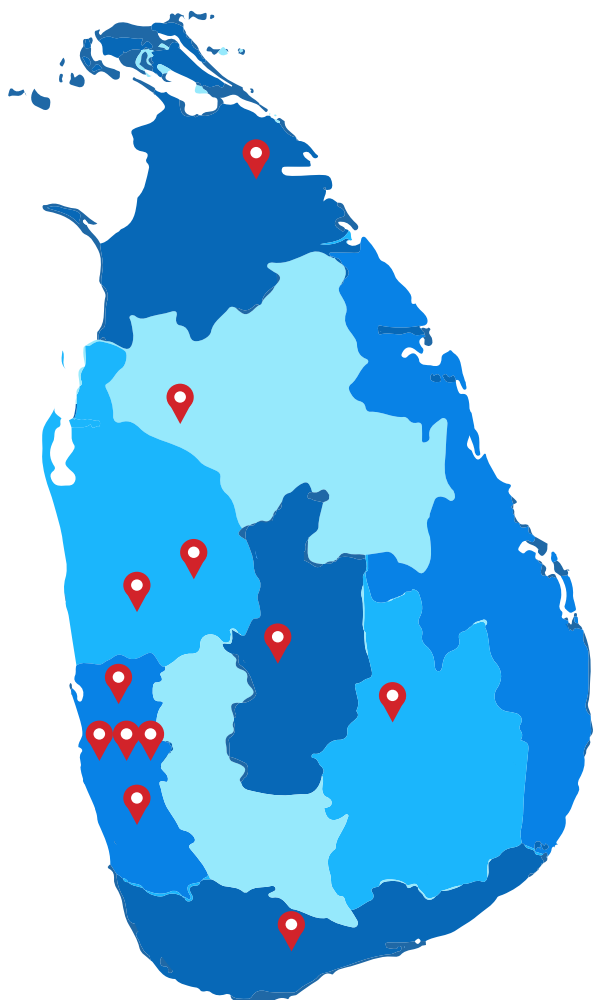
CUSTOMER COMMUNICATION

We use a range of marketing and communication channels to engage with our customers and make it easy for them to interact with the Company. We stay in touch with our customers through SMS alerts and IVR calls, use our social media accounts as platforms for customer inquiries and lead generation. We utilize our website to inform our customers about our product offerings and raise awareness on financial developments such as changes to interest rates and new products. We ensure that all information required by customers to make well informed decisions are provided in all three languages – Sinhala, English & Tamil, and published clearly, accurately and in a timely manner.

GEOGRAPHICAL SPREAD OF CUSTOMERS



MAP OF SRI LANKA WITH BRANCH LOCATIONS



CUSTOMER PRIVACY

We always ensure that technology-based solutions that we deploy to elevate customer convenience are governed by a strong data protection framework and IT security environment. Not only do our IT operations and systems comply with statutory and legal requirements as set forth by the CBSL and other regulatory bodies but our information security is also ISO 27001:2013 certified for three consecutive years via Bureau Veritas.

The required capital for expansion and growth of our business is provided by investors. Therefore, we continually strive to achieve sustainable growth and deliver increased returns to our investors. As at the end of the financial year 2022, our total shareholder base amounted to 2,137 of which 95% were individuals and 5% were institutions.

SHAREHOLDER FUND

The Company's shareholder funds increased up to Rs 2,699 Mn as at the end of the financial year 2021/2022 compared to Rs 1,229 Mn as at 31.03.2021. The rights issue of Rs 500 Mn concluded in August 2021 and the retained profits for the financial year 2021/2022 resulted in this increase of shareholder fund. The Company's return on average shareholders' funds for the year under review YoY to 25.06 % in 2021/22 from -0.77% in 2020/21.

MARKET CAPITALIZATION AND SHARE PRICE MOVEMENT

At the end of the current financial year, the market capitalization of AMF remained at Rs. 963 Mn. The company's ordinary shares were split on the basis of 1:13 during the year 2021/2022, increasing the total number of shares of the company up to 113,327,268. The share price of AMF recorded a high of Rs. 745 and a low of Rs. 8.20 during the FY 2021/22. The year-end share price was Rs.8.50

RETURN ON ASSETS (ROA) AND RETURN ON EQUITY (ROE)

For the year ended 31 March 2022, the ROA and ROE of our Company stood at 4.55% and 25.06% respectively.

EARNINGS PER SHARE (EPS)

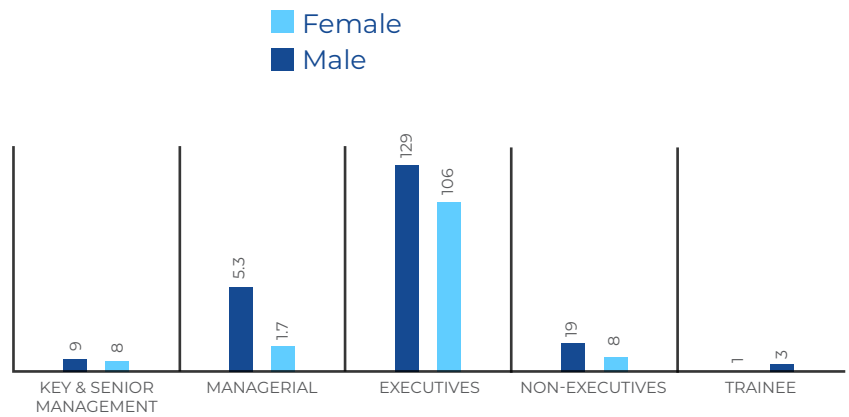
The company's earnings attributable to ordinary shareholders increased up to Rs 2.86 compared to Rs. (1.09) at the end of last year.

NET ASSET VALUE (NAV)

The NAV per share of the Company decreased from Rs. 219.14 at the beginning of the financial year to Rs. 23.82 at the end of the FY in review, due to the increased number of shares resulted from the rights issue and the share split.

As one of the stable and long-standing financial institutions in the industry, we consider and value our employees as the most valuable asset as they are the ambassadors of our brand and corporate value. We consistently empower them with the right tool to drive the company's strategic goals & objectives making all our efforts to ensure employee satisfaction while encouraging a performance-oriented culture.

Human Strength **353**



	Male	Female	count	%
Key & Senior Management	9	8	17	5%
Managerial	53	17	70	20%
Executives	129	106	235	67%
Non - Executives	19	8	27	8%
Trainee	1	3	4	1%
Total	211	142	353	100%

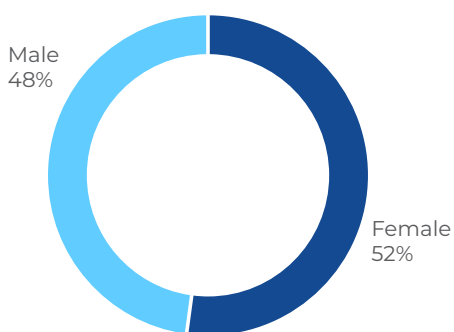
Age Analysis	Executives	Key & Senior Management	Managerial	Non - Executives	Trainee	Count
Age 18 to 20	2	-	-	-	-	2
Age 21 to 30	138	-	3	4	3	148
Age 31 to 40	72	7	43	2	-	124
Age 41 to 50	19	5	18	12	1	55
Age 51 and above	4	5	6	9	-	24
Grand Total	235	17	70	27	4	353

TALENT OPTIMIZATION

Our HR strategy and HR policy are always aligned with the company vision and mission to attract the right talents for the right job. Our policies are based on diversity and equality with a benefit package that is competitive in the industry. However, meeting and matching the talent requirement for the year 2021/2022 had been a challenging task mainly due to the volatile market conditions as a result of the pandemic which lead to curtailing any additional recruitments for vacancies. However, the need for such recruitments was minimal, hence we were able to identify our internal employees' talents and capabilities by enhancing the existing positions through means of Job Enrichment & Enlargement along with redesigning and restructuring job profiles.

The merged entity after the amalgamation of Arpico Finance Company PLC and Associated Motor Finance Company PLC in accordance with the provisions of the part VIII of the Companies Act No. 07 of 2007, shall henceforth be known, identified and recognized by law as "Associated Motor Finance Company PLC" with effect from 01st April 2021. The human capital of both companies was combined with effect from 01st April 2021 based on the future corporate vision of the business.

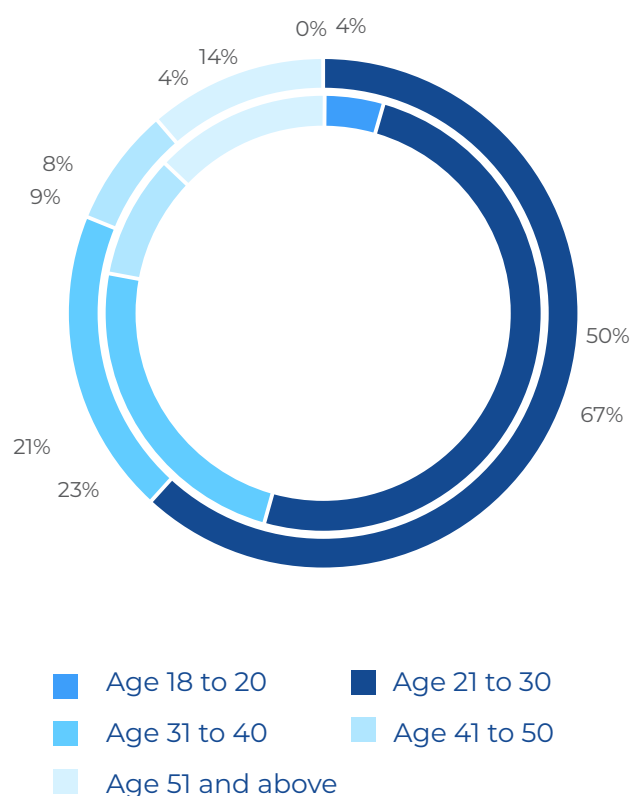
RECRUITMENTS



Gender	count
Male	22
Female	24
Total	46

Age Analysis	Male	Female
Age 18 to 20	1	-
Age 21 to 30	11	16
Age 31 to 40	5	5
Age 41 to 50	2	2
Age 51 and above	3	1
Grand Total	22	24

AGE ANALYSIS



LEARNING & DEVELOPMENT

At Associated Motor Finance Co PLC, we always encourage our employees to learn and develop themselves as a team within the company. In our learning & development system, there are no boundaries to limit their abilities to any specific area which stands by our concept of anyone can learn anything under our roof. Therefore, our learning and development strategy is the key feature of how Associated Motor Finance Co. PLC creates long term value for human capital. The learning and development function is designed to equip employees to achieve the desired level of competitiveness to ensure achievement of the company objectives. Through continuous learning and development, career progression and impartial reward and remuneration schemes, we motivate and develop our human capital to reach their highest potential. Accordingly, on the job training and internally developed training programmes are conducted by our own well qualified, experienced resource personnel to train our staff.

During the last year our main focus was to conduct internal training programmes virtually avoiding classroom sessions as much as possible due to health concerns. This transition was carried out successfully utilizing our virtual training platforms.

PERFORMANCE MANAGEMENT

Associated Motor Finance Co PLC boasts a performance driven culture, and our culture has been established to ensure that our corporate goals are driven from top to bottom of the organization. The fully competent performance management system ensures consistency and continuous improvement through performance review meetings and performance improvement plans on an ongoing basis.

The performance evaluations are conducted on an annual basis, which is highly effective to review the performance of the year and to measure how best our employees are engaged with our corporate strategy. Based on the results of the performance management our training and development plan is designed and implemented for the next year.

ENGAGEMENT & RETENTION

Our retention and engagement strategies are two key factors that we use to motivate our staff to continuously maintain the job at a satisfactory level at all times. By introducing strategies to achieve improved engagement and retention, we set ourselves a strong foundation building a path leading to the success of our corporate strategy utilizing our talent management strategy to achieve our goals and objectives.

Implementing employee engagement and retention strategies through improved talent management, is a tried and tested way to build a committed and engaged workforce for our company making the talent management and employee engagement a priority in our central strategic plans.

OCCUPATIONAL HEALTH & SAFETY

Given the nature of the business, our employees do not face any kind of materialistic occupational health & safety risks since we have complied with all the national Health & Safety regulations. In addition to providing a personal accident cover and a surgical and hospitalization policy that covers medical expenses of the staff members, fully funded by the company, we continuously monitor our safety systems according to the standards of the industry.

During the pandemic period all the safety precautions have been implemented to ensure the safety of our staff and customers to ensure business continuity. We adopted measures such as "Work from Home" to limit physical movement, provided PPE for members, encouraged the vaccination process, and organized company transport for members who were deemed as essential for the business.

EMPLOYEE WELFARE

The success and growth of our business depend on our staff. We believe that taking extra care of our members and their wellbeing is an ethical responsibility of AMF.

AMF is committed to provide welfare facilities such as rest room facilities, medical insurance, funeral benefits, and goodie packs for member's families who were affected by Covid.

REWARDS & RECOGNITION

The company believe in fair and equal benefits and reward & recognition system without any discrimination. Associated Motor Finance Co PLC ensures to evaluate the best talent through performance management system and ensure that best performers are offered with a competitive remuneration and benefits package

Our Reward & recognition system recognizes members to increase productivity, job satisfaction, retention, loyalty and their well-being.

EMPLOYEE DIVERSITY

Employee diversity is essential for the stability and enrichment of our human capital. Therefore, we nurture a workforce diverse in terms of gender, sexuality, age, religion, service period, educational background and ethnicity.

Associated Motor Finance Co PLC's culture not only acknowledges but respects these differences by embracing and recognizing their values. We foster camaraderie through a range of cross departmental activities enabling employees to work alongside each other creating strong teams, which add increased value to our company.

CORPORATE SOCIAL RESPONSIBILITY

As a financial services company, AMF regards Corporate Social Responsibility (CSR) as one of its major obligations. To be an agent of change, we have ensured that our approach to CSR extends beyond charity and focuses on facilitating greater systemic change that will yield long-term outcomes. We focus on long-term community upliftment projects through our CSR as we strive to give the required support to address the particular requirements of underprivileged communities across Sri Lanka.

We continue to engage in high impact CSR initiatives that address critical national objectives such as livelihood development and fair access to education and healthcare, inspired by our conviction in the notion of shared value.

As in previous years, our organization worked hard to contribute to the welfare of local communities. With the goal of bringing about good change in our communities,

we have undertaken a number of CSR activities, mostly in the areas of healthcare and education in the year under review.

During the initial outset of the Covid-19 pandemic, AMF donated medical equipment worth more than Rs.2Mn to the Base Hospital – Homagama to improve patient care in ICU and operation theater. Apart from that, many other Covid related donations were done to other hospitals such as IDH, Kalubowila, Karapitiya & Kandy and RDHS Matara totaling to Rs.6 Mn.



In terms of supporting the country's education system, AMF joined hands with Tarana Foundation, a registered non-profit charitable foundation run by volunteers who have come together with the common vision of uplifting the economic and social standards of the rural community in Sri Lanka. AMF has contributed to this worthy cause by providing Stationery and school bags to school children residing in rural areas.

In addition, we offer monthly scholarships to several underprivileged students who are struggling to cope with their academic activities due to financial difficulties faced by them especially in the backdrop of this COVID pandemic.

This includes 03 medical students studying in the Faculty of Medicine - University of Kelaniya, 02 University students from Rajarata University (Management Studies) and Sabaragamuwa University (Tourism and Hospitality Management), 01 student following AAT professional qualification and 01 student following secondary school education in Anuradhapura. We strongly believe that education is the key to unlocking the world and this opportunity should be given impartially to everyone irrespective of their social or financial backgrounds.

As a responsible corporate citizen, AMF is socially responsible and accountable to all our stakeholders and the general public. Hence, we are fully committed to ensuring that our activities will generate value for Sri Lankan society at large. Going forward AMF will look to significantly increase the size and scope of its CSR activities as the company grows from strength to strength after the amalgamation. AMF will continue to carefully monitor the impact of its activities on all parts of society, including economic, social, and environmental considerations.

EMPLOYING
OUR
EXPERTISE



STEWARDSHIP

RISK ENVIRONMENT

At the start of 2021, the financial sector was beginning to recover, but the sudden escalation of COVID-19 infections in mid-year, more than a year after it first emerged, is still having a serious detrimental impact on communities, way of life, and business operations. As a result of the uncertainty and unpredictability brought on by the pandemic, all firms have been forced to fundamentally rethink their conventional operational patterns and business models, undertake health and safety measures and adopt digitalized and online technology.

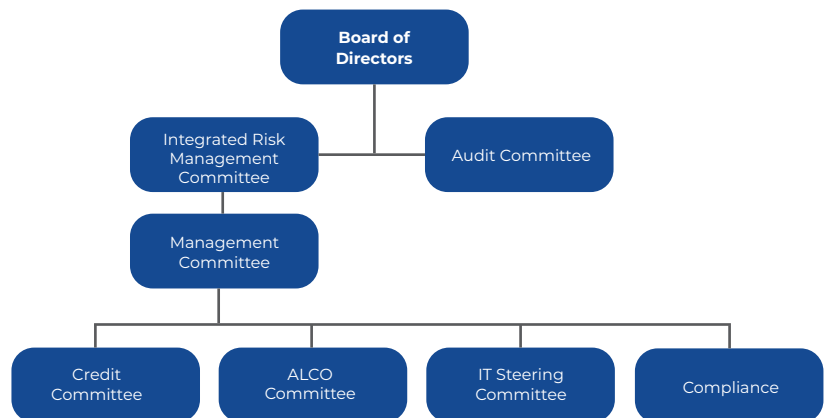
The critical issue in the year under review was also Sri Lanka’s deteriorating economic position, which contributed to the current economic crisis. Lack of foreign reserves to pay for necessities such as fuel and gas has led to higher inflation and cost of living, which has affected the stability and sustainability of financial institutions. The slowdown in economic activity, exchange rate volatility, import restrictions, and other variables that had an impact on credit growth and consumer spending, has resulted in changes to the company’s risk position and thus, it was more important than ever to be proactive in our risk management strategies.

RISK MANAGEMENT AT AMF

AMF’s risk management strategy strives to manage the company’s risks in a proactive manner while taking calculated risks that are within the company’s levels of risk appetite and risk tolerance,

to deliver greater benefits to all our stakeholders. The Board-appointed Integrated Risk Management Committee (IRMC), Management Committee, Credit Committee, and Asset and Liability Committee (ALCO) oversee the overall sufficiency and effectiveness of the risk management process. These committees, acting within the Board’s delegated authority, continuously monitor, recognized risks and undertake the responsibility of the effective implementation of strategies related to risk management.

RISK GOVERNANCE STRUCTURE OF AMF



The establishment of a solid framework for the Company’s implementation of an efficient risk management process is a key function of risk governance. By assigning responsibility to all organizational leadership levels, risk governance is maintained.

The Board of Directors (BOD) has the ultimate responsibility for the establishment and oversight of the risk management process of the Company. Accordingly, the Board has established sub-committees; Integrated Risk Management Committee and Audit Committee to assist the BOD in discharging its risk management-related responsibilities. The responsibility is then cascaded to the management team, who in turn delegate responsibility to lower management levels. The Board retains the overall responsibility for effective risk management, while the Board sub-committees are responsible for the ongoing management and monitoring of risk exposures faced by the Company in the short, medium, and long terms.

ROLES OF THE COMMITTEES

Integrated Risk Management Committee

The Integrated Risk Management Committee (IRMC) is responsible for developing and monitoring the risk management policies and procedures and the risk profiles of the Company's specified risk categories. The IRMC meets every two months to assess all aspects of risk management and to execute its tasks and responsibilities in a prompt and accountable manner.

Audit Committee

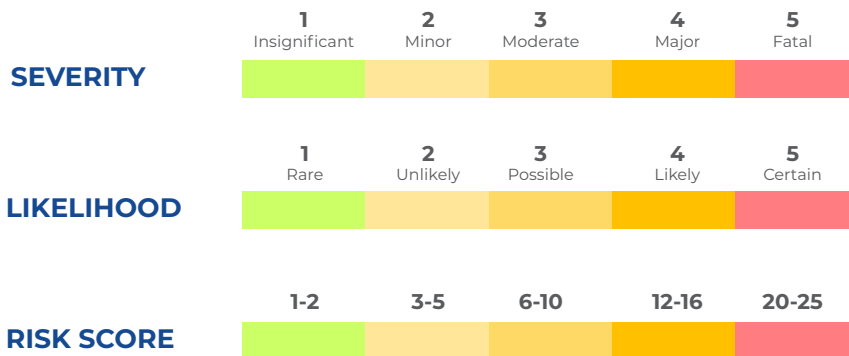
The Audit Committee assists the BOD in fulfilling its oversight responsibilities for the integrity of the financial statements, the Company's compliance with statutory and corporate governance requirements, the external auditor's independence, the performance of the Company's internal audit function, and the soundness of the internal controls and practices. The Audit Committee is responsible for independently monitoring and reviewing risk management policies and procedures, as well as assessing the acceptability of the risk management strategy used to manage the company's risks. To perform these duties, the Audit Committee obtains assistance from the Internal Audit team.

Management Committee

The Management Committee monitors and reviews all risk exposures and risk-related policies and procedures affecting credit, market and operational areas in line with the directives from the IRMC. Matters and risks which are not mitigated at the management appointed committees are escalated and reviewed under the Management Committee.

The Management Committee reports all risk related information to the IRMC in a well-articulated Risk Matrix. The Risk Matrix is a comprehensive risk assessment prepared by the Strategic Planning & Risk Management Unit which defines the level of risk for each risk item under key risk areas by considering the probability or likelihood against the category of consequence severity. Risk owners are identified in this assessment with the action plan and the timeline to complete the action plan for each risk item is indicated. Furthermore, a risk score is calculated for each risk item with an overall company risk score.

RISK MATRIX



Assets and Liability Management Committee

Assets and Liability Management Committee (ALCO) is responsible for supervising and monitoring the Company's assets, liabilities and overall liquidity, and related management policies and procedures to ensure that the Company's both on and off-Balance Sheet risks are effectively managed while adhering to regulatory requirements. The ALCO's key duties include developing and maintaining contingency funding plans, reviewing funding requirements, and managing interest rate, market, liquidity, and capital risks. The ALCO meets every month to examine developments and progress, and to direct the company as needed.

Credit Committee

The Credit Committee is responsible for the day-to-day management of credit risk. As part of their duties, the Credit Committee monitors the Company's lending portfolio and oversees the management of asset quality and recovery actions. The Committee is involved in formulating the credit policy of the Company and periodically reviews the credit policy and lending guidelines issued to business segments, based on changing market conditions and industry dynamics. In addition, the committee reviews and monitors Non-Performing Advances (NPAs) above a predetermined threshold to initiate timely corrective actions to prevent or reduce credit losses to the Company.

IT Steering Committee

The IT Steering Committee focuses continuously on meeting the information security objectives and requirements of the Company in line with emerging technology and the Company's Strategy.

- To ensure that IT has sufficient resources to meet the Company's demand.
- To assess and report IT-related risks and organizational impact
- Provide feedback about compliance of IT carrying out the system reviews according to CBSL.
- Reviews are made to ensure that the objectives are achieved.

RISK MANAGEMENT FRAMEWORK

To ensure a robust risk management framework, the Company has adopted the 'three lines of defense' model which promotes accountability for risk taking, oversight and assurance within the Company. Risk as decided by the Board is accepted, monitored and managed by the business units which report to the CEO forming the first line of defense. The Strategic Planning & Risk Management Unit provides an independent oversight function, acting as the second line of defense within the Company. The department assists business units and functional departments in identifying and managing risks related to their operations and monitors the status and effectiveness of the mitigation action plans. Assurance over the first and second lines of defense is provided by external audit which reports directly to the Audit Committee forming the third line of defense. This structure facilitates constructive challenge of the balance between risk and reward which is necessary for effective risk management.

In addition to the given risk management framework, the compliance function monitors the company activities are in line with the regulations, legislations, and company policies. Any violation will be independently reported to the Risk Committee.

KEY RISKS CATEGORIES AND MITIGATION STRATEGIES

The Company is exposed to risks which have the potential to impact the Company’s ability to achieve agreed strategic goals including financial performance. While some risks can be managed by the Company, there are other key risks that need to be monitored to assess their impact as described below.

RISKS



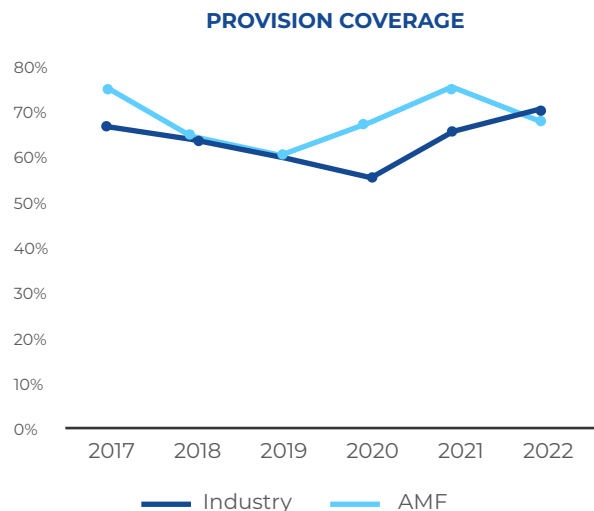
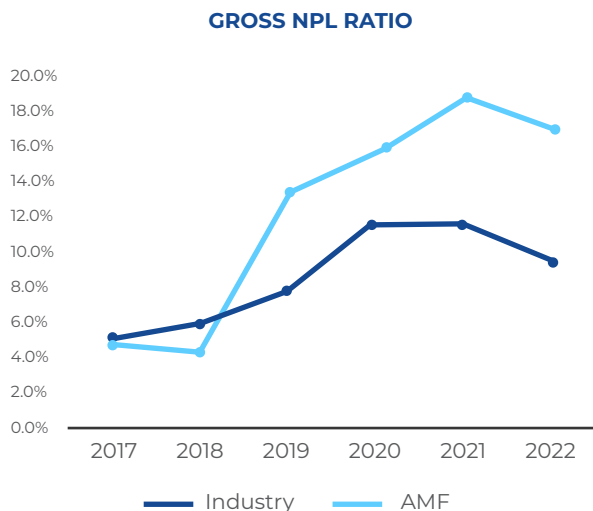
1. CREDIT RISK

Credit Risk is the risk of potential loss resulting from the failure of a customer/ borrower or counterparty to honor its financial or contractual obligations to the Company. It arises mainly from direct lending activities which are reflected on the Balance Sheet. Credit risk may result in the loss of the principal amount and interest with adverse implications on profits due to the impairment provisions or write-offs of non-performing facilities. Credit risk is composed of default risk and concentration risk.

DEFAULT RISK

Default risk is the possibility of suffering a loss as a result of a borrower’s failure to fulfill a financial commitment when it becomes due. Leases, hire purchases, loans and advances, which make up of 58% of the Company’s total assets are subject to the default risk.

Key Risk Indicators

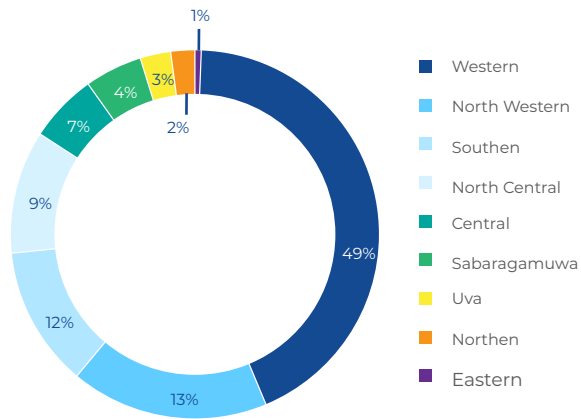


CONCENTRATION RISK

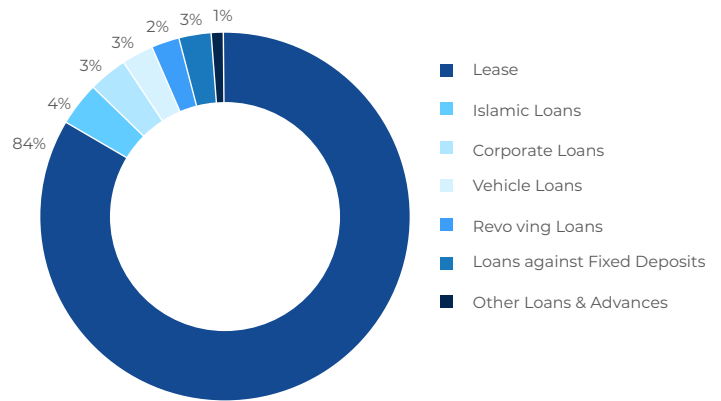
Concentration risk refers to the possibility of an unequal distribution of the Company's loans and advances to customers, products or geographical areas. This results from the product portfolio's insufficient level of diversification.

Key Risk Indicators

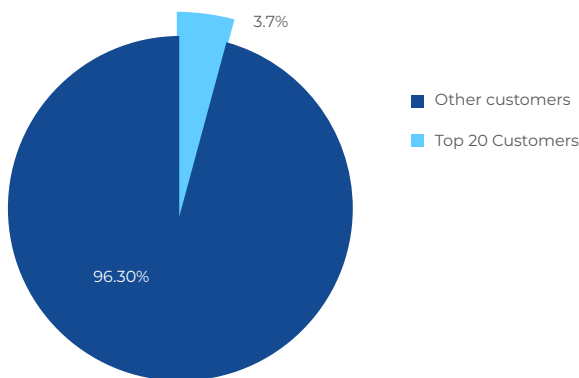
GEOGRAPHICAL CONCENTRATION



PRODUCT CONCENTRATION



EXPOSURE OF TOP 20 CUSTOMERS



The Credit Committee is responsible for overseeing the credit risk at AMF and the Credit and Recoveries departments are responsible for monitoring and managing the Company's credit risk with the support from Strategic Planning & Risk Management Unit.

RISK MINIMIZATION STRATEGIES

Areas to be focused under AMF Credit Risk Management Processes.

- Credit Appraisal
- Credit Approval
- Credit Disbursement
- Credit Risk Measurement and Monitoring
- Credit Recovery
- Impairment Process

Credit risk is managed at two broad levels, Pre and Post disbursement. Pre disbursement is regulated by having experienced credit professionals evaluating and approving credit within a clearly delegated authority framework. Post disbursement is regulated by the inhouse call center and having visiting officers to ensure recoveries of the credit transactions and following-up customers with outstanding balances with the support of credit indicators and analytical tools on a daily basis.

Pre-disbursement

- Stringent credit appraisal and pre-credit sanctioning
- Well defined credit criteria
- Delegated approval authority at multiple levels

Post-disbursement

- Consistent monitoring of sector and product exposures
- Monitoring and reporting of NPLs at multiple levels
- Periodic revaluation of collaterals
- Periodic Risk Reporting
- Management Committee

2. MARKET RISK

Market risk arises due to adverse changes in market variables such as interest rates, foreign exchange rates, commodity prices, equity and debt prices and their correlations. Of these risks, interest rate risk poses the most significant risk exposure to AMF. Interest rate risk refers to the possibility of shifts in market interest rates that will have a negative impact on a company's financial position. The Company's net interest margin and net interest income are continuously impacted by market interest rate volatility. The Company's involvement with financial instruments, such as leases, loans, deposits, securities, short-term borrowings, long-term debt, etc., exposes it to market risk.

RISK MINIMIZATION STRATEGIES

Market risk is managed by maintaining a mix of funding options, minimizing interest rate sensitive asset and liability gaps, and ensuring net interest margin is maintained through periodic review of product pricing. Finance department and the Strategic Planning & Risk Management Unit continuously evaluate and review the interest rates, market information and report for necessary policy decisions to mitigate the related market risks. 89% of AMF's lending portfolio is made up of leasing portfolio and thereby, interest rates are managed for different leasing product types and vehicle model types.

3. OPERATIONAL RISK

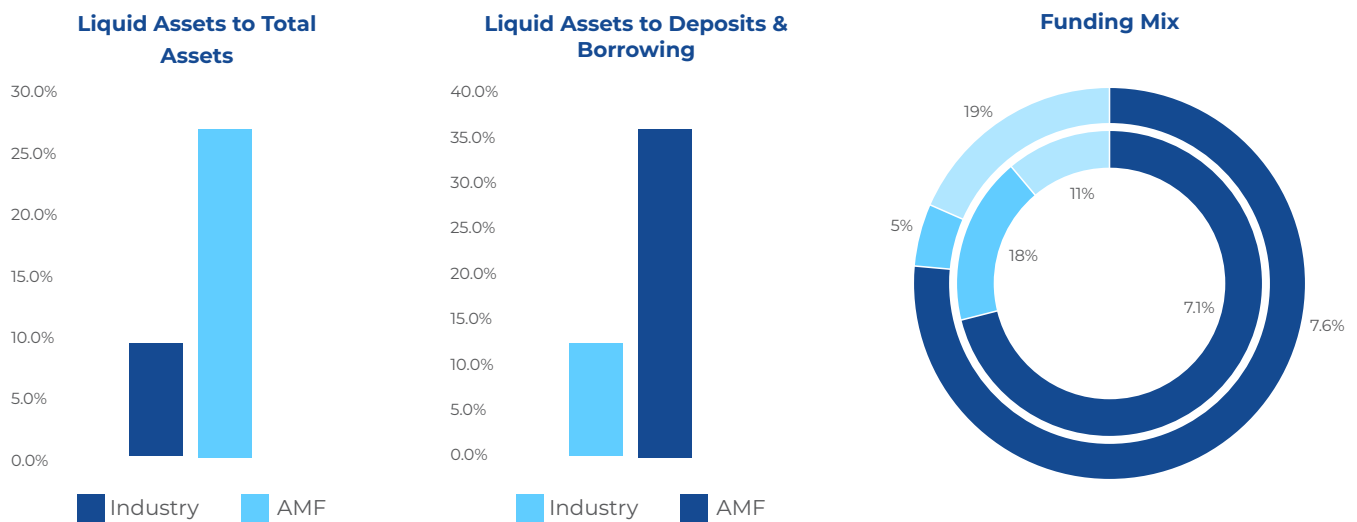
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. When operational risks materialize, it often triggers other risks such as reputational, compliance, credit, market and liquidity risks. The objective of operational risk management is to identify and minimize risks associated with processes and systems of the Company and improve reliability and effectiveness of business operations.

RISK MINIMIZATION STRATEGIES

The operational risk is managed by regularly reviewing processes for the effectiveness of operational functions in the Company and taking necessary actions. The Internal Audit Department ensures adequacy and effectiveness of internal controls and reports independently to the Audit Committee for necessary actions. The department's reports are reviewed, discussed and recommendations are implemented. Proper training sessions for staff members are provided to train them on compliance with operational policies and controls of the organization.

4. LIQUIDITY RISK

Liquidity risk arises when the Company, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due or can only do so at materially disadvantageous terms. The objective of liquidity risk management is to ensure proper management of liquidity position in the Company and to raise funds at lowest possible cost.



RISK MINIMIZATION STRATEGIES

The liquidity risk is managed by consistently monitoring the liquidity position to ensure compliance to internal targets and regulatory requirements, using a diversified funding strategy and ensuring availability of adequate funding for business at all times, even in periods of financial distress.

The ALCO holds overall responsibility for ensuring that the Company maintains adequate liquidity levels to fulfil its contractual obligations. Key aspects of the Company's liquidity management framework are as follows;

- The Company's liquidity position is consistently monitored to ensure compliance to internal targets and regulatory requirements.
- Diversified funding strategy where funds are sourced from multiple sources
- Committed lines of credit in place as contingency sources

All the Company's liquidity ratios have been maintained well above the regulatory requirement during the period under review. Our customer deposit base is granular, with top 10 depositors accounting for only 9% of the total deposit base.

5. STRATEGICAL RISK

In a competitive environment, pragmatic strategy and effective implementation are essential to ensure the sustainability of profits. The key drivers of strategic risk are competition, customer changes, industry trends, technological innovation, and regulatory developments.

RISK MINIMIZATION STRATEGIES

The Strategic Planning & Risk Management Unit independently carries out an assessment of the corporate strategy against the business environment and the findings are duly reported to the senior management for their deliberations. At the monthly Management Committee meetings, the corporate strategy is assessed through brainstorming and sharing experiences and knowledge on the market, industry, and competitor behavior.

Based on the quantitative and qualitative information gathered, the Strategic risk is assessed every two months by the IRMC and remedial measures are taken at the top management level. The achievement and adequacy of budgetary targets are reviewed daily, weekly and reported monthly at the Management Committee and at the Board level. The corporate plan of the Company has been examined by AMF for potential effects of COVID-19 and the present economic crisis, and strategic priorities have been adjusted to consider new developments. AMF regularly review strategic risk exposures by comparing actual performance with predetermined targets.

6. BUSINESS RISK

Business risk is a part of strategic risk which arises from the competitiveness within the financial services industry. As is the case in the present context, intense competition in the industry together with the volatilities in the macroeconomic environment, particularly, the changes in policy interest rates, import duty levels and government restrictions on vehicle imports, adversely impact business volumes, and market share, affecting the profitability of the Company.

RISK MINIMIZATION STRATEGIES

Business risk is managed by ensuring speedy delivery of high-quality service to customers, carrying out market analyses whenever necessary to identify key areas to be focused, implementing new strategies to build strong relationships with dealers, and assessing variance between budgeted disbursements and actual disbursements and taking corrective action wherever necessary.

7. REPUTATION RISK

Reputation risk is a risk of loss resulting from damages to an organization's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value. The objective of reputation risk management is to prevent the adverse impacts to the reputation of the organization.

RISK MINIMIZATION STRATEGIES

The reputation risk is managed by ensuring effective communication with various stakeholders such as employees, bankers, regulators, customers, suppliers and shareholders and by having in place a budgetary process and a budgetary control mechanism on a monthly and ongoing basis to ensure that the Company's performance is continuously in line with its targets.

AMF has established a whistleblowing policy to handle complaints on non-compliance with statutory and regulatory requirements, financial or non-financial malpractices, fraudulent and malicious activities involving organization's assets or environmental damage, and improper conduct or unethical behavior. This policy is not only applicable to AMF's staff, but also to any outside/external party such as customers, suppliers, contractors or stakeholders to report any concern or complaint. As such AMF is committed to maintaining and improving the standards across all business activities and operations.

FINANCE COMPANIES DIRECTION NO 03 OF 2008 (AND SUBSEQUENT AMENDMENTS THERETO) ON CORPORATE GOVERNANCE FOR LICENCED FINANCE COMPANIES IN SRI LANKA.

Section No.	Description	State of Compliance
2. The Responsibilities of the Board of Directors	(1) The Board of Directors shall strengthen the safety and soundness of the finance company by– a) approving and overseeing the finance company’s strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;	Complied
	b) approving the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	Complied
	c) identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	Complied
	d) approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers;	Complied
	e) reviewing the adequacy and the integrity of the finance company’s internal control systems and management information systems;	Complied
	f) identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	Complied
	g) defining the areas of authority and key responsibilities for the Board and for the key management personnel;	Complied
	h) ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company’s policy;	Complied

Section No.	Description	State of Compliance
	<p>i) periodically assessing the effectiveness of its governance practices, including:</p> <p>(i) the selection, nomination and election of directors and appointment of key management personnel;</p> <p>(ii) the management of conflicts of interests; and</p> <p>(iii) the determination of weaknesses and implementation of changes where necessary;</p>	Complied
	<p>j) ensuring that the finance company has an appropriate succession plan for key management personnel;</p>	Complied
	<p>k) meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;</p>	Complied
	<p>l) understanding the regulatory environment;</p>	Complied
	<p>m) exercising due diligence in the hiring and oversight of external auditors.</p>	Complied
	<p>(2) The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with paragraph 7 of this Direction.</p>	Complied
	<p>(3) There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the finance company's expense.</p> <p>The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.</p>	Complied
	<p>(4) A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.</p>	Complied
	<p>(5) The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.</p>	Complied

Section No.	Description	State of Compliance
	(6) The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	Such a situation has not arisen
	(7) The Board shall include in the finance company's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	Complied
	(8) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	Complied
3. Meetings of the Board	(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 written or electronic resolutions/papers shall be avoided as far as possible.	Complied
	(2) The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied
	(3) A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Complied
	(4) A director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	This situation has not arisen
	(5) The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied

Section No.	Description	State of Compliance
	(6) If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	Complied
	(7) All directors shall have access to advise and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied
	(8) The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied
	(9) Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: <ul style="list-style-type: none"> a) a summary of data and information used by the Board in its deliberations b) the matters considered by the Board c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations e) the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and f) The decisions and Board resolutions. 	Complied

Section No.	Description	State of Compliance
4. Composition of the Board	(1) Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 13.	Complied
	(2) Subject to the transitional provisions contained herein and subject to paragraph 5(1) of this Direction the total period of service of a director other than a director who holds the position of Chief Executive Officer or executive director shall not exceed nine years. The total period in office of a non executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	Complied
	(3) Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a director of the finance company (hereinafter referred to as an “executive director”) provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.	Complied
	(4) With effect from three years commencing 01.01.2009 of this Direction, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors. A non-executive director shall not be considered independent if such director:	Complied
	a) has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company	Complied
	b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet;	Complied
	c) has been employed by the finance company during the two year period immediately preceding the appointment as director;	Complied
	d) has a relative, who is a director or chief executive officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company;	Complied

Section No.	Description	State of Compliance
	<p>e) represents a shareholder, debtor, or such other similar stakeholder of the finance company;</p>	Complied
	<p>f) is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organization:</p> <p>i). which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company; or</p> <p>ii). in which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the finance company; or</p> <p>iii). in which any of the other directors of the finance company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company.</p>	Complied
	<p>(5) In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.</p>	Situation has not arisen
	<p>(6) Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.</p>	Complied
	<p>(7) With effect from three years commencing 01.01.2009 of this Direction, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.</p>	Complied
	<p>(8) The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.</p>	Complied

Section No.	Description	State of Compliance
	(9) There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied
	(10) All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied
	(11) If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	Complied
5. Criteria to assess the fitness and propriety of directors	(1) The Director who have reached the age of 70 years, will be assessed by the Monetary Board (MB) of the Central Bank of Sri Lanka (CBSL), based on the criteria that have been formulated in order to objectively asses fitness and propriety, as well as the contribution made by such Directors to the financial institution and the level of regulatory compliance of such financial institution.	Complied
	(2) A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company.	Complied
6. Delegation of Functions	(1) The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied
	(2) The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied

Section No.	Description	State of Compliance
7. The Chairman and the Chief Executive Officer	(1) The roles of Chairman and Chief Executive Officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2009.	Complied
	(2) The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	This situation has not arisen
	(3) The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the Board.	Complied
	(4) The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	Complied
	(5) The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.	Complied
	(6) The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied
	(7) The chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company.	Complied
	(8) The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied

Section No.	Description	State of Compliance
	(9) Subject to the transitional provisions contained herein, the chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied
	(10) The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied
	(11) The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the finance company's operations and business.	Complied
8. Board appointed Committees	(1) Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.	Complied
	(2) Audit Committee The following shall apply in relation to the Audit Committee: a) The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	Complied
	b) The Board members appointed to the committee shall be non-executive directors.	Complied
	c) The committee shall make recommendations on matters in connection with: (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	Complied

Section No.	Description	State of Compliance
	<p>d) The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.</p>	Complied
	<p>e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider:</p> <ul style="list-style-type: none"> (i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and (iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor. 	Complied
	<p>f) The committee 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 finance company'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.</p>	Complied

Section No.	Description	State of Compliance
	<p>g) The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.</p>	Complied
	<p>h) The committee 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 key management personnel, if necessary.</p>	Complied
	<p>i) The committee shall review the external auditor's management letter and the management's response thereto;</p>	Complied
	<p>j) The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <ul style="list-style-type: none"> (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; 	Complied

Section No.	Description	State of Compliance
	<p>(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;(70)</p> <p>(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;</p>	Complied
	<p>k) The committee shall consider the major findings of internal investigations and management's responses thereto</p>	Complied
	<p>l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.</p>	Complied
	<p>m) The committee shall have:</p> <ul style="list-style-type: none"> (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. 	Complied
	<p>n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</p>	Complied
	<p>o)) The Board shall, in the Annual Report, disclose in an informative way,</p> <ul style="list-style-type: none"> (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings. 	Complied
	<p>p) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.</p>	Complied

Section No.	Description	State of Compliance
	<p>q) The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.</p>	Complied
	<p>(3) Integrated Risk Management Committee</p> <p>The following shall apply in relation to the Integrated Risk Management Committee:</p> <p>a) The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.</p>	Complied
	<p>b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.</p>	Complied
	<p>c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.</p>	Complied
	<p>d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.</p>	Complied
	<p>e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.</p>	Complied

Section No.	Description	State of Compliance
	<p>f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.</p>	Complied
	<p>g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.</p>	Complied
	<p>h) The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.</p>	Complied
9. Related party transactions	<p>(1) The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.</p>	Complied
	<p>(2) The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:</p> <ul style="list-style-type: none"> a) A subsidiary of the finance company; b) Any associate company of the finance company; c) A director of the finance company d) A key management personnel of the finance company; e) A relative of a director or a key management personnel of the finance company; f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company; g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest. 	Complied

Section No.	Description	State of Compliance
	<p>(3) The transactions with a related party that are covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> a) Granting accommodation, b) Creating liabilities to the finance company in the form of deposits, borrowings and investments, c) providing financial or non-financial services to the finance company or obtaining those services from the finance company, d) creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party. 	Complied
	<p>(4) The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, “more favourable treatment” shall mean:</p>	Complied
	<p>a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the finance company’s regulatory capital, as determined by the Board. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company’s share capital and debt instruments with a remaining maturity of 5 years or more.(72)</p>	Complied
	<p>b) Charging of a lower rate of interest than the finance company’s best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;</p>	Complied
	<p>c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties;</p>	Complied
	<p>d) Providing or obtaining services to or from a related-party without a proper evaluation procedure;</p>	Complied
	<p>e) Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.</p>	Complied

Section No.	Description	State of Compliance
	f) Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	Complied
	g) The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied
	h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.	Complied
	i) A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	Complied
	j) The external auditor's certification of the compliance with the Corporate Governance Directions in the annual corporate governance reports published from the date of this Direction.	Complied

THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED JOINTLY BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA IN 2013.

Section No.	Description	Adoption Status
A	THE BOARD	
A1	The company should be headed by an effective Board, which should direct, lead and control the Company	
A1.1	The Board meets regularly on monthly intervals. The Board met 12 times during the year. The attendance at the Board committee meeting for the year 2021/2022 is mentioned on page No 94	Adopted
A.1.2	<p>The Board's role and responsibilities</p> <ul style="list-style-type: none"> ■ The Board as a whole is responsible for, Formulation and implementation of a sound business strategy ■ Ensures that the Chief Executive Officer and Management team possess the skills, experience and knowledge to implement the strategy ■ Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy ■ Implementing effective systems to secure integrity of information, internal controls, business continuity and risk management. ■ Ensuring compliance with laws, regulations and ethical standards ■ Ensuring all stakeholders interests are considered in corporate decision ■ Recognizing sustainable business development in corporate strategy, decisions and activities ■ Ensuring that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations ■ Fulfilling other Board functions as are vital given the scale, nature and complexity of the business concerned 	Adopted
A.1.3	<p>The Board collectively and Directors individually are bound to act according to the laws in the country and establish a procedure to obtain independent professional services when required.</p> <p>The Board members functions collectively and individually according to the laws in the country and the members established procedure to obtain independent professional service upon the request.</p>	Adopted

Section No.	Description	Adoption Status
A.1.4	<p>The Board members have access to advise the Company Secretary on Corporate services.</p> <p>The Company Secretary provides corporate services to the company. The Board has access to advise the Company Secretary in all corporate matters related to the applicable laws and regulations. Removal of the Company Secretary would be a matter for the Board as a whole.</p>	Adopted
A.1.5	<p>Providing Independent judgment</p> <p>All Directors provide independent judgment for their decision makings on strategy, performance resources and standards of business conduct</p>	Adopted
A.1.6	<p>Dedicating adequate time and effort to matters of the Board and the company</p> <p>The Board allocates sufficient time to scrutinize the matters of the company prior and post to meetings and ensures that the duties and responsibilities owned to the company are satisfactorily discharged.</p>	Adopted
A.1.7	<p>Every Director should receive appropriate training at the first appointment to the Board.</p> <p>The Directors at their first appointment receive an induction with regard to the directorship and affairs of the company and also recognise the need for continuous training and an expansion of the knowledge and skills required to effectively perform his duties as a Director.</p>	Adopted
A.2	<p>Chairman and Chief Executive Officer (CEO)</p> <p>There should be a clear division of responsibilities at the head of the company, which will ensure balance of power and authority, so that no individual has unfettered powers of decision.</p>	Adopted
A.2.1	<p>Division of responsibilities of the Chairman and CEO</p> <p>The Chairman and the CEO positions of the Company are held by separate persons</p>	Adopted
A.3	<p>Chairman's Role</p> <p>The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running of the Board, the Chairman should preserve order and facilitate the effective discharge of the Board functions.</p>	Adopted

Section No.	Description	Adoption Status
A.3.1	<p>Chairman's responsibility to conduct Board proceedings in a proper manner.</p> <p>The Chairman of the Board committee ensures the effective participation and contribution of both Executive and Non-Executive Directors. Also ensures that a balance of power between Executive and Non-Executive Directors is maintained and the Board is in complete control of the company's affairs.</p>	Adopted
A.4	<p>Financial Acumen</p> <p>The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance. The Board comprises of Directors who have the capacity to provide sufficient financial acumen and knowledge to offer guidance on matters of finance.</p> <p>1. The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) (FCA) and Certified Management Accountants of Sri Lanka. He holds a Postgraduate Executive Diploma in Bank Management from the Institute of Bankers, Sri Lanka.</p> <p>2. The Chairman of the Integrated Risk Committee holds a bachelor's degree in Business Accounting from Monash University, Australia, a Fellow Member and holder of the Graduate Diploma in Marketing from the Chartered institute of Marketing, UK and Certified Management Accountants of Sri Lanka. A Member of the Certified Practicing Accountants, Australia and a Fellow member of the Sri Lanka Institute of Marketing.</p>	Adopted
A.5	<p>Board Balance</p> <p>It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group can dominate the Board's decision taking.</p>	Adopted
A.5.1	<p>Contribution of Non-Executive Directors</p> <p>The Board comprises five Non-Executive Directors and it carries significant weight in the Board's decisions</p>	Adopted
A.5.2	<p>Independent Non-Executive Directors</p> <p>The Board comprises four Independent Non-Executive Directors.</p>	Adopted

Section No.	Description	Adoption Status
A.5.3 & A.5.4	Evaluation of independence of Non-Executive Directors The Independent Non-Executive Directors are complied with the applicable rules and regulations and they annually submit declarations on their independency.	Adopted
A.5.5	Determination of independence of Non-Executive Directors The disclosure is made on the independence status of the Directors on page No 93	Adopted
A.5.6	Appointment of Alternative Directors No alternative Director was appointed during the year of 2021/22	Adopted
A.5.7 & A.5.8	Senior Independent Director Situation has not arisen	Adopted
A.5.9	Meeting with Non-Executive Directors The Chairman holds meetings with Non-Executive Directors on an annual basis.	Adopted
A.5.10	Recording of concerns about the matters of the company which cannot be unanimously resolved Concerns raised by the Directors are recorded in the minutes and there were no such instances which the Directors could not unanimously resolve.	Adopted
A.6	Supply of Information The Board should be provided with timely information in a form and of quality appropriate to enable it to discharge its duties.	Adopted
A.6.1	Providing adequate information to the Board The Management provides adequate information to the Board within the stipulated time period.	Adopted
A.6.2	Minutes, Agendas and papers should provide to the Board members at least seven days before the meeting. The Minutes, agendas and papers are provided to the Board seven days prior to the meeting.	Adopted
A.7	Appointment to the Board There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Adopted
A.7.1	Establishment of the Nomination Committee The Company has formed a Nomination Committee and the report of the Nomination Committee is presented on page No 90	Adopted

Section No.	Description	Adoption Status
A.7.3	Disclosure of details of the new Directors to shareholders Disclosures are made to the shareholders subsequent to the approval obtained by the Central Bank of Sri Lanka.	Adopted
A.8	Re-Election All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	Adopted
A.8.1	Appointment of Non-Executive Directors The requirement is specified in the Articles of Association of the company	Adopted
A.8.2	Re-Election by the Shareholders The requirement is specified in the Articles of Association of the company	Adopted
A.9	Appraisal of Board Performance Board members should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	Adopted
A.9.1, A.9.2, & A.9.4	Annual appraisal of Board performance The Board annually evaluates its performance in the discharge of its key responsibilities and the relevant disclosures are made on page No 93	Adopted
A.10	Disclosure of Information in Respect of Directors Shareholders should be kept advised of relevant details in respect of Directors	Adopted
A.10.1	Disclosure of information in respect of Directors Profiles of the Board of Directors are given on page No 18	Adopted
A.11	Appraisal of Chief Executive Officer (CEO) The Board is required at least annually to assess the performance of the CEO	Adopted
A.11.1 & A.11.2	Setting targets by the Board in line with the short, medium and long term objectives of the company, reasonable financial and non-financial targets that should be met by the CEO during the year. The Board appraises the CEO by a formal annual review at the end of each financial year	Adopted

Section No.	Description	Adoption Status
B	DIRECTORS' REMUNERATION	Adopted
B.1	Remuneration Procedure The company has a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	Adopted
B.1.1	Formation of Remuneration Committee The committee is responsible for making recommendations to the Board with regard to the remuneration of Executive Directors.	Adopted
B.1.2 & B.1.3	Composition of Remuneration Committee The Remuneration Committee comprised of Non-Executive Directors. The Remuneration Committee report is given on page No 82	Adopted
B.1.4	Remuneration of Non-Executive Directors The Board as a whole determines the remuneration of Non-Executive Directors and they receive a fee for attending Board and subcommittee meetings.	Adopted
B.1.5	Access to professional advice The Committee is empowered to seek professional advice inside and outside the Company as and when it is deemed necessary.	Adopted
B.2	The Level and Makeup of Remuneration Level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.	Adopted
B.2.1 to B.2.9	The level and make up of Remuneration of the Executive Directors The committee considers the following when determining the remuneration, <ul style="list-style-type: none"> ■ Sufficient capacity to attract, retain and motive the Executive Directors to achieve the company objectives. ■ Comparison of industrial remuneration standards 	Adopted
B.2.10	Level of remuneration for Non-Executive Directors The remuneration for the Non-Executive Directors is paid according to the time commitment, responsibilities of their role and market practices.	Adopted

Section No.	Description	Adoption Status
B.3	<p>Disclosure of Remuneration The company's Annual Report should contain a statement of Remuneration policy and details of remuneration of the Board as a whole.</p>	Adopted
B.3.1	<p>Disclosure of Directors' remuneration in the Annual Report The pertinent disclosures are made on page No's 01, 116 and 153</p>	Adopted
C	<p>RELATIONS WITH SHAREHOLDERS</p>	
C.1	<p>Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings. Board should use the AGM to communicate with shareholders and should encourage their participation.</p>	Adopted
C.1.1	<p>Use of proxy votes The Company has recorded all proxy votes for each resolution prior to the AGM.</p>	Adopted
C.1.2	<p>Separate resolution for separate issues A separate resolution is proposed for each substantially separate issue.</p>	Adopted
C.1.3	<p>Availability of subcommittee Chairmen at the AGM The Chairmen of the sub committees are present at the AGM to answer questions by shareholders</p>	Adopted
C.1.4 & C.1.5	<p>Circulation of AGM Notice and pertinent documents Company circulates the AGM Notice and a summary of the procedures within a stipulated time period</p>	Adopted
C.2	<p>Communication with Shareholders The Board should implement effective communication with shareholders.</p>	Adopted
C.2.1 to C.2.7	<p>Communication with Shareholders A Board approved policy on communication with shareholders is available. The core communication modes are Annual Report and the AGM. Additionally the shareholders could communicate through the company website, announcement on CSE, newspaper publications pertinent to corporate matters. The company adopts open communication with shareholders. Chairman, CEO and the Company Secretary are contactable at short notice.</p> <p>The Company Secretary maintains records of all correspondence received from shareholders and directs the same to appropriate channels for resolution</p>	Adopted

Section No.	Description	Adoption Status
C.3	<p>Major and Material Transactions</p> <p>Directors are required to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the company</p>	Adopted
C.3.1	<p>Major Transactions</p> <p>The company did not engage in any major transactions during the period of 2021/2022 as defined by Section 185 of the Companies Act No.07 of 2007.</p>	Adopted
D	<p>ACCOUNTABILITY AND AUDIT</p> <p>The Board should present a balanced and an understandable assessment of the company's financial position and prospects.</p>	
D.1		
D.1.1	<p>Reports to public, regulatory & statutory reporting</p> <p>AMF has complied with the requirements of the Companies Act No. 7 of 2007, Finance Business Act No. 42 of 2011 and Sri Lankan Accounting Standards in the preparation and presentation of financial statements and complied with the reporting requirement prescribed by the Regulatory Authorities such as the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.</p>	Adopted
D.1.2	<p>Directors' report in the Annual Report</p> <p>The Report of the Board of Directors on the Affairs of the Company is given in this Annual Report on page No 92</p>	Adopted
D.1.3	<p>Statement of Directors' and Auditor's responsibility for the Financial Statements</p> <p>Directors Responsibility for Financial Reporting is given on page No 96</p>	Adopted
D.1.4	<p>Management discussion and analysis</p> <p>Management discussion and analysis is given on pages 27 to 40</p>	Adopted
D.1.5	<p>Declaration by the Board that the business is a going concern</p> <p>Refer the Report of the Board of Directors on pages 92 to 95</p>	Adopted
D.1.6	<p>Summoning an Extraordinary meeting to notify serious loss of capital</p> <p>The situation has not arisen during the year 2021/22</p>	Adopted

Section No.	Description	Adoption Status
D.1.7	<p>Disclosure of Related Party Transactions</p> <p>Related party transactions are disclosed in this Annual Report. A process is in place to obtain the required declaration and to maintain the relevant records.</p>	Adopted
D.2	<p>Internal Control</p> <p>The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the company assets.</p>	Adopted
D.2.1	<p>Annual evaluation of the Internal Control System</p> <p>Adequacy and integrity of the company's internal control systems is reviewed by the Board Audit Committee on a quarterly basis or more frequently as it deems necessary.</p>	Adopted
D.2.3 to D.2.5	<p>Internal Audit Function</p> <p>The company has an in-house internal audit department. Internal Audit reports are discussed at the Audit Committee meetings and appropriate recommendations/actions are agreed upon based on those findings</p>	Adopted
D.3	<p>Audit Committee</p> <p>The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the company's Auditors.</p>	Adopted
D.3.1	<p>Composition of the Audit Committee</p> <p>The Audit Committee consists of five members, four of whom are Independent Non-Executive Directors. Details of the committee members, are mentioned in the Report of the Audit Committee given in this Annual Report on Page No 83</p>	Adopted
D.3.2	<p>Duties of the Audit Committee</p> <p>The duties of the Audit Committee are mentioned in the Report of Board Audit Committee in this Annual Report.</p>	Adopted
D.3.3	<p>Terms of Reference of the Audit Committee</p> <p>The Audit Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee</p>	Adopted
D.3.4	<p>Disclosures of the Audit Committee</p> <p>Refer 'Audit Committee Report' on page No 83 of this Annual Report.</p>	Adopted

Section No.	Description	Adoption Status
D.5	<p>Corporate Governance Disclosures</p> <p>The company should disclose the extent of adoption of best practices in Corporate Governance</p>	Adopted
D.5.1	<p>Disclosure of corporate governance compliance</p> <p>This requirement is met through the disclosures related to Corporate Governance made in this Annual Report.</p>	Adopted
E	<p>INSTITUTIONAL INVESTORS</p> <p>Institutional shareholders are required to make considerable use of their votes and are encouraged to ensure their voting intentions are translated into practice.</p>	Adopted
E.1.1	<p>Shareholder Voting</p> <p>Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders views to the Board.</p> <p>General Meetings are used to have an effective dialogue with the shareholders on matters which are relevant.</p>	Adopted
F.1	<p>Investing/Divesting Decision</p> <p>Individual shareholders who invest directly in shares of the Company are encouraged seeking independent advice in investing or divesting decisions.</p>	Adopted
F.2	<p>Shareholder Voting</p> <p>Individual shareholders are encouraged to participate at the Annual General Meeting and to exercise their voting rights.</p>	Adopted

THE FOLLOWING TABLE INDICATES THE STATUS OF COMPLIANCE ON THE CONTENTS OF ANNUAL REPORT IN TERMS OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE RULE NO.7.6

Section No.	Description	State of Compliance
7.6 (i)	Names of the Directors who held duties during the financial year. Refer the Annual report of the Board of Directors on the affairs of the company on page No 92	Complied
7.6 (ii)	Principal activities of the company and its subsidiaries during the year and any changes therein. Refer the Annual report of the Board of Directors on the affairs of the company on page No 92	Complied
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held as at the end of the financial year. The company has not issued any non-voting shares. Refer Share Information of Annexures on page No 168	Complied
7.6 (iv)	The public holding percentage. Refer Share Information of Annexures on page No 168	Complied
7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the company at the beginning and end of the financial year. Refer Share Information of Annexures on page No 168	Complied
7.6 (vi)	Information pertaining to material foreseeable risk factors. Refer Report of the Integrated Risk Management Committee on page No 86	Complied
7.6 (vii)	Details of material issues pertaining to employees and industrial relations.	There were no material issues pertaining to the employees and industrial relations during the year 2021/22
7.6 (viii)	Extents, locations, valuation and the number of buildings of the land holdings and investment properties as at the end of the financial year. Refer notes to the Financial Statements on page No 137	Complied

Section No.	Description	State of Compliance
7.6 (ix)	<p>Number of shares representing the stated capital as at the end of the financial year.</p> <p>Refer notes to the Financial Statements on page No 151</p>	Complied
7.6 (x)	<p>A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holding as at the end of the financial year.</p> <p>Refer Share Information of Annexures on page No 168</p>	Complied
7.6 (xi)	<p>Ratios and market price information on :</p> <p>Equity Dividend per share, Dividend payout, Net asset value per share, Market value per share (highest and lowest values recorded during the financial year and the value as at the end of financial year)</p> <p>Debt Interest rate of comparable Government Security ,Debt/ equity ratio, Interest cover, Quick asset ratio, market prices and yield during the year (Highest, lowest and last traded price) Any changes in credit ratings. Refer page Nos 92 and 167</p>	Complied
7.6 (xii)	<p>Significant changes in the company's or its subsidiaries' fixed assets and the market value of land. If the value differs substantially from the book value as at the end of the year.</p> <p>Refer notes to the financial statements on page No 140</p>	Complied
7.6 (xiii)	<p>Details of funds raised through a public issue, rights issue and a private placement during the year.</p> <p>Refer notes to public issue or right issue on page No 151</p>	Complied
7.6 (xiv)	<p>Information in respect of Employee Share Ownership or Stock Option Schemes</p>	The company does not have any Employee share ownership or Stock Option Schemes at present

Section No.	Description	State of Compliance
7.6 (xv)	Disclosures pertaining to Corporate Governance Practices in terms of Rules 7.10.3, 7.10.5c and 7.10.6c of Section 7 of the Listing Rules. Refer report of the Board of Directors on the affairs of the company, Report of the Remuneration and Audit Committees and Corporate Governance section in this Annual Report	Complied
7.6 (xvi)	Related Party Transactions exceeding 10 percent of the equity or 5 percent of the total assets of the entity as per Audited Financial Statements, whichever is lower Refer Note in page No 154	Complied

THE FOLLOWING TABLE INDICATES THE STATUS OF COMPLIANCE ON THE CONTENTS OF ANNUAL REPORT IN TERMS OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE RULE NO.7.10.

Section No.	Description	State of Compliance
7.10	Corporate Governance statement confirming that as at the date of the Annual Report, report they are in compliance with the Corporate Governance Rule.	The company is complied as per the below sections
7.10 (1)	Non-Executive Directors to be at least two or 1/3 of the total number whichever is higher. The Board consists of Five Non-Executive Directors	Complied
7.10 (2)	Independent Directors to be at least two or 1/3 of the total number of Non-Executive Directors. The Four Non-Executive Directors are independent and submit annual declarations on their independence.	Complied
7.10 (3)	Disclosures relating to Directors Annual determinations as to the independence of Directors and a profile of the Directors have been made and disclosed in the Annual Report.	Complied
7.10 (4)	Criteria for defining independence Criteria that determines the independence of Directors have been taken into consideration for the determination of independence status of the company's Independent Directors.	Complied

Section No.	Description	State of Compliance
7.10 (5)	<p>Remuneration Committee</p> <ul style="list-style-type: none"> a) Composition b) Functions c) Disclosures <p>The Remuneration Committee report is given on page No 81</p>	Complied
7.10 (6)	<p>Audit Committee</p> <ul style="list-style-type: none"> a) Composition b) Functions c) Disclosure <p>The Audit Committee report is given on page No 83</p>	Complied

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises four Non-Executive Independent Directors and a Non-Independent Non-Executive Director.

Mr.T.G.Kandamby

Independent Non-Executive Director (Chairman of the Remuneration Committee)

Mr.R.Wijegunawardane

Independent Non-Executive Director

Mr.K.D.U.S.Nanayakkara

Board Chairman / Independent Non-Executive Director

Mr. Peter Suren Goonewardene

Independent Non-Executive Director

Mr. Nilanka Mevan Pieris

Non-Independent Non-Executive Director

The remuneration policy of the Company endeavors to attract, motivate, and retain quality management in a competitive environment with the skills, experience and quality demanded necessary to achieve the objectives of the Company. This is to ensure that the Company is able to attract, motivate and retain high quality management in a competitive environment and to be well-placed to meet the challenges of the Company. The Committee is responsible for ensuring that the total compensation packages are competitive and can attract the best talent in the market.

The functions of the Committee include the following

- The remuneration policy of the Company encourages enhanced performance in a fair and responsible manner that rewards individuals for their contribution to the success of the Company

- The Committee should lead the process and make recommendations to the Board, ensuring there is a formal, rigorous and transparent procedure.

- Determine and agree with the Board the remuneration policy set and monitor the remuneration of the Chairman and Executive Directors of the Company and the Company's senior management as agreed from time to time and recommend to the Board a remuneration framework for each category.

- Request the structure of, and determine targets for performance related pay schemes provided by the Company.

- Review the ongoing appropriateness of the remuneration policy taking into consideration the provisions and recommendations.

- When setting the remuneration of the Executive Directors and the Company's senior management, review and have regard to the remuneration trends across the each category.

The Committee reviews the remuneration levels annually by evaluating the individual performances of senior management staff and its impact to the company together with matching market levels.

All Executive remuneration decisions are made at Board level, upon recommendation by the Remuneration Committee.

MEETINGS

The Remuneration Committee held Two (02) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below:

FEES AND REMUNERATION

The aggregate remuneration of the Board of Directors during the financial year was Rs. 131,851,344/- on behalf of the Remuneration Committee Meeting.



MR. T. G. KANDAMBY

Chairman - Remuneration Committee
06 June 2022

REMUNERATION COMMITTEE MEETING ATTENDANCE

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. T.G. Kandamby	02	02
Mr. R. Wijegunawardane	02	02
Mr. K.D.U.S. Nanayakkara	02	02
Mr.P.S. Goonewardene	02	02
Mr.N.M.Pieris	02	02

The Company's Audit Committee was constituted on 8th September 2011 and the members were appointed by the Board of Directors of Associated Motor Finance Company PLC, comprise of four Independent Non-Executive Directors and a non-Independent Non-Executive Director, and chaired by Mr. T.G. Kandamby.

The members of the Audit Committee are

Mr. T.G. Kandamby

Independent Non-Executive Director
(Chairman of the Audit Committee)

Mr. R. Wijegunawardane

Independent Non-Executive Director

Mr. K.D.U.S. Nanayakkara

Board Chairman / Independent
Non-Executive Director

Mr. Nilanka Mevan Pieris

Non-Independent Non-Executive
Director

Mr. Peter Suren Goonewardene

Independent Non-Executive Director

Profiles of the Audit Committee members are given on Page No. 14.

The Company's Secretaries Chart Business Systems (Pvt) Ltd functions as the Secretaries to the Audit Committee.

Audit committee is designed to help the Board and Directors discharge their duties regarding reported financial information, internal controls and corporate codes of conduct. In many cases, the Audit Committee is also expected to assume responsibility for risk management as well.

Members of the Audit Committee must be able to discuss the fundamental accounting issues faced by the company and advise the Board on their impact and consequences.

The role of the Audit Committee will typically cover overseeing the financial reporting process; improving the quality of financial reporting in terms of accuracy, clarity and timeliness; appointing the external and internal auditors; reviewing the scope and results of the external and internal auditing processes; and ensuring, as a result, that the Board makes properly informed decisions regarding accounting policies, practices and disclosure.

The Company's Management is responsible for the Financial Statements and for maintaining effective internal control over financial reporting. The key purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibility for,

- The quality and integrity of the Company's Financial Statement and financial reporting process including the preparation, presentation and adequacy of disclosures in the Financial Statements of the Company in accordance with the Sri Lanka Accounting Standards.

- The Company's compliance with financial reporting and information requirement of the Companies Act No. 07 of 2007 and other relevant financial reporting-related regulations.

- Ensure that the Company's internal controls and risk management are adequate to meet the requirement of Sri Lanka Auditing Standards and Compliance by the Company with legal and statutory requirements.

- Assessing the independence and performance of the Company's External Auditors.

- Monitoring of timely payments of all statutory liabilities.

The Audit Committee invited Mr. J.P.I.N. Dayawansa, Deputy Chairman/Executive Director, Mr. J.P.I.S. Dayawansa, Executive Director and Mr. T.M.A. Sallay, Executive Director/CEO to attend its meetings.

During the year the Committee carried out the following activities:

- Review of Quarterly Financial Statements and discussion of these Financial Statements with management.

- Review of the Audited Financial Statements for the year and discussion of those Financial Statements with the management and External Auditors.

- Discussion of the management letter issued by the External Auditors and monitoring follow-up action by the management.

- Review of the internal audit plan for the Company and monitoring the performance of the Internal Auditors.

- Review of the internal audit reports and monitoring follow-up action by the management of the Company.

MEETINGS

The Audit Committee held Six (06) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below;

AUDIT COMMITTEE MEETING ATTENDANCE

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. T.G. Kandamby	06	06
Mr. R. Wijegunawardane	06	06
Mr. K.D.U.S. Nanayakkara	06	06
Mr.S.P. Goonewardene	06	06
Mr.N.M.Pieris	06	06

Other members of the Board and the members of the Management, as well as the external auditors were present at the discussions when appropriate.

INTERNAL AUDITS

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Auditors' roles include monitoring, assessing, and analysing organisational risk and controls; and reviewing and confirming information and compliance with policies, procedures, and laws. Working in partnership with management, internal auditors provide the board, the audit committee, and executive management assurance that risks are mitigated and that the organisation's corporate governance is strong and effective. And, when there is room for improvement, internal auditors make recommendations for enhancing processes, policies, and procedures.

EXTERNAL AUDITS

External audit is a periodic or specific purpose conducted by an external party. Its objectives is to determine, among other things, whether the accounting records are accurate and complete, prepared in accordance with the provisions of GAAP, and the statements prepared from the accounts present fairly the organisation's financial position, and the results of its financial operations. The committee with the approval of the Board of Directors developed and implemented policy for engagement of External Auditor to provide non-audit services to safe guard the Auditors' independence and objectivity. The committee had meetings with the external auditors to review the nature, approach and scope of the audit. Action taken by the management in response to the issues raised were discussed with the key management personnel of the company.

On behalf of the Audit Committee



MR. T. G. KANDAMBY

Chairman - Audit Committee

06 June 2022



REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Company's Risk Committee was constituted on 15th February 2012 and the members were appointed by the Board of Directors of Associated Motor Finance Company PLC. The committee comprises of following members and chaired by Mr. S.P. Goonewardene.

The members of the Committee are

Mr. Peter Suren Goonewardene

Independent Non-Executive Director
(Chairman of the Risk Committee)

Mr. J.P.I.N. Dayawansa

Deputy Chairman / Executive Director

Mr. Tuan Mohamed Anif Sallay

Executive Director/ CEO

Mr. Shanil Dayawansa

Executive Director

Mr. T.G. Kandamby

Independent Non-Executive Director

Mr. R. Wijegunawardane

Independent Non-Executive Director

Mr. Nilanka Mevan Pieris

Non-Independent Non-Executive
Director

PURPOSE

The Committee integrated all the risk areas, and these along with identified Company requirements make up the overall function of the committee being

- Reviewing and assessing the integrity and effectiveness of the risk management process considering the consolidated risk assessment results and determining trends, common areas of concern, emerging risks, and the most significant risks for reporting to the Board

- Monitoring and reviewing changes in stakeholders' expectations, corporate governance codes and best practice guidelines relating to risk issues.

- Reviewing and approving the renewal programme

- Assisting the board with activities relating to the governance of information technology

DUTIES CARRIED OUT

The committee assists the board in recognising all material risks to which the Company is exposed and ensuring that the requisite risk management culture, policies and systems are progressively implemented and functioning effectively.

The Committee is accountable to the Board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities. This ensures risks and opportunities are adequately identified, evaluated and managed at the appropriate level in each division, and that their individual and joint impact on the Company is considered.

MEETINGS

The Risk Management Committee held Six (06) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below on behalf of the Risk Committee.

INTEGRATED RISK MANAGEMENT COMMITTEE MEETING ATTENDANCE

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. T.G. Kandamby	06	06
Mr. R. Wijegunawardane	06	06
Mr. K.D.U.S. Nanayakkara	06	06
Mr.P.S. Goonewardene	06	06
Mr.N.M.Pieris	06	06



MR. P.S. GOONEWARDENE

Chairman – Integrated Risk
Management Committee
06 June 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee was established on 3rd June 2016 in terms of the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practices on Related Party Transactions issued by CA and the Securities and Exchange Commission of Sri Lanka (SEC). The Committee is formally constituted as a sub-committee of the Board of Directors and reports to the Board.

COMPOSITION

The Committee comprises of four Independent Non-Executive Directors and a Non-Independent Non-Executive Director. Mr. R. Wijegunawardane, Independent Non-Executive Director is the Chairman of the Committee and the composition meets the requirements stipulated in the Listing Rules of the CSE. The Company Secretary functions as the Secretary to the Committee.

The members of the Committee are

Mr. R. Wijegunawardane

Independent Non-Executive Director
(Chairman of the Related Party Transaction Review Committee)

Mr. T.G. Kandamby

Independent Non-Executive Director

Mr. K.D.U.S. Nanayakkara

Board Chairman / Independent Non-Executive Director

Mr. Peter Suren Goonewardene -

Independent Non-Executive Director

Mr. Nilanka Mevan Pieris

Non-Independent Non-Executive Director

DUTIES CARRIED OUT

The primary function of the Committee is to review Related Party Transactions (RPTs) as prescribed in Section 9 of the Listing Rules of the CSE, in order to ensure that transactions with related parties are on normal commercial terms, similar to those afforded to non-related parties.

Scope of the Committee includes,

- Review in advance all proposed related party transactions of the company, except those explicitly exempted in the Code.
- Determine whether the Related Party Transaction is fair and in the best interest of the Company
- Review, revise, formulate and approve policies on Related Party Transactions

MEETINGS

The Related Party Transactions Review Committee held Three (03) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE ATTENDANCE

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. R. Wijegunawardane	03	03
Mr. T.G. Kandamby	03	03
Mr. K.D.U.S. Nanayakkara	03	03
Mr. P.S. Goonewardene	03	03
Mr. N.M. Pieris	03	03

RELATED PARTY TRANSACTIONS DURING THE PERIOD

During the financial year, the Committee reviewed possible Related Party Transactions and communicated its comments/observations to the Board of Directors.

The aggregate value of all RPTs during the year is disclosed in Note 42 to the Financial Statements on page No 153. The value of non-recurrent RPTs during the year was below the threshold for immediate disclosure in terms of Listing Rules. The aggregate value of recurrent Related Party Transactions entered into during the year was below the threshold for disclosure in the Annual Report as per Rule 9.3.2(b) of the Listing Rules.

POLICIES AND PROCEDURES

The Board has adopted a Related Party Transactions Policy that gives necessary guidelines in recognising, recording and reporting of Related Party Transactions. According to the policy, declarations are obtained quarterly from each Director on Related Party Transactions.

DECLARATION

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page No 88 On behalf of the Related Party Transactions Review Committee.

On behalf of the Related Party Transactions Review Committee.



MR. R. WIJEGUNAWARDANE

Chairman - Related Party Transactions Review Committee

06 June 2022

NOMINATION COMMITTEE REPORT

Pursuant to the Corporate Governance, the Company's Nomination Committee was constituted on 25th September 2015. The members were appointed by the Board of Directors of Associated Motor Finance Company PLC, comprise of following members and chaired by Mr. T.G. Kandamby.

THE MEMBERS OF THE COMMITTEE ARE:

Mr. T.G. Kandamby

Independent Non-Executive Director
(Chairman of the Nomination Committee)

Mr. R. Wijegunawardane

Independent Non-Executive Director

Mr. K. D.U.S.Nanayakkara

Board Chairman / Independent Non-Executive Director

Mr. Nilanka Mevan Pieris

Non-Independent Non-Executive Director

Mr. Peter Suren Goonewardene

Independent Non-Executive Director

SCOPE AND OBJECTIVE

The main objective of the Nomination Committee is to lead the process for new appointments to the Board.

DUTIES CARRIED OUT

The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of Executive and Non-Executive Directors to the Board. Any Director of the Board may be invited to attend.

MEETINGS

During the Financial year 2021/22 there was one (01) meeting held and the attendance of the committee members are as follows,

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. T.G. Kandamby	01	01
Mr. R. Wijegunawardane	01	01
Mr. K.D.U.S. Nanayakkara	01	01
Mr.P.S. Goonewardene	01	01
Mr.N.M.Pieris	01	01

On behalf of the Nomination Committee



MR. T.G. KANDAMBY

Chairman - Nomination Committee
06 June 2022

PRESERVING OUR MOMENTUM



FINANCIAL REPORT



THE ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Associated Motor Finance Company PLC has the pleasure in presenting their Report on the affairs of the Company together with the audited financial statements of the Company for the year ended 31st March 2022. The Auditors' Report on those Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and directions issued thereunder.

This report provides the information as required by the Companies Act No 07 of 2007, Finance Business Act No 42 of 2011 and Directions issued thereunder, the code of best practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) and Listing Rules of the Colombo Stock Exchange. This report was approved by the Board of Directors on 06th June 2022.

LEGAL STATUS

Incorporated as a Limited Liability Company on July, 25, 1962 under Chapter 145 of the Companies Ordinance No.51 of 1938 and a registered Finance Company with the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies Act No. 78 of 1988

and the Finance Business Act No. 42 of 2011 and re-registered under the Companies Act No. 07 of 2007 and changed its status of the name as Associated Motor Finance Company PLC on 09th August 2011. Ordinary Shares of the Company are listed on the Colombo Stock Exchange from 23rd May, 2011 onwards.

COMPANY VISION, MISSION AND CORPORATE CONDUCT

The Company Vision and Mission are provided on page No 07 of this Annual Report. ICRA Lanka Ltd has assigned a [SL]B+ (Stable) rating to the company.

PRINCIPAL BUSINESS ACTIVITIES

The principal activities of the company are acceptance of public deposits, leasing and hire purchase, Islamic Finance, real estate trading, import and trading of private and commercial vehicles by offering various financing solutions.

REVIEW OF OPERATIONS

A review of the Company's business and its performance during the year with comments on financial results and future developments is contained in the Chairman's Review on pages No 10 and the Director/CEO's Review on pages No 14

FINANCIAL STATEMENTS OF THE COMPANY

The Financial Statements of the Company, which are approved by the Board of Directors and signed by the two Directors and the Chief Executive Officer of the Company, are appearing on pages 101 to 164 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements, maintaining of proper accounting records and disclosures regarding accounting policies and principles of the Company. Directors are of the view that the Financial Statements appearing on pages 96 to 97 have been prepared in conformity with the requirements of Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

AUDITOR'S REPORT

The Company's Auditors, Messrs SJMS Associates performed the audit on the consolidated financial statements for the year ended 31st March 2022 and the Auditor's Report issued thereon is given on pages 98 to 100 of this Annual Report.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

Section 168 (1) (d) of the Companies Act No. 07 of 2007 Significant new accounting policies adopted in preparation of the financial statements of the Company are given on pages 105 to 164 These financial statements comply with the requirements of Sri Lanka Accounting Standards 01 on "Presentation of Financial Statements" (LKAS 01) and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007.

CORPORATE GOVERNANCE

The Board of Directors has adopted a Corporate Governance Charter to ensure that proper systems and procedures are in place within the Company. The Board has ensured that the Company is in compliant with the recommendations of the Code of Best Practices on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and the Finance Companies – Corporate Governance Directions.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to the Government had been made up to date.

STATED CAPITAL

The Stated Capital of the Company as per the Audited Accounts as at 31st March 2022 was Rs. 611,273,941/-.

RESERVES

The reserves of the company with the movements during the year are given on page No 152 of the Financial Statements.

PROPERTY AND EQUIPMENT

Details and movements of Property and Equipment are shown on Note No 29 to the Financial Statements on pages No 138 to 142

DONATIONS

The total donations made by the Company were Rs. 50,000/-.

APPRAISAL OF BOARD PERFORMANCE

The Directors perform a self-assessment of the Board conduct annually by answering a Self-Assessment Questionnaire. The responses to the Self-Assessment Questionnaire are evaluated by the Chairman and any action, recommendations and/or concerns are discussed with the Board and accordingly noted and action taken where deemed appropriate.

DIRECTORS' INTEREST IN CONTRACTS

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on this Annual Report. These interests have been declared at Directors' meetings. As a practice, Directors have refrained from voting on matters in which they were materially interested.

INTEREST REGISTER

The Directors of the Company has made the General Disclosures provided for in Section 192(2) of Companies Act No. 07 of 2007 and maintains an Interest Register. Directors' shareholding of ordinary shares in the Company is given below.

Names of the Directors	No. of Shares as at 31.03.2022	No. of Shares as at 31.03.2021
Mr. J.P.I.N. Dayawansa	45,273,864	2,375,405
Mrs. A.S. Dayawansa	1,884,144	98,784
Mr. J.P.I.S. Dayawansa	1,762,212	92,386

DIRECTORATE

The Board of Directors of the company consists of nine Directors with financial and commercial knowledge and experience. The qualifications and experience of the Directors are given on pages 18 to 22 of the annual report.

Mr. K.D.U.S. Nanayakkara Chairman / Independent Non-Executive Director

Mr. J.P.I.N. Dayawansa - Deputy Chairman / Executive Director

Mrs. A.S. Dayawansa - Executive Director

Mr. J.P.I.S. Dayawansa - Executive Director

Mr. T.M.A Sallay – Executive Director /Chief Executive Officer

Mr. T.G. Kandamby - Independent Non-Executive Director

Mr. R. Wijegunawardane - Independent Non-Executive Director

Mr. P.S. Goonewardene – Independent Non-Executive Director

Mr. N.M. Peiris – Non-Independent Non-Executive Director

RE-ELECTION OF DIRECTORS

In terms of the Articles of Association of the Company, one-third of the Directors, excluding Executive Directors (or the number nearest to one third) retire by rotation at each AGM and offer themselves for reappointment by the shareholders.

Mr. R.Wijegunawardane, who has been the longest in office since his appointment, retires by rotation in terms of Article 35 of the Articles of Association of the Company and being eligible offer him for re-election.

BOARD MEETINGS AND ATTENDANCE

The Company held Twelve (12) board meetings during the financial year. Information on the attendance at these meetings are given below:

Names of the Directors	Attendance
Mr. K.D.U.S. Nanayakkara	12/12
Mr. J.P.I.N. Dayawansa	12/12
Mrs. A.S. Dayawansa	12/12
Mr. J.P.I.S. Dayawansa	12/12
Mr.T.G.Kandamby	12/12
Mr.R.Wijegunawardane	12/12
Mr. P.S. Goonewardene	12/12
Mr. N.M. Pieris	12/12
Mr. T.M. A Sallay	12/12

DISCLOSURES

There is no financial, business, family or other relationship between the Chairman and the CEO. Mr. J.P.I.N. Dayawansa, Mrs. A.S.Dayawansa and Mr. J.P.I.S.Dayawansa share a family relationship.

THE REMUNERATION AND OTHER BENEFITS OF THE DIRECTORS

Directors' remuneration and other emoluments in respect of the Company for the year ended 31st March 2022 was Rs. 131,851,344/- as compared with the remuneration of Rs. 78,550,990/- during previous financial year.

AUDITORS

The financial statements for the year have been audited by Messrs. SJMS Associates, Chartered Accountants. Messrs. SJMS Associates are deemed to have been re-appointed as auditors in terms of the Section 158 of the Companies Act, No.7 of 2007. The Auditors, Messrs. SJMS Associates, was paid Rs. 2,152,000/- as audit fees by the Company. As far as the Directors are aware, the Auditors do not have any relationships (other than that of an auditor) with the Company other than those disclosed above. The Auditors also do not have any interests in the Company.

RELATED PARTY TRANSACTIONS

The Directors have disclosed transactions that could be classified as Related Party Transactions in terms of LKAS 24 in the presentation of financial statement. During the year ended 31st March 2022, there were no non recurrent Related Party Transactions that exceeds the respective thresholds set out in the Listing rules of the Colombo Stock Exchange. The aggregate value of Related Party Transactions are disclosed in Note 42 to the financial statements on pages 153 to 154.

The Directors declare that the company is in compliance with Section 9 - Related Party Transactions of the Listing Rules of the Colombo Stock Exchange, during the financial year ended 31st March 2022.

GOING CONCERN

After considering the financial position, operating conditions regulatory and other factors, the Directors have a reasonable expectations that the company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements

ANNUAL GENERAL MEETING

The Annual General Meeting will be virtually held on the 30th September 2022 at 2.00pm

NOTICE OF MEETING

Notice of the meeting relating to the Annual General Meeting is provided on page 169 of this Annual Report.

Signed on behalf of the Board

ASSOCIATED MOTOR FINANCE COMPANY PLC



K.D.U.S.NANAYAKKARA – CHAIRMAN



J.P.I.S DAYAWANSA

Executive Director



Chart Business Systems (Pvt) Ltd Secretaries

06 June 2022

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The following statement sets out the responsibilities of the Board of Directors in relation to the preparation and presentation of the Financial Statement of the company. These responsibilities differ from those of the Auditors, which are set out in their Report appearing on pages no 98 to 100 of this Annual Report.

The Companies Act No. 07 of 2007 requires that the Directors are required to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the company as at the end of the financial year and the profit or loss of the company for the financial year.

The Board of Directors are responsible for ensuring that the company maintains adequate accounting records, which are sufficient enough to prepare financial statements that disclose with reasonable accuracy the financial position of the company. Further the Directors have the responsibility for the general supervision, control and administration of the affairs and business of the company.

The overall responsibility for the company's internal control systems lies with the Board of Directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems are so designed that, there is reasonable assurance that the assets are safeguarded and transactions properly authorized and recorded so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year, which is primarily handled through the Audit Committee and the Integrated Risk Management Committee as set out in their Reports that appear on pages 83 to 85 and 86 to 87 respectively.

The Directors are responsible to ensure that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the company as at 31st March 2022 and the profit/loss for the year ended.

The Directors confirm that the financial statements have been prepared and presented in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently and that all applicable accounting standards have been followed in the preparation of the Financial Statements. Furthermore, reasonable and prudent judgments and estimates have been made in the preparation of these Financial Statements. Directors confirm that to the best of their knowledge all taxes, statutory dues and levies payable by the company as at the Balance Sheet date have been paid for or where relevant provided for.

By order of the Board,

CHART BUSINESS SYSTEMS (PRIVATE) LIMITED



Secretaries
06 June 2022



DIRECTORS' RESPONSIBILITY STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In line with the section 10 (2) (b) of the Finance Companies (Corporate Governance) Direction, No. 03 of 2008 (in IRMC Report) as amended by the Direction No. 06 of 2013, the Board of Directors presents this report on internal control over financial reporting.

The Board of Directors ('Board') has overall responsibility for Associated Motor Finance Company PLC's ('Company') internal control over financial reporting and for reviewing its adequacy and effectiveness.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal control over financial reporting as and when there are changes to business environment or regulatory guidelines. This 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 adequate to provide reasonable assurance regarding the reliability of financial reporting that the preparation of the 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 policies and procedures on risk and control, by identifying and assessing the risks faced and in design, operation and monitoring of suitable internal controls over financial reporting to mitigate and control these risks.

Internal controls over financial reporting are checked by the Internal Auditors of the Company for suitability of design and effectiveness on an ongoing basis. The scope, quality and reports of internal audits are reviewed by the Board Audit Committee at its meetings which are conducted once in two months and improvements recommended wherever necessary.

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 have submitted a certification on the process adopted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors in this respect, are being looked into.

T.G.KANDAMBY

Chairman – Board Audit Committee

MERVYN SALLAY

Director- CEO

06 June 2022
Colombo

TO THE SHAREHOLDERS OF ASSOCIATED MOTOR FINANCE COMPANY PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Associated Motor Finance Company PLC (“the Company”), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the

Company as at 31 March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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 are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical

responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Impairment of loans and receivables

Risk description

As at the reporting date, 58% of the total assets of the Company consisted of loans & advances and lease receivables amounted to Rs. 8,777 Mn. Such amount is net of impairment allowance of Rs. 921 Mn.

Significant judgments and assumptions were used by the management to determine the impairment allowance for loans and receivables and complex calculations were involved in its estimation.

Due to the higher level of estimation uncertainty involved and significance of its impact on the amounts reported in the financial statements, we have considered it as a Key Audit Matter.

Basis of impairment allowance and assumptions used by the management in its calculation, is disclosed in note 2.13 and note 25 to 26.

How the matter was addressed in our audit

We designed our audit procedures to obtain sufficient and appropriate evidence on the reasonableness of the impairment allowance and included the following.

- Obtained an understanding on the management process for the determination of impairment of loans & advances and lease receivables and, evaluate the designing and operating effectiveness of the controls used by the management in that process.
- Evaluated the model used to calculate impairment allowance to assess its appropriateness.
- Assessed the completeness and relevance of the underlying information used in the impairment calculation by agreeing details to source documents and information in IT systems.
- Rechecked the underlying calculations in the model.
- Considered the reasonableness of macro-economic factors used, by comparing them with publicly available data and information sources. Our considerations included assessing the appropriateness of the weightages assigned to possible economic scenarios.
- Assessed the adequacy of the disclosures made in the notes 25 to 26 of the financial statements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained in the audit, or otherwise appeared to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and 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 doubts on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2347.



SJMS ASSOCIATES

Chartered Accountants

Colombo

06 June 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH		2021/2022	2020/2021
	Note	Rs.	Rs.
Gross income	7	2,649,849,581	1,158,898,640
Interest income		2,300,643,365	1,068,727,956
Less :Interest expenses		(1,519,247,143)	(696,194,819)
Net interest income	8	781,396,223	372,533,137
Fee and commission income	9	86,553,564	25,067,815
Net trading income	10	63,931,042	38,085,656
Other operating income (net)	11	198,721,610	27,017,212
Total operating income		1,130,602,438	462,703,821
Less: Impairment charges on financial assets and other losses	12	353,547,750	(45,437,332)
Net operating income		1,484,150,188	417,266,488
Less: Operating expenses			
Personnel expenses	13	(500,294,845)	(237,206,096)
Depreciation of property, equipment and amortization of Right of Use of Assets		(76,979,481)	(32,474,870)
Amortization of intangible assets		(5,337,001)	(543,113)
Other operating expenses	14	(311,585,945)	(120,105,920)
Profit before tax on financial services		589,952,917	26,936,490
Less : Tax on financial services	15	(97,624,405)	(36,353,026)
Profit before taxation		492,328,512	(9,416,535)
Less: Income tax (expense) / reversals	16	(192,859,554)	3,284,222
Net Profit/(loss) for the year		299,468,958	(6,132,313)
Other comprehensive income / (expense), net of tax			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income:			
Net changes in fair value during the period		10,887,036	-
Retirement benefit obligations - actuarial gain / (loss)		(1,042,657)	2,821,122
Total other comprehensive income / (expenses) for the year, net of taxes		9,844,379	2,821,122
Total comprehensive income for the year		309,313,337	(3,311,191)
Earnings per share			
Basic earnings per share (Rs.)	17	2.86	(1.09)

The accounting policies and notes from 1 to 44 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at		31.03.2022	31.03.2021
Assets	Note	Rs.	Rs.
Cash and cash equivalents	21	504,107,920	343,839,692
Financial assets - amortized cost	22	4,009,763,997	1,443,658,412
Financial assets - measured at fair value through profit or loss	23	20,292,803	-
Loans and receivables	24	946,525,556	82,346,541
Lease rental receivables from customers	25	7,830,781,830	2,833,690,902
Financial assets - measured at fair value through other comprehensive income	27	33,676,887	1,165,929
Inventories		22,328,270	10,499,785
Investment properties	28	91,850,000	88,850,000
Other assets	28	108,751,142	62,722,623
Property, equipment and right of use of assets	29	1,118,194,852	75,568,362
Intangible assets	30	7,607,033	2,063,182
Current tax assets	31	-	51,337,331
Deferred tax assets	32	81,491,673	336,074,043
Investment in subsidiary		-	1,160,387,961
Goodwill		385,244,360	-
Total assets		15,160,616,322	6,492,204,763
Liabilities			
Dues to banks and other borrowings	33	765,497,212	1,055,618,793
Deposits from customers	34	11,173,182,495	4,058,791,023
Trade and other payables	35	432,560,220	104,406,724
Current tax liability	31	32,995,738	-
Retirement benefit obligations	36	56,947,593	44,378,622
Total liabilities		12,461,183,257	5,263,195,161
Equity			
Stated capital	37	611,273,941	56,086,280
Retained earnings	38	1,938,812,636	1,082,284,161
Other reserves	39	149,346,488	90,639,161
Total equity		2,699,433,065	1,229,009,602
Total liabilities and equity		15,160,616,322	6,492,204,763
Net asset value per share (Rs.)		23.82	219.14

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



T M A SALLAY

Chief Executive Officer/Director

Approved and signed for and on behalf of the Board.

The Board of Directors is responsible for the preparation and presentation of these financial statements Approved and signed for and on behalf of the Board.



J.P.I.N. DAYAWANSA

Director

06 June 2022



J.P.I.S. DAYAWANSA

Director

06 June 2022

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH	Stated	Capital	General	Statutory Reserve	Fair Value	Retained	
	Capital	Reserves	Reserve	Fund	Reserve	Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2020	56,086,280	17,930	1,029,052	88,613,707	978,472	1,085,595,353	1,232,320,794
Net (loss) for the period	-	-	-	-	-	(6,132,314)	(6,132,314)
Other comprehensive income net of tax	-	-	-	-	-	2,821,122	2,821,122
Balance as at 31 March 2021	56,086,280	17,930	1,029,052	88,613,707	978,472	1,082,284,161	1,229,009,602
Effect of amalgamation with Arpico Finance Co. PLC							
Issue of new shares	55,008,696	-	-	-	-	-	55,008,696
Adjustment due to amalgamation	-	-	-	-	-	605,922,465	605,922,465
Net profit/ (loss) for the period	-	-	-	-	-	299,468,958	299,468,958
Other comprehensive income net of tax	-	-	-	-	10,887,036	(1,042,657)	9,844,379
Rights issue ordinary shares	500,178,965	-	-	-	-	-	500,178,965
Transfers to / (from) during the year	-	32,846,844	-	14,973,448	-	(47,820,292)	-
Balance as at 31 March 2022	611,273,941	32,864,774	1,029,052	103,587,155	11,865,508	1,938,812,636	2,699,433,065

The accounting policies and notes from 1 to 44 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH	Note	2021/2022	2020/2021
		Rs.	Rs.
Cash flow from operating activities			
Net profit / (loss) before taxation		492,328,512	(9,416,535)
Adjustments for;			
Depreciation of property and equipment and amortization of right of use assets and intangible assets	29 & 30	82,316,482	33,017,983
Profit on disposals of property and equipment		(2,746,171)	(1,373,964)
Fair value gain on investment property		(3,000,000)	(3,850,000)
Provision for bad and doubtful debts	26	(353,547,750)	(3,952,568)
Provision for gratuity	36	9,001,333	7,478,185
Interest on borrowings		346,864,988	140,989,819
Dividend receipt		(1,946,411)	(137,600)
Write offs tax		47,451,045	35,241,425
Written off - Loans and advances	26	(241,535,383)	(3,157,984)
Operating profit before working capital changes		375,186,644	194,838,759
(Increase) / decrease in financial investments		39,000,796	(472,036,001)
(Increase) / decrease in loans and advances		1,927,236,167	1,706,583,022
(Increase) / decrease in other assets		19,091,142	(27,300,439)
(Increase)/ decrease in inventories		(11,585,222)	44,043,344
Increase / (decrease) in public deposits		(738,354,341)	(563,395,372)
Increase / (decrease) in trade and other payables		108,449,601	(308,521,878)
		1,343,838,143	379,372,677
Cash generated from operations		1,719,024,788	574,211,436
Income tax paid		-	55,479
Retirement benefits liabilities paid		(7,030,174)	(689,250)
Interest paid	33	(374,260,664)	(140,989,819)
Net cash from operating activities		1,337,733,950	432,587,847
Cash flow from investment activities			
Dividends received		1,946,411	137,600
Purchase of property and equipment, intangible assets	29	(88,418,011)	(1,802,662)
Purchase of intangible assets		(325,000)	(300,000)
Proceeds from disposal of property and equipment		5,070,001	3,533,303
Net cash flow (used in)/ from investing activities		(81,726,600)	1,568,242
Cash flow from financing activities			
Proceeds on borrowings	33	-	500,000,000
Repayments of borrowings	33	(2,050,653,119)	(850,667,556)
Proceed from cash Right Issue		500,178,965	-
Net cash flow used in financing activities		(1,550,474,154)	(350,667,556)
Net increase / (decrease) in cash and cash equivalents		(294,466,805)	83,488,533
Cash & cash equivalents at the beginning of the year		343,839,692	260,351,158
Cash and cash equivalents of Arpico Finance PLC as at the date of amalgamation		426,238,363	-
Cash & cash equivalents at the end of the year		475,611,250	343,839,692
Cash and cash equivalents comprises			
Cash and bank balances	21	504,107,920	343,839,692
Bank overdrafts	33	(28,496,670)	-
Cash and cash equivalents at the end of the year		475,611,250	343,839,692

The accounting policies and notes from 1 to 44 form an integral part of these financial statements

1. REPORTING ENTITY

1.1 CORPORATE INFORMATION

Associated Motor Finance Company PLC (“The Company”) regulated under the Finance Business Act No. 42 of 2011, was incorporated on 25 July 1962 and domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 as a Public Limited Liability Company and re-registered under the Companies Act No. 07 of 2007.

Arpico Finance Company PLC was amalgamated with Associated Motor Finance Company PLC as at 01 April 2021. Consequent to the amalgamation Associated Motor Finance Company PLC remains as the surviving entity. The registered office of the Company is located at 89, Hyde Park Corner, Colombo 2.

The shares of the Company have a primary listing on the Diri Savi Board of the Colombo Stock Exchange.

PARENT ENTITY AND ULTIMATE PARENT ENTITY

The Company does not have an identifiable parent of its own.

NO. OF EMPLOYEES

The total number of employees ending 31 March 2022 was 353. (Previous period ending 31 March 2021 - 162).

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

The principal business activity is providing finance leasing, hire-purchase asset financing, term loans, Islamic finance, share trading, and mobilization of public deposits

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

The financial statements of the Company for the year ending 31 March 2022, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007.

These financial statements include the following components:

- statement of profit or loss and other comprehensive income
- statement of financial position
- statement of changes in equity
- statement of cash flows
- Notes to the financial statements comprising accounting policies and other explanatory information.

2.2 RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of these financial statements of the Company as per the provision of the Companies Act No. 07 of 2007 and SLFRS and LKAS.

The Board of Directors acknowledges their responsibility as set out in the “Annual Report of the Board of Directors on the Affairs of the Company”, “Directors’ Responsibility for Financial Reporting” and in the certification on the Statement of Financial Position.

2.3 APPROVAL OF FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS

The financial statements of the Company for the year ended 31 March 2022 (including comparatives) were approved and authorized for issue on 6 June 2022 by a resolution of the Board of Directors on 6 June 2022.

2.4 BASIS OF MEASUREMENT

The financial statements of the Company have been prepared on the historical cost basis except for the following material items stated in the statement of financial position:

- financial assets recognised through profit or loss - measured at fair value
- financial assets measured at fair value through other comprehensive income
- Liability of defined benefit obligation is recognized at the present value of the defined benefit obligation .
- Freehold land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less depreciation. Revalued amounts are the fair values at the date of revaluation.

2.5 PRESENTATION OF FINANCIAL STATEMENTS

The assets and liabilities of the Company presented in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

An analysis on recovery or settlement within 12 months or more from the reporting date is presented in note 44.

2.6 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements of the Company are presented in Sri Lankan rupees (LKR), which is the principle currency of the primary economic environment, in which the Company operates (Company’s functional currency).

2.7 MATERIALITY AND AGGREGATION

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on ‘Presentation of Financial Statements’, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.8 ROUNDING

The amounts in the financial statements have been rounded-off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 01 on ‘Presentation of financial statements’.

2.9 OFF SETTING

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 realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of profit or loss and other comprehensive income, unless required or permitted by an Accounting Standard or Interpretation and as specifically disclosed in the significant accounting policies of the Company.

2.10 COMPARATIVE INFORMATION

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.11 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted by the Company are consistent with those used in the previous financial year.

2.12 COMMON CONTROL BUSINESS COMBINATION

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SoRP) - Merger accounting for common control business combination issued by Institute of Chartered Accountants of Sri Lanka. Accordingly,

- The net assets of the combining entities are consolidated using the existing book values.
- No amount is recognised as goodwill which arise as a result of difference between the consideration and net assets acquired, over cost at the time of common control combination.
- Comparative amounts in the financial statements are restated as if the companies had been combined at the previous balance sheet date.

2.12.1 AMALGAMATION WITH ARPICO FINANCE COMPANY PLC

On 1 of April 2021, the Company was amalgamated with its subsidiary - Arpico Finance Company PLC. Accordingly, with effect from 1 April 2021 onwards, Arpico Finance Company PLC ceased to exist, and Associated Motor Finance Company PLC continues as the remaining entity. On the amalgamation, the holders of 444,890 shares of Arpico Finance Company PLC constituting 5.98% of the issued shares of Arpico Finance Company PLC other than the 6,992,610 shares held by Associated Motor Finance Company PLC constituting 94.02%, received seventy six (76) ordinary shares of Associated Motor Finance Company PLC for every one hundred (100) shares of Arpico Finance Company PLC. In terms of Section 240(3) of the Companies Act, the shares held by Associated Motor Finance Company PLC in Arpico Finance Company PLC were cancelled, without payment or the provision of other consideration when the amalgamation became effective on 1 April 2021.

2.13 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATION UNCERTAINTIES AND ASSUMPTIONS

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and having effects in future periods.

The most significant areas of estimation uncertainties, critical judgments and assumptions in applying accounting policies that have most significant effect on the amounts recognised in the financial statements of the Company are as follows, whereas the respective carrying amounts of such assets and liabilities are as given in related notes.

GOING CONCERN

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Board has considered a wide range of information relating to present and future conditions. The Directors assessed the future performance of the business and are satisfied that it has the resources in place that are required to meet its ongoing regulatory requirements. The assessment is based upon business plans which contain future projections of profitability as well as projections of regulatory capital requirements and business funding needs. The forecast also includes an assessment of the impact under stressed scenario which reflects the impact of uncertainty that the COVID-19 has had on Company's operations.

DETERMINATION OF LEASE TERMS AND ESTIMATING INCREMENTAL BORROWING RATE

Details on the basis for determination of lease terms and estimating incremental borrowing rate are given in Note 4.4.1 of the financial statements.

IMPAIRMENT LOSSES ON LEASE RENTAL RECEIVABLES FROM CUSTOMERS AND LOANS AND RECEIVABLES

Details of the 'Impairment Losses on Lease rental receivables from customers and Loans and Receivables' are given in Note 26 of the financial statements.

DEFERRED TAXATION

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilized against such tax losses. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

DEFINED BENEFIT OBLIGATIONS

The cost of the defined benefit plans are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, etc. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties.

PROVISIONS FOR LIABILITIES, COMMITMENTS AND CONTINGENCIES

The Company receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding to make any provision. The time of concluding a legal claim is uncertain, which is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions.

Information about significant areas of estimation uncertainty and critical judgments in applying Accounting Policies other than those stated above that have a significant effect on the amount recognised in the financial statements are described in Note 40.

2.14 EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date on which the financial statements have been authorized for issue.

In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures have been made in Note 41 wherever it is appropriate.

3. FAIR VALUE MEASUREMENT

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted pricing in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value of an asset or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and buildings.

An analysis of fair value measurement of financial and non-financial assets and liabilities is provided in Note 20.

4. GENERAL ACCOUNTING POLICIES

4.1 IMPAIRMENT OF NON FINANCIAL ASSETS

The carrying amounts of the Company's non financial assets, other than deferred tax assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment loss had decreased. In such an event the Company estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/ amortization, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in statement of profit or loss.

4.2 PROVISIONS

Provisions are recognised in the statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

4.3 BORROWING COSTS

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the statement of profit or loss in the period in which they occur.

4.4 LEASES (SLFRS 16)

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

4.4.1 COMPANY AS A LESSEE

As per SLFRS 16, when the Company determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the date of commencement, the Company recognises right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. Lease payments are discounted using the IBR. After initial recognition, the Company applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Company depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the profit or loss.

4.4.2 COMPANY AS A LESSOR

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the date of commencement, the Company recognises assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease. The Company's net investment in lease is included in Note 25 on "Lease rental receivables from customers".

DETERMINATION OF LEASE TERM AND ESTIMATING THE INCREMENTAL BORROWING RATE

The Company uses its judgment to determine whether a lease contract qualifies for recognition of right-of-use assets. The Company applies judgements in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination.

Further, as the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

4.5 STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

5. AMENDMENTS TO SLFRS 16 - COVID-19 RELATED RENT CONCESSIONS

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. The amendment applies to annual reporting periods beginning on or after 1 June 2020.

The amended pronouncements are expected to have no material impact on the financial statements of the Company in the foreseeable future.

6. GOODWILL

Goodwill arising on an acquisition of business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses if any.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, more frequently when there is an indication that the unit may be impaired.

7. GROSS INCOME

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. Specific recognition criteria, for each type of income, given under the respective income notes.

	2021/2022	2020/2021
	Rs.	Rs.
Interest income	2,300,643,365	1,106,813,613
Fee and commission income	86,553,564	25,067,815
Net trading income	63,931,042	1,490,658
Other operating income (net)	198,721,610	25,526,554
	2,649,849,581	1,158,898,640

8. INTEREST INCOME AND INTEREST EXPENSES

The Company used the effective interest rate (EIR) method for recognition of interest income and interest expense of the financial assets and financial liabilities that are measured at amortized cost.

EFFECTIVE INTEREST RATE (EIR)

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all the contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not the future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as an impairment charge or reversal to the income statement.

Overdue interest on rental arrears have been accounted on cash received basis.

	2021/2022	2020/2021
	Rs.	Rs.
Interest Income		
Loans and advances	156,917,525	13,646,235
Lease receivables	1,883,960,886	998,099,484
Placements with banks and other financial institutions	27,871,482	56,982,238
Other financial assets	231,893,473	-
Total Interest Income	2,300,643,365	1,068,727,956
Interest Expenses		
Deposits from customers	1,172,118,205	555,205,001
Debt instruments issued and other borrowed funds	347,128,938	140,989,819
Total Interest Expenses	1,519,247,143	696,194,819
Net Interest Income	781,396,223	372,533,137

9. FEE AND COMMISSION INCOME

Fee and commission income and expense that is integral to the effective interest rate on a financial asset or liability is included in the measurement of the effective interest rate.

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the document and inspection of vehicle is recognised on completion of the underlying transaction. All fees and commissions are recognised to the income statement on accrual basis.

	2021/2022	2020/2021
	Rs.	Rs.
Service charges	32,166,188	2,003,024
Commission income	54,387,376	23,064,791
	86,553,564	25,067,815

10. NET TRADING INCOME

Results arising from trading activities include all gains and losses from changes in fair value for financial assets measured at "fair value through profit or loss"

	2021/2022	2020/2021
	Rs.	Rs.
Fair value gain on dealing securities	2,033,364	-
Fair value gain on unit trusts	61,897,678	38,085,656
	63,931,042	38,085,656

11. OTHER OPERATING INCOME

Other operating income include gains on disposal of property and equipment, dividend income and other income.

DIVIDEND INCOME

Dividend income is recognised when the right to receive the payment is established.

BAD DEBTS RECOVERIES

Amounts which were written off as bad and doubtful debts are recognised when such amounts are recovered.

GAIN OR LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT

Gain or loss resulting from the disposal of a property and equipment on a cash basis is accounted in the statement of profit or loss during the relevant period.

OTHER INCOME

Other income is recognised on an accrual basis.

	2021/2022	2020/2021
	Rs.	Rs.
Dividend income	1,946,411	137,600
Profit on disposal of property and equipment	2,746,171	1,373,964
Bad debt recoveries	69,069,804	19,772,442
Sundry income	115,759,104	392,548
Trading income	6,200,121	1,490,658
Fair value gain on investment property	3,000,000	3,850,000
	198,721,610	27,017,212

11.1 TRADING INCOME

	2021/2022	2020/2021
	Rs.	Rs.
Profit from the sale of motor vehicles		
Sales proceeds	175,280,000	82,100,000
Less: Cost of vehicles	(158,135,637)	(77,158,814)
Less : Direct costs	(10,964,487)	(3,450,529)
Profit for the year	6,179,876	1,490,657
Profit from the sale of generators		
Sales proceeds	222,691	-
Less: Cost of vehicles	(202,446)	-
Profit for the year	20,245	-
	6,200,121	1,490,657

12. IMPAIRMENT CHARGES ON FINANCIAL ASSETS AND OTHER LOSSES

The Company recognises the changes in the impairment provisions for loans and receivables which are assessed on expected credit loss method in accordance with Sri Lanka Accounting Standard - SLFRS 9 - Financial Instruments. The methodology adopted by the Company is explained in Note 26 to these financial statements.

	2021/2022	2020/2021
	Rs.	Rs.
Impairment charges/(reversal) for loans and advances	(61,028,288)	516,780
Impairment charges/(reversal) for leases	(300,075,462)	(1,311,364)
Impairment charges/(reversal) for other financial assets	78,061	(867,000)
Loss on repossessed vehicles	6,292,586	46,351,016
Loss on inventory valuation	(769,693)	747,899
Write offs	1,790,063	-
	(353,547,750)	45,437,332

13. PERSONNEL EXPENSES

Personnel expenses include salaries and bonus' terminal benefits and other related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made relating to this obligation.

DEFINED CONTRIBUTION PLANS – EMPLOYEES' PROVIDENT FUND (EPF) AND EMPLOYEES' TRUST FUND (ETF)

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard – (LKAS 19) – 'Employee Benefits'.

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and are recorded as expenses when they become due. Unpaid contributions are recorded as liabilities.

The Company and the employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund .

The Company contributes 3% from the salary of each employee to the Employees' Trust Fund

DEFINED BENEFIT PLAN

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity was considered as defined benefit plan as per LKAS 19 - Employee Benefits.

	2021/2022	2020/2021
	Rs.	Rs.
Salaries and other related expenses	353,850,432	190,787,635
Employer's contribution to Employees' Provident Fund	34,360,226	14,013,967
Employer's contribution to Employees' Trust Fund	8,589,533	3,503,492
Employee allowances	76,493,321	17,002,817
Gratuity charge for the year	9,001,333	7,478,185
Directors fees	18,000,000	4,420,000
	500,294,845	237,206,096

Directors' fee include fees paid to Non-Executive Directors. Remunerations paid to Executive Directors are included under Salaries and Other Related Expenses.

14. OTHER OPERATING EXPENSES

Other operating expenses are recognised in the statement of profit or loss and other comprehensive income on the basis of a direct association between the cost incurred and the earnings of the specific items of the income. All the expenses incurred in the running of the business and in maintaining the property, plant & equipment have been charged to the statement of profit or loss and other comprehensive income in arriving at the profit for the year.

Other operating expenses also include the following expenses.

	2021/2022	2020/2021
	Rs.	Rs.
Auditor's remuneration	2,152,000	862,650
Non-audit fee to auditors	190,000	190,000
Donations	50,000	72,000
Subscriptions	3,824,935	2,337,000
Professional fees	25,800,316	6,600,657
Legal expenses	1,383,280	-
Rights of use asset - interest expense	9,959,430	5,400,121
Deposit insurance premium	16,324,605	6,106,379
Crop insurance levy expense	1,350,651	363,266
Other expenses	250,550,729	98,173,846

CROP INSURANCE LEVY

As per the provisions of the section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 1 April 2013 and was payable to the National Insurance Trust Fund. Currently, the Crop Insurance Levy is payable at 1% of profit after tax.

15. TAX ON FINANCIAL SERVICES

Tax on Financial Services include Value Added tax on Financial Services.

VALUE ADDED TAX (VAT) ON FINANCIAL SERVICES

VAT on financial services is calculated in accordance with the Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The basis for the computation of VAT on financial services is the accounting profit before VAT and NBT on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non cash benefits and provision relating to the terminal benefits.

VAT rates applied for the current financial year are 15% for the period from 01.04.2021 to 31.12.2021 and 18% with effect from 01.01.2022 onwards. (2019/2020 - 15%).

	2021/2022	2020/2021
	Rs.	Rs.
Value Added Tax on Financial Services	97,624,405	36,353,026
	97,624,405	36,353,026

16. TAXATION

As per Sri Lanka Accounting Standard – (LKAS 12) – ‘Income Taxes’, tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the income statement except to the extent it relates to items recognised directly in ‘Equity’ or ‘other comprehensive income (OCI)’, in which case it is recognised in equity or in OCI.

CURRENT TAX

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustments to tax payable in respect of previous years. The tax rates and tax laws are used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

ACCOUNTING ESTIMATES

Significant judgment was required to determine the total provision for current and deferred tax. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognised assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and other tax amounts in the period in which the determination is made.

DEFERRED TAXATION

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 31 to the financial statements.

	2021/2022	2020/2021
	Rs.	Rs.
Current Income Tax		
Income tax for the year	73,399,038	-
Deferred Tax		
Deferred taxation charge / (reversal)	119,460,516	(3,284,222)
	192,859,554	(3,284,222)



NOTES TO THE FINANCIAL STATEMENTS

16. TAXATION (CONTD..)

A reconciliation between the tax expense and the accounting profit multiplied by Government of Sri Lanka's tax rate for the year ended 31 March is as follows:

	2021/2022	2020/2021
	Rs.	Rs.
Accounting Profit as per Draft Income Tax Computation	492,328,512	(9,416,536)
Income tax expense at the statutory income at 24% ,14%	118,431,250	(2,259,969)
Tax effect of disallowable expenses	229,334,379	27,579,950
Tax effect of allowable expenses and other deductions	(155,476,180)	(173,950,468)
Tax effect on losses (claimed) / incurred	(44,556,185)	105,015,788
Effect of tax exempt income	(2,334,227)	(1,286,775)
Tax effect on qualifying payments - investment in subsidiary	(72,000,000)	-
Current tax expense for the year	73,399,038	-
Effective tax rate	14.91%	89.94%
Effective tax rate (excluding deferred tax)	14.91%	88.46%

Income tax provision for the Company is calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the notice issued by the Department of Inland Revenue, the instructions of the Ministry of Finance on 12 February 2020 (No. PN/IT/2020-03) "Implementation of proposed changes to the Inland Revenue Act No. 24 of 2017" and further amended by the notice dated on 8 April 2020, No. PN/IT/2020-03 (Revised) issued by the Department.

17. EARNINGS PER SHARE

The earnings per share have been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, as per the Sri Lanka Accounting Standard - LKAS 33 - Earnings per Share.

The weighted average number of ordinary shares outstanding during the year and the previous years are adjusted for events that have changed the number of ordinary shares outstanding during the year.

	2021/2022	2020/2021
	Rs.	Rs.
Profit/(loss) attributable to ordinary shareholders	299,468,958	(6,132,314)
Weighted average number of ordinary shares	104,567,479	5,608,355
Earnings per ordinary share-basic and diluted (Rs.)	2.86	(1.09)

The Company's diluted earnings per ordinary share are equal to the basic earnings per ordinary share since it does not have any convertible securities as at the reporting date.

18. FINANCIAL INSTRUMENTS

DATE OF RECOGNITION

Financial assets and financial liabilities, except the loans and advances to customers and balances due to depositors, are initially recognised on the trade date, i.e. the date the Company becomes a party to the contractual provisions of the instrument. This includes the regular way trades, purchases or sales of financial assets that require delivery of assets to customers within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts and the balances due to customers are recognised when the funds are transferred to the Company.

INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value, except in case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss (FVTPL), transaction costs are added to or subtracted from, this amount.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1' Profit or loss.

DAY 1' PROFIT OR LOSS

When the transaction price of the instrument differs from the fair value at the origination and the fair value is based on a valuation technique using only inputs from observable in market transactions, the Company recognises the difference between the transaction price and the fair value

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

The Company classifies all its financial assets based on the business model for managing the assets and asset's contractual terms measured at either;

- Amortized cost or
- Fair Value through Profit or Loss (FVTPL)
- Fair Value through Other Comprehensive Income (FVOCI)

The subsequent measurements of financial assets depends on their classifications.

RECLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As per SLFRS 09, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified in accordance with SLFRS 09.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the right to receive cash flows had expired.

A financial liability is derecognised when its obligation is discharged, canceled or expired.

OFF SETTING 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 recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

Income and expenses are presented on a net basis only when permitted under LKAS / SLFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

During the year the Company has not offset any financial assets with its financial liabilities in the statement of financial position.

19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The summary of significant accounting policies describes how each category of financial instrument is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFS 09 'Financial Instruments: Recognition and Measurement' under the headings of the statement of financial position.

FVPL : Fair Value through Profit or Loss

AC : Amortized Cost

FVOCI : Fair Value through Other Comprehensive Income

As at 31 March 2022

	FVPL	AC	FVOCI	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash in hand and at bank	-	504,107,920	-	504,107,920
Financial assets - amortized cost	-	4,009,763,997	-	4,009,763,997
Financial assets - measured at FVPL	20,292,803	-	-	20,292,803
Loans and advances	-	946,525,556	-	946,525,556
Lease rental receivables from customers	-	7,830,781,830	-	7,830,781,830
Financial assets - measured at FVOCI	-	-	33,676,887	33,676,887
Total financial assets	20,292,803	13,291,179,303	33,676,887	13,345,148,992

	FVPL	AC	Total
	Rs.	Rs.	Rs.
Liabilities			
Dues to banks and financial institutions	-	765,497,212	765,497,212
Deposits from customers	-	11,173,182,495	11,173,182,495
Trade payables	-	161,393,684	161,393,684
Total financial liabilities	-	12,100,073,390	12,100,073,390

As at 31 March 2021

	FVTPL	AC	FVOCI	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash in hand and at bank	-	343,839,692	-	343,839,692
Financial assets - amortized cost	-	1,443,658,412	-	1,443,658,412
Financial assets - measured at FVPL	-	-	-	-
Loans and advances	-	82,346,541	-	82,346,541
Lease rental receivables from customers	-	2,833,690,902	-	2,833,690,902
Financial assets - measured at FVOCI	-	-	1,165,929	1,165,929
Total financial assets	-	4,703,535,547	1,165,929	4,704,701,476

	FVTPL	AC	Total
	Rs.	Rs.	Rs.
Liabilities			
Dues to banks and financial institutions	-	1,055,618,793	1,055,618,793
Deposits from customers	-	4,058,791,023	4,058,791,023
Trade payables	-	104,406,724	104,406,724
Total financial liabilities	-	5,218,816,539	5,218,816,539

20. FAIR VALUE MEASUREMENT

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1: Inputs include quoted prices for identical instruments and are the most observable

Level 2: Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates and yield curves.

Level 3: Inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

We review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognised as if they had taken place at the end of the reporting period.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AND FAIR VALUE HIERARCHY

As at 31 March 2022

	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
Non financial assets				
Property, plant and equipment				
Land and buildings	-	-	888,500,000	888,500,000
Financial assets				
Financial assets - measured at FVPL	20,292,803	-	-	20,292,803
Financial investments - FVOCI				
Investments in quoted shares	27,255,550	-	-	27,255,550
Investments in unquoted shares	-	-	6,421,337	6,421,337

As at 31 March 2021

	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
Non financial assets				
Property, plant and equipment				
Land and buildings	-	-	888,500,000	888,500,000
Financial assets				
Financial assets - measured at FVPL	-	-	-	-
Financial investments - FVOCI				
Investments in unit trusts	482,995	-	-	482,995
Investments in unquoted securities	-	-	682,934	682,934

There was no inward or outward transfer at the hierarchy levels during the year 2021/2022 and 2020/2021.

Details of valuation methodologies and assumptions are disclosed in the relevant notes 22, 26 and 30 to the financial statements.

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE AND FAIR VALUE HIERARCHY

The following table sets out the estimated fair values of financial assets and liabilities not measured at fair value and hence reflected at the carrying amounts in financial statements and the fair value hierarchy used:

As at 31 March 2022

	Amortized cost	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets - amortized cost					
Cash and cash equivalents	504,107,920	-	504,107,920	-	504,107,920
Financial assets - Amortized cost					
Investments in fixed deposits	265,900,257	-	265,900,257	-	265,900,257
Investments in treasury bonds	5,204,259	-	5,204,259	-	5,204,259
Investments in repos	3,515,561,859	-	3,515,561,859	-	3,515,561,859
Investments in debt securities	223,097,621	-	223,097,621	-	223,097,621
Loans and receivables	946,525,556	-	946,525,556	-	946,525,556
Lease rental receivables from customers	7,830,781,830	-	7,830,781,830	-	7,830,781,830
Financial liabilities - amortized cost					
Dues to banks and other borrowings	765,497,212	-	765,497,212	-	765,497,212
Deposits from customers	11,173,182,495	-	11,173,182,495	-	11,173,182,495
Trade and other payables	432,560,220	-	432,560,220	-	432,560,220

As at 31 March 2021

	Amortized cost	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets - amortized cost					
Cash and cash equivalents	343,839,692	-	343,839,692	-	343,839,692
Financial assets - amortized cost					
Investments in fixed deposits	116,969,494	-	116,969,494	-	116,969,494
Investments in treasury bonds	-	-	-	-	-
Investments in repos	1,009,037,660	-	1,009,037,660	-	1,009,037,660
Investments in debt securities	26,823,740	-	26,823,740	-	26,823,740
Loans and receivables	82,346,541	-	82,346,541	-	82,346,541
Lease rental receivables from customers	2,833,690,902	-	2,833,690,902	-	2,833,690,902
Financial liabilities - amortized cost					
Dues to banks and other borrowings	1,055,618,793	-	1,055,618,793	-	1,055,618,793
Deposits from customers	4,058,791,023	-	4,058,791,023	-	4,058,791,023
Trade and other payables	432,560,220	-	432,560,220	-	432,560,220

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash and bank balances and money at call and short notice. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	31.03.2022	31.03.2021
	Rs.	Rs.
Cash in hand	19,538,275	557,955
Cash at bank	484,569,644	343,281,738
	504,107,920	343,839,692

22. FINANCIAL ASSETS - AMORTIZED COST

Investments in fixed deposits, treasury bonds and repos are initially measured at fair value and subsequently measured at amortized cost. Interest income is accrued over the tenor of the investment using the effective interest rate (EIR) method.

	31.03.2022	31.03.2021
	Rs.	Rs.
Investment in treasury bills	-	290,827,518
Investments in fixed deposits	265,900,257	116,969,494
Investments in treasury bonds	5,204,259	-
Investments in repos	3,515,561,859	1,009,037,660
Investments in debt securities	223,097,621	26,823,740
	4,009,763,997	1,443,658,412

22.1 The collateral value of the repurchase agreements was Rs.4,345,529,252/- as at 31 March 2022. (Rs. 4,511,368,023/- as at 31 March 2021).

22.2 INVESTMENTS IN FIXED DEPOSITS

Investments in fixed deposits	266,033,274	116,975,644
Provision for impairments	(133,017)	(6,150)
	265,900,257	116,969,494

Counter party external credit rating.

Seylan Bank FD	A(Ika)'; Outlook Stable
Sampath Bank FD	AA-(Ika)'; Outlook Stable
NDB Islamic Mudarabah	A+(Ika)'; Outlook Stable

23. FINANCIAL ASSETS - MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company classifies financial assets recognised through profit or loss when they have been purchased primarily for short term profit making through trading activities. They are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in Net Trading Income.

Financial assets recognised through profit or loss include quoted equity securities that have been acquired principally for the purpose of selling in the near term, and are recorded at fair values. The quoted equity securities are valued using the market prices published by the Colombo Stock Exchange.

	31.03.2022	31.03.2021
	Rs.	Rs.
Investments in dealing with securities - (Note 23.1)	20,292,803	-
	20,292,803	-

23.1 INVESTMENTS IN DEALING WITH SECURITIES

	31.03.2022			31.03.2021		
	No. of	Cost	Fair value	No. of	Cost	Fair value
	shares	Rs.	Rs.	shares	Rs.	Rs.
Investments in Dealing Securities						
Bank, Financial & Insurance						
Alliance Finance Co. PLC	52,000	305,474	3,640,000	-	-	-
DFCC PLC	26	1,551	1,235	-	-	-
Lanka Orix Leasing Company PLC	5,700	511,869	3,203,400	-	-	-
Citizens Development Bank PLC	4,109	283,139	903,980	-	-	-
People's Leasing & Finance Company PLC	124,229	1,872,000	993,832	-	-	-
Beverages, Food and Tobacco						
Lanka Milk foods PLC	21,600	2,734,628	2,808,000	-	-	-
Chemicals and Pharmaceuticals						
Lankem Ceylon PLC	42	3,570	1,134	-	-	-
Chemanax PLC	4,300	588,773	321,640	-	-	-
Hotel & Tourism						
Sigiriya Village Hotel PLC	1,600	159,034	96,000	-	-	-
Hotel Corporation PLC	10,478	404,080	94,302	-	-	-
Serendib Hotels PLC (N/V)	10,000	192,128	94,000	-	-	-
Power and Energy						
Laughs Gas PLC	8,000	184,000	159,200	-	-	-
Utilities						
Laughs Power	8000	-	82,400	-	-	-
Manufacturing						
Blue Diamond Jewelry PLC	19	48	6	-	-	-
ACL Cables PLC	47,600	780,646	2,717,960	-	-	-
Diversified Holdings						
Vallible One PLC	109,012	2,600,000	4,229,666	-	-	-
Motors						
Diesel & Motor Engineering PLC	1,122	788,918	571,049	-	-	-
Land and Property						
Seylan Developments PLC	25,000	479,309	375,000	-	-	-
Total		11,889,166	20,292,803	-	-	-

24. LOANS AND RECEIVABLES

Loans and receivables include financial assets measured at amortized cost if both of the following conditions are met :

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'interest income' in the statement of profit or loss and other comprehensive income. The loss arising from impairments are recognised in 'impairment (charge)/ reversal on loans and other losses' in the statement of profit or loss.

	31.03.2022	31.03.2021
	Rs.	Rs.
Corporate loans	273,472,814	-
Personal loans	317,388,950	-
Micro loans	5,773,801	-
Other loans	509,620,532	84,467,747
Hire purchases and Murabh	29,922,134	16,674
Mediation / consent motion loans	91,646,087	-
Pawning advances	8,687,485	-
Prepaid rentals	(2,670,205)	-
	1,233,841,597	84,484,421
Less: allowance for impairment losses (Note 25.1)	(287,316,041)	(2,137,879)
Net loans and advances	946,525,556	82,346,541

25. LEASE RENTALS RECEIVABLE FROM CUSTOMERS

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 charges, are recognised in the statement of financial position. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

After initial measurement, lease receivable and stock out on hire are subsequently measured at amortized cost using the effective interest rate (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'interest income' in the statement of profit or loss and other comprehensive income. The losses arising from impairments are recognised in 'impairment (charge) /reversal on loans and other losses' in the statement of profit or loss and other comprehensive income.

	31.03.2022	31.03.2021
	Rs.	Rs.
25. Lease Rentals Receivable from Customers - (Contd..)		
Gross rentals receivables	9,924,347,580	3,069,567,709
Rentals dues and other receivables	1,523,617,190	802,764,967
	11,447,964,770	3,872,332,676
Less: unearned income	(2,895,755,677)	(774,049,477)
Less: Lease rentals prepaid	(87,498,089)	(37,701,406)
Net rentals receivables	8,464,711,005	3,060,581,793
Less : Allowances for impairment losses (Note 26.1)	(633,929,174)	(226,890,891)
Total net rentals receivable	7,830,781,830	2,833,690,902

25.1 RENTAL RECEIVABLES ON FINANCE LEASE

Within 1 year		
Gross receivable	5,310,617,580	2,314,579,132
Unearned income	(1,485,913,130)	(552,162,460)
Net receivable	3,824,704,450	1,762,416,672
1-5 years		
Gross receivable	6,128,387,652	1,520,052,138
Unearned income	(1,409,368,994)	(221,887,017)
Net receivable	4,719,018,659	1,298,165,121
More than 5 years		
Gross receivable	8,997,037	-
Unearned income	(473,554)	-
Net receivable	8,523,484	-
Total net receivable	8,552,246,593	3,060,581,793

26. ALLOWANCE FOR IMPAIRMENT LOSSES

The adoption of SLFRS 09 has fundamentally changed the Company's loan loss impairment method forward-looking Expected Credit Loss (ECL) approach. The Company has all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments' for allowance for expected credit losses with effect from 01 April 2017. Equity instruments are not subject to impairment under SLFRS 09.

The ECL allowance is based on the credit losses expected to arise over the life of the asset.

The 12 months ECL is the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Lifetime and 12 months ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the 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 such process Company allocates loans in Stage 1, Stage 2, Stage 3 as described below;

Stage 01

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

Stage 02

When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 03

When a loan is considered to be credit impaired/contain objective evidences of incurred loss, the Company records an allowance for the Lifetime ECLs.

SIGNIFICANT INCREASE IN CREDIT RISK

The Company continuously monitors all assets subjected to ECL, in order to determine whether there has been a significant increase in credit risk since initial recognition and whether the instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime ECL. The Company considers an exposure to have a significant increase in credit risk at 30 days past due.

INDIVIDUALLY SIGNIFICANT IMPAIRMENT ASSESSMENT AND LOANS WHICH ARE NOT IMPAIRED INDIVIDUALLY

Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 3. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 1 or Stage 2, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Company will consider the following criteria;

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument
- Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument
- An actual/expected internal credit rating downgrade for the borrower or decrease in behavioral score used to assess credit risk internally
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its obligations
- An actual or expected significant changes in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems
- Significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse changes in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligations.

DEFINITION OF DEFAULT

The Company considers the following event constitutes as of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicate that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the Company considers that default had occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

GROUPING FINANCIAL ASSETS MEASURED ON A COLLECTIVE BASIS

As explained above, Company calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis include all individually significant assets which belong to Stage 3. All assets which belong to Stage 1 and Stage 2 will be assessed collectively for impairment.

Asset classes where the Company calculates ECL on an individual basis include Repossessed contracts, Hire purchase contract, Consent motion contract, Age above 24+ and Legal cases on individual basis and other all contracts are assessed on collective basis.

Asset classes where the Company calculates ECL on an individual basis include Repossessed contracts, Hire purchase contract, Consent motion contract, Age above 24+ and Legal cases on individual basis and other all contracts are assessed on collective basis.

The Company allocates smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, days past due etc.

CALCULATION OF ECL

The expected cash shortfalls are calculated by multiplying respective loan level PDs, EADs and LGDs. The cash shortfall is discounted to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

PDs and LGDs are adjusted to the forward looking information using statistically quantified variance.

The mechanics of the ECL calculation are outlined below and the key elements are as follows;

- **Probability of Default (PD):** PD is an estimate of the likelihood of default over a given time horizon. Hence majority of our client base being retail; we use internal information to estimate the PDs. The client has two credit status which can be identified as default or not. We used Cohort method (CM) to compute the PDs.
- **Exposure at Default (EAD):** EAD is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principal and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.
- **Loss Given Default (LGD):** LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as percentage of the EAD.

For all products, Company considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

FORWARD LOOKING INFORMATION

Company relies on broad range of qualitative / quantitative forward looking information as economic inputs in the Multiple economic factor model developed to forecast the expected Non-Performing Loans (NPL), such as,

- GDP growth
- Inflation
- Interest rate
- Unemployment rates
- Exchange rate

REVERSALS OF IMPAIRMENTS

If an amount in the impairment loss decrease in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the financial asset impairment allowance account accordingly. The write-back is recognised in the profit or loss.

WRITE-OFF OF LOANS AND RECEIVABLES

Financial assets are written off either partially or entirety only when the Company has stopped pursuing the recovery. If the amount to be is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the statement of profit or loss.

COLLATERAL VALUATION

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, gold, securities, letters of guarantees, real estate, receivables, inventories and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and 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, such as real estate, is valued based on data provided by third parties such as independent valuers.

COLLATERAL REPOSSESSED

Repossessed collateral will not be taken into books of accounts unless the Company has taken those collaterals into its business operations. However such additions from the repossessed collaterals to the business operations are not significant.

	Loans and Advances		Lease Rentals Receivable from Customers	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Rs.	Rs.	Rs.	Rs.
As at the beginning of the year	2,137,879	1,621,099	226,890,891	231,360,239
Adjustment due to amalgamation	499,918,260	-	794,937,317	-
Charge for the period	(61,028,288)	516,780	(300,075,462)	(1,311,364)
Amounts written off	(153,711,810)	-	(87,823,573)	(3,157,984)
As at the end of the period	287,316,041	2,137,879	633,929,174	226,890,891
Individual impairment	272,670,365	2,137,879	437,613,021	111,896,158
Collective impairment	14,645,677	-	196,316,153	114,994,734
	287,316,041	2,137,879	633,929,174	226,890,891
Collective impairment				
Stage 1 impairment	5,240,110	-	28,987,208	11,148,160
Stage 2 impairment	1,767,798	-	56,234,807	24,452,955
Stage 3 impairment	7,637,769	-	111,094,138	79,393,619
	14,645,677	-	196,316,153	114,994,734

The followings tables shows reconciliations from the opening to closing balances of amortize cost and loss allowances for lease and loan portfolios.

Lease & loan portfolios	2021/2022			Total
	Stage 01	Stage 02	Stage 03	
	Rs.	Rs.	Rs.	
Amortise cost as at 31.03.2021	5,724,247,834	2,187,353,352	3,721,845,508	11,633,446,695
Transfer to Stage 01	487,319,878	(380,589,262)	(106,730,616)	-
Transfer to Stage 02	(562,422,070)	685,747,409	(123,325,339)	-
Transfer to Stage 03	(346,761,511)	(423,017,299)	769,778,810	-
New assets originated or purchased	4,173,057,458	742,131,234	162,857,944	5,078,046,637
Financial assets derecognized or repaid	(3,383,214,874)	(1,316,373,531)	(2,071,816,943)	(6,771,405,347)
Write-offs	(468,028)	(1,399,948)	(239,667,407)	(241,535,383)
Amortise cost as at the 31.03.2022	6,091,758,688	1,493,851,955	2,112,941,958	9,698,552,601

Impairment charge on lease & loan portfolios

	Stage 01	Stage 02	Stage 03	Total
	Rs.	Rs.	Rs.	Rs.
As at the beginning of the year 31.03.2021	45,896,192	126,776,538	1,351,046,638	1,523,719,368
Charge for the period	3,145,007	(63,122,341)	(300,961,434)	(360,938,768)
Amounts written off	(351,777)	(1,399,948)	(239,783,659)	(241,535,383)
As at the end of the year 31.03.2022	48,689,423	62,254,249	810,301,545	921,245,216

26.2 SENSITIVITY ANALYSIS OF ALLOWANCE FOR IMPAIRMENTS

Changed criteria	Changed factor	Effect on impairment allowance Rs.
Loss Given Default (LGD)	Increased 10%	39,858,802
Probability of Default (PD)	Increased 1%	758,161

27. FINANCIAL ASSETS - MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its investments in equity instruments as Financial Assets at FVOCI when they meet the definition of financial assets and are not held for trading. Such classification is determined on an instrument by instrument basis.

Investments in quoted shares are recorded at fair value and the unquoted shares are recorded at the deemed cost in which the fair value cannot be measured due to the unavailability of sufficient and recent information. Gains and losses on these investments are never recycled to the profit. Dividends are recognised in the statement of 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 recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments measured at FVOCI are not subject to an impairment assessment.

	31.03.2022	31.03.2021
	Rs.	Rs.
Investments in quoted shares and unit trusts (Note 27.1)	27,255,550	482,995
Investments in unquoted shares & unit trust (Note 27.2)	6,421,337	682,934
	33,676,887	1,165,929

27.1 INVESTMENTS IN QUOTED SHARES AND UNIT TRUSTS

	31.03.2022			31.03.2021		
	No. of	Cost	Fair value	No. of	Cost	Fair value
	Shares	Rs.	Rs.	Shares	Rs.	Rs.
Ceylinco Insurance PLC	1,250	12,500	2,693,750	-	-	-
Blue Diamond Jewellery Worldwide PLC	6,839	50,000	4,103	-	-	-
The Finance Company PLC	1,749	6,937	-	-	-	-
Central Industries PLC	24	2,400	2,496	-	-	-
Merchant Bank of Sri Lanka & Finance PLC	224	625,000	1,232	-	-	-
ChemaneX PLC	600	38,395	44,880	-	-	-
Sinhaputhra Finance Company PLC	50,000	125,000	1,100,000	-	-	-
Citizen Development Bank PLC	102,820	1,562,450	19,684,173	-	-	-
Jetwing Symphony PLC	250,000	2,750,000	2,625,000	-	-	-
Comtrust Equity Fund	17,738	351,747	420,845	-	-	-
National Equity Fund	19,608	115,294	679,070	19,608	115,294	482,995
	450,852	5,639,723	27,255,550	19,608	115,294	482,995

27.2 INVESTMENTS IN UNQUOTED SHARES AND UNIT TRUST

Ranweli Holiday Resorts Limited	40,444	188,495	780,889	-	-	-
Credit Information Bureau of Sri Lanka	191	19,000	2,265,499	43	4,300	682,934
Finance House Consortium	20,000	200,000	200,000	-	-	-
Nation Lanka Equities	800,005	8,785,760	3,174,949	-	-	-
Poltech (Ceylon) Ltd	12,715	125,000	-	12,715	125,000	-
	860,640	9,318,255	6,421,337	12,758	129,300	682,934

28. INVESTMENT PROPERTIES

28.1 BASIS OF RECOGNITION

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, based in the production or supply of goods or services or for administrative purposes.

28.2 CLASSIFICATION OF INVESTMENT PROPERTIES

Investment in land and buildings were reclassified to investment property during the financial year. Management judgment is required to determine whether a property qualifies as an investment property. Properties held for capital appreciation which generate cash flows largely independently of the other assets held by the group are accounted for as investment properties.

28.3 BASIS OF MEASUREMENT

Investment properties are initially recognized at cost and subsequently carried at fair value determined once in three years by independent professional valuers on the highest and best use basis. For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The cost of major renovations and improvements is capitalized and the carrying amounts of the replaced components are recognized in the profit or loss. The cost of maintenance, repairs and minor improvements are recognized in the profit or loss when incurred.

DE-RECOGNITION

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognized in the profit or loss.

	Level of fair value	2021/2022	2020/2021
Digana Land and Buildings	Level 3	91,850,000	88,850,000
		91,850,000	88,850,000

28.4 BASIS OF MEASUREMENT

Property	Location	Buildings (sq.ft)	Extent	Cost	Fair value
Kirinda Land	Kirinda, Tissamaharama	-	2A-3R-30P	3,497,955	-
Digana Land & building	Gangapitiyawdta Lot 4A,				
	8,6, 7, 28, 5 ond 48	2,526	1A-1R-21P	15,554,887	33,850,000
	Gangapitiyavtdta Lot 4		1A-3R-04.70P	6,650,000	28,000,000
	Gangapitiya estate Lot 1-13		6A-0R-20P	5,942,477	30,000,000
				31,645,318	91,850,000

The Digana land and building has been valued by a Professional Valuer - Mr. N. M. Jayatilake (Valued on 31 March 2022).

The Company had not carried out the fair valuation of the Kirinda Land due to a dispute over the ownership of the land.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land value is based on the market prices of each land respectively.	Market value of Land (Price per Perch)	The estimated fair value would increase/ (decrease), when market value per perch was higher (lower)
Building values are based on the market prices of each land respectively.	Market value of Buildings (Price per Square feet)	The estimated fair value would increase/ (decrease), when market value per square feet was higher (lower)

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in values considered opinion, meets the requirements in SLFRS 13 fair Value Measurements.

28.5 OTHER ASSETS

The Company classifies all other assets as other financial assets and other non financial assets. Other assets mainly comprise advance payments, VAT receivable, inventory and sundry receivables. Advance payments are carried forward at historical cost.

	2021/2022	2020/2021
	Rs.	Rs.
Stationery stocks	2,322,398	-
Advances, deposits and prepayments	66,344,673	46,477,709
Other receivables	40,084,073	16,244,914
	108,751,144	62,722,623

29. PROPERTY AND EQUIPMENT BASIS OF RECOGNITION

Property and Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used for more than one year.

Property and Equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

BASIS OF MEASUREMENT

An item of Property and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

When parts of an item of Property and Equipment have different useful lives, they are accounted for as separate items (major components) of Property and Equipment.

COST MODEL

The Company applies the Cost Model to all property and equipment except freehold land and buildings. These are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

REVALUATION MODEL

The Company applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Freehold land and buildings of the Company are revalued at least once in every three years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged “to the profit or loss statement. In this circumstance, the increase is recognised as profit to the extent of the previous write down”.

Any decrease in the carrying amount is recognised as an expense in the profit or loss statement or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

SUBSEQUENT COST

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

DERECOGNITION

An item of Property and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. 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 recognised in ‘Other Income (Net)’ in profit or loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of Property and Equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on ‘Property, Plant & Equipment’.

CAPITAL WORK-IN-PROGRESS

These are expenses of a capital nature directly incurred in the construction of buildings and system development, awaiting capitalisation. These are stated in the statement of financial position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use).

DEPRECIATION

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives, based on the pattern in which the asset’s future economic benefits are expected to be consumed by the Company of the different types of assets. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when an asset become idle or is retired from active use unless the asset is fully depreciated.

Category	Depreciation rate
Buildings	2.5%
Motor vehicles	20%
Office equipment	12.5%
Computer equipment	20%
Furniture and fittings	10%
Office lifts	10%

USEFUL LIFE-TIME OF THE PROPERTY AND EQUIPMENT

The Company reviews the residual values, useful lives and methods of depreciation of property and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

RIGHT-OF-USE OF ASSETS

Right-of-use of assets are presented together with property, plant and equipment in the statement of financial position. Right-of-use of assets of the Company include land and buildings under long term rental agreements for its use as offices and branches

The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use of assets are amortized on the straight line basis over the lease term.

	Cost	Acc Dep	Carrying value
Land	765,145,564	-	765,145,564
Buildings	132,782,402	(8,550,044)	124,232,358
Furniture and fittings	168,272,939	(103,250,496)	65,022,442
Equipment	54,085,478	(36,838,536)	17,246,942
Motor vehicles and accessories	158,077,737	(128,019,591)	30,058,146
Computer hardware	82,735,705	(69,806,329)	12,929,376
Office lift	3,600,000	(3,528,000)	72,000
Right of use of assets	150,694,510	(47,391,416)	103,303,094
	1,515,394,335	(397,384,413)	1,118,009,922

29.1 PROPERTY AND EQUIPMENT

	Land	Buildings	Furniture & fittings	Equipment	Motor vehicles	Computer hardware	Office lift	Capital work in progress	Right of Use Assets	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost										
Balance as at 31 March 2020	-	-	26,766,721	9,995,532	124,978,935	15,544,710	-	-	42,002,229	219,288,127
Additions	-	-	384,992	235,669	-	1,182,000	-	-	-	1,802,662
Transfers/ disposals	-	-	-	(1,143,006)	(2,650,000)	-	-	-	-	(3,793,006)
Balance as at 31 March 2021	-	-	27,151,714	9,088,195	122,328,935	16,726,710	-	-	42,002,229	217,297,782
Less: Accumulated depreciation										
Balance as at 31 March 2020	-	-	23,798,135	3,890,224	62,931,186	11,386,154	-	-	8,882,514	110,888,214
Charge for the year	-	-	591,311	674,959	20,843,199	1,791,469	-	-	8,573,932	32,474,870
Transfers/ disposals	-	-	-	(133,800)	(1,499,863)	-	-	-	-	(1,633,663)
Balance as at 31 March 2021	-	-	24,389,446	4,431,383	82,274,523	13,177,623	-	-	17,456,446	141,729,421
Net book value as at 31 March 2021	-	-	2,762,267	4,656,812	40,054,412	3,549,087	-	-	24,545,783	75,568,362
Cost										
Balance as at 31 March 2021	-	-	27,151,714	9,088,195	122,328,935	16,726,710	-	-	42,002,229	217,297,782
Adjustment due to amalgamation	765,145,564	132,293,350	134,571,457	44,558,811	36,268,803	64,636,496	3,600,000	6,437,804	42,457,019	1,229,969,305
Additions	-	489,052	9,164,265	920,798	1,780,000	1,372,500	-	2,169,426	82,081,098	97,977,138
Transfers/ disposals	-	-	(2,614,497)	(482,326)	(2,300,000)	-	-	(8,422,301)	(15,845,836)	(29,664,959)
Balance as at 31 March 2022	765,145,564	132,782,402	168,272,939	54,085,478	158,077,737	82,735,705	3,600,000	184,929	150,694,510	1,515,579,264
Less: Accumulated depreciation										
Balance as at 31 March 2021	-	-	24,389,446	4,431,383	82,274,523	13,177,623	-	-	17,456,446	141,729,421
Adjustment due to amalgamation	-	4,802,267	66,401,820	27,872,917	24,764,195	48,701,247	3,168,000	-	20,750,274	196,460,721
Charge for the year	-	3,747,776	13,875,743	4,810,182	22,361,409	7,927,459	360,000	-	23,896,912	76,979,481
Transfers/ disposals	-	-	(1,416,513)	(275,945)	(1,380,536)	-	-	-	(14,712,217)	(17,785,211)
Balance as at 31 March 2022	-	8,550,044	103,250,496	36,838,537	128,019,590	69,806,329	3,528,000	-	47,391,415	397,384,411
Net book value as at 31 March 2022	765,145,564	124,232,358	65,022,442	17,246,940	30,058,147	12,929,377	72,000	184,929	103,303,095	1,118,194,852

BORROWING COSTS

There were no capitalized borrowing costs relating to the acquisition of property, plant and equipment during the year.

FULLY-DEPRECIATED PROPERTY AND EQUIPMENT

The initial cost of fully-depreciated property, plant & equipment, which are still in use as at reporting date is Rs. 129,950,706.44 (31.03.2021 - Rs. 31,805,478).

PROPERTY AND EQUIPMENT PLEDGED AS SECURITIES FOR LIABILITIES

The land and buildings situated in Colombo 5, has been pledged as security for the overdraft facility obtained from Seylan Bank PLC amounting to Rs. 150 Mn and from Bank of Ceylon amounting to Rs.175 Mn.

FAIR VALUE OF THE LAND AND BUILDINGS

The carrying amount of the freehold properties, if they were carried at cost less accumulated depreciation would have been as follows:

	31.03.2022	31.03.2021
	Rs.	Rs.
Cost and accumulated depreciation of the revalued assets		
Land	418,860,335	-
Buildings	130,043,817	-
Accumulated depreciation on buildings	(8,550,044)	-
	540,354,108	-

Extent, locations, valuations of the land and the buildings of the entity's land holdings as follows,

Location	Extent	31.03.2022		Valuation date	31.03.2021	
		Cost	Valuation		L. of fair value	No of Buildings
		Rs.	Rs.			
1. No 146, Colombo 05	19.85 Perches	88,774,926	339,000,000	02.11.2019	Level 3	1
2. No 146/34, Colombo 05	20.12 Perches	223,982,049	245,885,569	14.10.2019	Level 3	1
3. No 138, Colombo 05	10.60 Perches	144,199,000	164,114,431	14.10.2019	Level 3	-
4. Kandy	11.35 Perches	48,663,081	89,500,000	15.10.2019	Level 3	1
5. Matara	17.78 Perches	42,795,044	50,000,000	26.11.2019	Level 3	1
		548,414,100	888,500,000			

The above properties are valued by Incorporated Valuer - Mr. N. M. Jayatilake (B.sc. Est. Mgt & Val.) on the dates indicated above and there is no significant change to the values from then. Investment method and contractor's test method have been used for the valuation. Newly constructed building at Matara was capitalized at cost on 01.01.2021.

30. INTANGIBLE ASSETS

The Company's intangible assets include the value of acquired computer software.

BASIS OF RECOGNITION

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, these assets are stated in the statement of financial position at cost, less accumulated amortization and accumulated impairment losses, if any.

SUBSEQUENT EXPENDITURE

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

USEFUL ECONOMIC LIVES, AMORTIZATION AND IMPAIRMENT

Computer Software

Software acquired by the Company is measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated using the straight-line method to write-down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software - 5 years

	Balance as at 31.03.2020	Additions during the year	Disposals	Balance as at 31.03.2021
	Rs.	Rs.	Rs.	Rs.
Cost	9,906,858	300,000	-	10,206,858
Accumulated amortization	7,600,563	543,113	-	8,143,675
Net carrying value	2,306,295	(243,113)	-	2,063,182

	Balance as at 31.03.2021	Additions during the year	Adjustment due to amalgamation	Balance as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.
Cost	10,206,858	325,000	47,365,880	57,897,735
Accumulated amortization	8,143,675	5,337,004	36,810,026	50,290,702
Net carrying value	2,063,182	(5,012,004)	10,555,855	7,607,033

31. CURRENT TAX ASSET/ (LIABILITY)

The Company is subject to income tax and other tax including VAT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainty exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognised assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts to that of initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

	31.03.2022	31.03.2021
	Rs.	Rs.
Opening Balance	51,337,331	86,634,236
Adjustment due to amalgamation	36,517,013	-
During the year charges	(73,399,038)	-
Written off ESC	(47,451,045)	(35,296,904)
	(32,995,738)	51,337,331

32. DEFERRED TAX ASSET / (LIABILITY)

Deferred tax is provided 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, except:

- Where the deferred tax liability arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax asset 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 utilized. Unrecognized deferred tax asset is 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.

32. DEFERRED TAX ASSET / (LIABILITY) - (CONTD..)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the statement of profit or loss.

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 the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax asset is recognised in respect of tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

	31.03.2022	31.03.2021
	Rs.	Rs.
Deferred tax asset	81,491,673	336,074,043
	81,491,673	336,074,043

Deferred tax assets, and income tax relates to the followings

Balance at the beginning of the year	200,622,928	332,789,820
Originated/ (reversal) during the year - profit and loss	(119,131,256)	3,284,222
Balance at the end of the year	81,491,673	336,074,043

Deferred tax arising from

Accelerated depreciation for tax purpose		
Property and equipment	(35,669,544)	(1,562,899)
Leased assets	(77,841,786)	9,042,015
Investment allowance	177,264,892	271,291,728
ROU asset & lease liability	2,545,763	1,802,002
Provision for impairment	42,234,021	6,156,773
Revaluation of investment property	(6,370,264)	(6,070,264)
Revaluation reserve on lands	(34,628,523)	-
Post employment retirement benefits	13,667,422	10,650,869
Financial assets - FVTPL & FVTOCI	289,692	(104,634)
Tax losses	-	44,868,451
	81,491,673	336,074,043

33. DUES TO BANKS AND OTHER BORROWINGS

Dues to banks and other financial institutions include bank overdrafts and long term and short term loans obtained from banks and other financial institutions. Subsequent to initial recognition, these are measured at their amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortization is included in 'interest expenses' in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortization process

	31.03.2022	31.03.2021
	Rs.	Rs.
Bank overdrafts	28,496,670	-
Securitised borrowings and other banking facilities	737,000,542	1,055,618,793
Total	765,497,212	1,055,618,793

33.1 SECURITISED BORROWINGS AND OTHER BANKING FACILITIES

	Amortized cost as at 31.03.2021	Adjustment due to amalgamation	Loans obtained*	Interest recognised	Repayment Capital	Amortized cost Interest as at 31.03.2022	Period	Security
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Securitisations loans								
Seylan Bank PLC	-	150,713,655	-	10,414,595	100,000,000	10,129,136	50,999,115	48 months Mortgage over LF - Rs 2,250 Mn
NDB & Sampath Syndication	-	257,990,978	-	20,719,939	169,233,156	26,357,196	83,120,565	48 months Mortgage over LF - Rs 656 Mn
Areva Securitization Loan 02	-	39,308,467	-	791,533	29,402,825	10,697,175	-	24 months Mortgage over LF - Rs 600 Mn
M Power Capital - Sec: Loan	-	24,611,012	-	501,947	20,050,000	5,062,959	-	20 months Mortgage over LF - Rs 450 Mn
Agora Securitization Loan 04	-	497,345,466	-	50,131,943	330,913,345	81,994,348	134,569,716	30 months Mortgage over LF - Rs 718 Mn
M Power Capital Loan 2	-	291,540,783	-	25,725,469	228,600,000	27,656,625	61,059,628	24 months Mortgage over LF - Rs 460Mn
M Power Capital Loan 3	-	497,870,182	-	46,104,414	257,600,000	19,888,077	266,486,519	24 months Mortgage over LF - Rs 730 Mn
Securitization Loan 13 Sampath	62,360,000	-	-	1,534,957	62,360,000	1,534,957	-	48 months Mortgage over LF - Rs 700 Mn
Securitization Loan 17 sampath/agora	304,836,000	-	-	48,326,413	211,071,000	48,326,413	93,765,000	36 months Mortgage over LF Rs750Mn
Securitization Loan 18 Wayaba co -op	311,422,793	-	-	85,215,124	311,422,793	85,215,124	-	26 months Mortgage over LF -Rs 404mn
Securitization Loan 19 Mpower	377,000,000	-	-	57,398,654	330,000,000	57,398,654	47,000,000	18 months Mortgage over LF -Rs 650Mn
	1,055,618,793	1,759,380,543	- 346,864,988	2,050,653,119	374,260,664	737,000,543		
Commercial papers		15,724,754						
Total		1,775,105,297						

* Net of transaction cost

33.2 CONTRACTUAL MATURITY ANALYSIS OF SECURITISED BORROWINGS AND OTHER BANKING FACILITIES

	31.03.2022	31.03.2021
	Rs.	Rs.
Within one year	737,000,543	318,668,251
1- 5 years	-	736,950,542
Over 5 years	-	-
	737,000,543	1,055,618,793

34. DEPOSITS FROM CUSTOMERS - FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

Deposits from customers include fixed deposits. Subsequent to initial recognition, these are measured at their amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortization is included in 'interest expenses' in the statement of profit or loss. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

	31.03.2022	31.03.2021
	Rs.	Rs.
Fixed deposits	11,163,791,766	4,058,791,023
Savings deposits	9,390,728	-
	11,173,182,495	4,058,791,023

Contractual Maturity Analysis of Fixed Deposits

Within one year	8,301,779,784	1,995,459,531
1- 5 years	2,860,797,418	2,063,331,492
Over 5 years	1,214,564	-
	11,163,791,766	4,058,791,023

35. TRADE AND OTHER PAYABLES

Other financial liabilities are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Trade payables are obligations to pay for vehicle suppliers in the ordinary course of business.

Company classifies all non-financial liabilities other than post employment benefit liability and current tax liabilities and trade payables under other non-financial liabilities. Other non-financial liabilities include accruals, advances and provisions. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

LEASE LIABILITY

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date,

	31.03.2022	31.03.2021
	Rs.	Rs.
Trade payables (Note 35.1)	161,393,684	26,173,195
Other payables	157,256,095	46,179,403
Lease liability (Note 35.2)	113,910,441	32,054,125
	432,560,220	104,406,724

35.1 Trade Payables

Purchase creditors	75,910,174	4,567,144
Accrued expenses	85,483,510	21,606,052
	161,393,684	26,173,195

35.2 Lease liability

Balance at the beginning of the year	32,054,125	38,273,904
Additions	78,961,098	-
Accretion of interest	9,588,401	5,400,121
Prepayment adjustment for previous FY	298,709	-
Payments	(28,763,182)	(11,619,900)
Balance at the end of the year	113,910,441	32,054,125

SENSITIVITY ANALYSIS OF LEASE LIABILITY

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the Company.

	2021/2022		2020/2021	
	1bp Up	1bp Down	1bp Up	1bp Down
Increase/ (decrease) in incremental borrowing rate				
Sensitivity effect on lease liability increase/ (reduction) in the liability	(21,134)	21,140	(4,830)	4,830
Sensitivity effect on interest expense increase/ (reduction) in profits for the year	6,162	(6,165)	207	(207)

	31.03.2022		31.03.2021	
	Contractual Maturity Analysis of Lease Liability Rs.	Undiscounted Maturity Analysis of Lease Liability Rs.	Contractual Maturity Analysis of Lease Liability Rs.	Contractual Maturity Analysis of Lease Liability Rs.
Within one year	33,864,812	41,577,666	9,506,805	11,888,250
1- 5 years	80,045,629	99,308,891	22,547,320	28,669,740
Over 5 years	-	-	-	-
	113,910,441	140,886,557	32,054,125	40,557,990

36. RETIREMENT BENEFIT OBLIGATIONS

The Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 on 'Employee Benefits'.

RECOGNITION OF ACTUARIAL GAINS AND LOSSES

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in statement of comprehensive income during the period in which it occurs.

FUNDING ARRANGEMENTS

The gratuity liability is not externally funded.

RETIREMENT BENEFIT OBLIGATIONS

The cost of the retirement benefit obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future gratuity increases. Due to the long term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date.

	31.03.2022	31.03.2021
	Rs.	Rs.
Balance as at beginning of the year	44,378,622	40,410,809
Adjustment due to amalgamation	9,225,900	-
Amount recognised in Statement of Profit or Loss	9,001,333	7,478,185
Actuarial (gain) / loss	1,371,917	(2,821,122)
Benefits paid	(7,030,174)	(689,250)
Balance as at the end of the year	56,947,593	44,378,622

Amount recognised in Statement of Profit or Loss

Current service cost	5,541,336	3,437,105
Net interest on the net retirement benefit liability	3,459,997	4,041,080
	9,001,333	7,478,185

36. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2022 by Actuarial & Management Consultants (Pvt) Ltd a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the 'Projected Unit Credit (PUC), the method recommended by the Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefits'.

	31.03.2022	31.03.2021
	Rs.	Rs.
Actuarial assumptions		
Discount rate	14.7%	8.5%
Future salary increment rate	5%	4%
Mortality	1967/ 70	1967/ 70
Retirement age	55 years	55 years

SENSITIVITY OF ASSUMPTIONS EMPLOYED IN ACTUARIAL VALUATION

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measures.

The sensitivity of the statement of comprehensive income and the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

	Effect on RBO – Increase/ (reduction) in the liability Rs.
1% Increase in discount rate	55,935,914
1% decrease in discount rate	58,011,546
1% Increase in salary increment	58,337,871
1% decrease in salary increment	55,607,354

37. STATED CAPITAL ORDINARY SHARES

	31.03.2022		31.03.2021	
	No. of shares	Value of the shares - Rs.	No. of shares	Value of the shares - Rs.
Issued and fully paid-ordinary shares	113,327,268	611,273,941	5,608,355	56,086,280
Reconciliation:				
At the beginning of the year	5,608,355	56,086,280	5,608,355	56,086,280
New ordinary shares issue at the amalgamation	337,829	55,008,696	-	-
Ordinary shares issue - Rights Issue	3,497,755	500,178,965	-	-
	9,443,939	611,273,941	5,608,355	56,086,280
Ordinary shares on share split	103,883,329	-	-	-
At the end of the year	113,327,268	611,273,941	5,608,355	56,086,280

RIGHTS OF SHAREHOLDERS

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

NEW ORDINARY SHARES ISSUE AT THE AMALGAMATION OF THE COMPANY WITH ARPICO FINANCE COMPANY PLC

The Company was amalgamated with its subsidiary - Arpico Finance Company PLC (AFC) with effect from 01 April 2021. On the amalgamation, the holders of 444,890 shares of AFC constituting 5.98% of the issued shares of AFC other than the 6,992,610 shares held by Associated Motor Finance Company PLC constituting 94.02%, received seventy six (76) ordinary shares of Associated Motor Finance Company PLC for every one hundred (100) shares of Arpico Finance Company PLC.

ORDINARY SHARE ISSUE - RIGHTS ISSUE

The Company issued new shares through a Rights Issue of ordinary shares as recommended by the Board of Directors whereby each of the 5,946,184 ordinary shares in issue being entitled for Ten (10) new Ordinary Shares for every Seventeen (17) existing Ordinary Share, thereby increasing the number of Ordinary shares in issue to 9,443,939, was approved at the Extraordinary General Meeting of the shareholders held on 14 July 2021.

ORDINARY SHARES ON SHARE SPLIT

Sub-division of shares as recommended by the Board of Directors whereby each of the 9,443,939 ordinary shares in issue being subdivided into 12 Ordinary Shares thereby increasing the number of Ordinary Shares in issue to 113,327,268, was approved at the Extraordinary General Meeting of the shareholders held on 30 September 2021. The sub-division was based on the shareholding as at end of trading on 5 October 2021.

38. RETAINED EARNINGS

	31.03.2022	31.03.2021
	Rs.	Rs.
Balance at the beginning of the year	1,082,284,161	1,085,595,353
Adjustment due to amalgamation	605,922,465	-
Profit / (loss) for the period	299,468,958	(6,132,314)
Other comprehensive income/ (expense) for the period	(1,042,657)	2,821,122
(-) Transfers to reserve funds	(47,820,292)	-
Balance at the end of the year	1,938,812,636	1,082,284,161

Retained earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future losses or dividends payable.

39. OTHER RESERVES

	Capital Reserve	General Reserve	Statutory Reserve Fund	Fair Value Reserve
Balance as at 31 March 2021	17,930	1,029,052	88,613,707	978,472
Transfers during the year	32,846,844	-	14,973,448	10,887,036
Balance as at 31 March 2022	32,864,774	1,029,052	103,587,155	11,865,508

'General Reserve' represents the amounts set aside by the Directors for general application. The purpose of setting up the General Reserve is to meet the potential future unknown liabilities.

'Statutory Reserve Fund' was created during the year 2007 in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly 5% of the net profit for the period is transferred to the Statutory Reserve Fund during the financial year.

40. CONTINGENT LIABILITIES AND COMMITMENTS COMMITMENTS AND CONTINGENCIES

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard- LKAS 37 on 'Provisions, contingent liabilities and contingent assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

The Company has no commitments for acquisition of property, plant and equipment, intangible assets incidental to the ordinary course of business as at 31 March 2022 (31 March 2021 - Nil).

LEGAL CLAIMS

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the reporting date the Company had several unresolved legal claims. The significant unresolved legal claims against the Company for which legal advisor of the Company advised as the loss is possible, but not probable, that the action will succeed. Accordingly, no provision for any claims has been made in these financial statements.

TAX ASSESSMENT

As per the notice of assessment issued by the Department of Inland Revenue dated 30.05.2016, 30.05.2017 and 25.05.2018, the Company has to make an additional tax payment for the years of assessment 2013/2014, 2014/2015 and 2015/2016 amounting to Rs. 8,488,500/- , Rs. 28,402,545/- and Rs. 51,632,714/-respectively. The Company has already appealed in this regard and the management of the Company is confident that there will be no further tax payments.

41. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen subsequent to the reporting date which would require adjustment to or disclosure in the Financial Statements.

42.RELATED PARTY DISCLOSURES

42.1 PARENT AND ULTIMATE CONTROLLING PARTY

The immediate and ultimate parent of the Company is Associated Motor Finance Company PLC which is a listed at the Colombo Stock Exchange.

42.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP) AND THEIR FAMILY MEMBERS

As per the Sri Lanka Accounting Standard (LKAS -24) - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, immediate parent Company and members of the Corporate Management of the Company have been classified as KMPs of the Company.

The Company carries out its transactions with KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates

Transactions with Key Management personnel and their Close Family Members

Remuneration to Key Management Personnel

	31.03.2022	31.03.2021
	Rs.	Rs.
Remunerations to Board of Directors		
Short term employees benefits	113,851,344	74,130,990
Director fee	18,000,000	4,420,000
Remuneration to Corporate Management		
Short term employees benefits	32,319,077	15,526,500
Share Transactions with Key Management Personnel		
No. of ordinary shares held	48,929,736	2,566,575

Transactions, Arrangements and Agreements Involving Key Management Personnel (KMPs), their Close Family Members (CFMs) and Other Related Entities

	Board of Directors & their close family members		Corporate Management & their close family members		Total	
	2021/2022 Rs.	2020/2021 Rs.	2021/2022 Rs.	2020/2021 Rs.	2021/2022 Rs.	2020/2021 Rs.
Items in Statement of Profit or Loss						
Interest income	-	-	-	-	-	-
Interest expense	19,416,579	13,954,921	730,592	4,417,333	20,147,171	18,372,253
Rent expense	14,520,750	10,642,500	-	-	14,520,750	10,642,500
Items in Statement of Financial Position						
Assets - Loans and receivables	-	-	-	-	-	-
Liabilities - Dues to customers	122,382,698	122,847,920	20,229,355	10,739,711	142,612,053	133,587,631

42.3 TRANSACTIONS WITH RELATED ENTITIES

The Company carried out the following transactions in the ordinary course of business on an arm's length basis with the parent company:

Name of the related party	Relationship	Nature of the transaction	Aggregate value of RPTs entered during Rs.	aggregate value of RPTs as a % of Net income
Poltech (Ceylon) Company Ltd	Common directors	Rent payments	12,970,316	0.5%
		Fixed deposit	17,389,154	-
		Interest expense	1,440,447	0.05%
		FD against loan	9,062,689	-
Imperial Import & Export Company (Pvt) Ltd	Common directors	Fixed deposit	1,614,510	-
		Interest expense	645,251	0.02%

43. THE AMALGAMATION OF ASSOCIATED MOTOR FINANCE CO PLC WITH ARPICO FINANCE CO. PLC

On 1 of April 2021, the Company was amalgamated with its subsidiary - Arpico Finance Company PLC. Accordingly, with effect from 01st April 2021 onwards, Arpico Finance Company PLC ceased to exist, and Associated Motor Finance Company PLC continues as the remaining entity. On the amalgamation, the holders of 444,890 shares of Arpico Finance Company PLC constituting 5.98% of the issued shares of Arpico Finance Company PLC other than the 6,992,610 shares held by Associated Motor Finance Company PLC constituting 94.02%, received seventy six (76) ordinary shares of Associated Motor Finance Company PLC for every one hundred (100) shares of Arpico Finance Company PLC. In terms of Section 240(3) of the Companies Act, the shares held by Associated Motor Finance Company PLC in Arpico Finance Company PLC were canceled, without payment or the provision of other consideration when the amalgamation became effective on 01 April 2021.

Statement of Financial Position	Arpico Finance Company PLC 31.03.2021 Rs.
Assets	
Cash and cash equivalents	588,093,905
Financial assets - amortized cost	2,607,412,105
Financial assets - measured at fair value through profit or loss	17,987,079
Loans and receivables	1,240,777,037
Lease rental receivables from customers	5,952,645,939
Financial assets - measured at fair value through other comprehensive income	21,623,922
Other assets	65,362,924
Property, equipment and right of use of assets	1,033,508,583
Intangible assets	10,555,852
Current tax assets	36,517,013
Total assets (A)	11,574,484,361
Liabilities	
Dues to banks and other borrowings	1,936,960,839
Deposits from customers	7,837,021,059
Trade and other payables	219,703,895
Retirement benefit obligations	9,225,895
Deferred tax liability	135,451,114
Total liabilities (B)	10,138,362,802
Goodwill (C)	385,244,360
Removal of the investment in Arpico Finance Company PLC (D)	(1,160,387,961)
Total identifiable net asset at Carrying value (E=A-B+C-D)	660,977,957
Share issued by the company	(55,055,493)
Amount transferred to reserves	605,922,464

44. RISK MANAGEMENT

44.1 INTRODUCTION

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks.

RISK MANAGEMENT STRUCTURE

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

The Board has appointed a subcommittee, Integrated Risk Management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

44.2 CREDIT RISK

Credit risk is the risk of financial loss to the Company if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers/other companies and investments in debt securities. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorized into three types; default, concentration and settlement risks.

Default risk as the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the Company's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive build-up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

Settlement risk is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis.

44.2.1 ANALYSIS OF CREDIT RISK EXPOSURE

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, real estate and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, during inception and based on the guidelines issued by the Central Bank of Sri Lanka.

MAXIMUM EXPOSURE TO CREDIT RISK

The table below represents the company's maximum exposure to credit risk for its recognized and contingent financial instrument as at 31 March 2022, before taking into account any collateral held or other credit risk mitigation. For recognised instruments, the maximum exposure to credit risk is the carrying amount reported in the statements of Financial Position. For contingent instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

On Financial Position exposure Collateral type wise

	31.03.2022		31.03.2021	
	Amortized cost Rs.	Net exposure Rs.	Amortized cost Rs.	Net exposure Rs.
Cash at banks (clean)	504,107,920	504,577,323	343,839,692	931,933,597
Securities bought under repurchase agreements and term deposit	4,009,763,997	-	1,443,658,412	-
Loan and receivable - fixed deposit	270,249,094	-	74,631,937	-
Lease and loan receivable - others	526,544,884	-	4,367,492	-
Lease and loan receivable - properties	110,628,277	-	-	-
Lease and loan receivable - vehicles	8,791,144,285	-	2,837,038,015	-
	14,212,438,457	504,577,323	4,703,535,548	931,933,597

44.2.2 CREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

The table below reflects the credit quality by the class of asset for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowances.

	Neither past dues nor impairments*	Past dues and impairments	Individually impaired	Total
As at 31.03.2022	Rs.	Rs.	Rs.	Rs.
Financial assets				
Cash and bank balances	504,107,920	-	-	504,107,920
Financial assets - amortized cost	4,009,763,997	-	-	4,009,763,997
Financial assets - measured at FVPL	20,292,803	-	-	20,292,803
Loans and receivables	373,807,754	300,047,437	272,670,365	946,525,556
Lease receivables from customers	6,367,561,386	1,025,607,423	437,613,021	7,830,781,830
Financial assets - measured at FVOCI	33,676,887	-	-	33,676,887
	11,309,210,746	1,325,654,860	710,283,386	13,345,148,992

* These are considered for collective impairments under ECL.

DEFINITION OF PAST DUE

The Company considers that any amounts uncollected on due dates or beyond the contractual date as 'past due'.

Age Analysis of past dues (i.e. facilities in arrears even by one day and above) loans and receivables by class of Financial Assets are given below.

	< 3 months	> 3 & <= 6	> 6 & <=12	>12	Total
As at 31.03.2022					
Loans and advances	802,556,456	95,722,687	37,796,093	297,766,361	1,233,841,597
Finance lease receivable	6,303,386,431	664,070,284	481,889,130	1,015,365,160	8,464,711,005

	< 3 months	> 3 & <= 6	> 6 & <=12	>12	Total
As at 31.03.2021					
Loans and advances	82,818,003	1,594,364	37,678	34,375	84,484,420
Finance lease receivable	2,193,947,597	553,592,107	170,023,379	143,018,711	3,060,581,794

43.2.3 CONCENTRATION OF CREDIT RISK

The risk of loss due to the concentration of credit risk to a specific product, asset class, sector or counterparty. Credit concentration risk is managed within limits set for counterparty, asset types, industry sectors, etc., Credit concentrations are monitored by IRMC and ALCO in each of the product type categories and such limits as material to the company are reviewed accordingly.

The company monitors concentration of credit risk by geographic location and by sector.

Top 20 concentration of lending portfolio

As at 31 March	31.03.2022		31.03.2021	
	Rs.	%	Rs.	%
Top 20	363,278,257	3.75%	56,482,000	1.80%
Balance portfolio	9,335,288,284	96.25%	3,088,584,214	98.20%
Total portfolio	9,698,566,540	100.00	3,145,066,214	100.00

44.2.3 CONCENTRATION OF CREDIT RISK (CONTD.)

GEOGRAPHICAL ANALYSIS OF THE LENDING PORTFOLIO

As at 31 March	2022		2021	
	(Rs.)	%	(Rs.)	%
Province				
Western Province	4,922,392,094	50.75%	1,637,034,349	52.05%
North Western	1,258,459,183	12.98%	525,333,833	16.70%
Southern Province	1,132,209,859	11.67%	111,722,603	3.55%
Central Province	835,397,907	8.61%	150,052,198	4.77%
North Central Province	641,775,803	6.62%	382,176,233	12.15%
Sabaragamuwa Province	367,459,272	3.79%	254,232,283	8.08%
Uva Province	321,293,265	3.31%	66,352,525	2.11%
Northern Province	167,778,616	1.73%	3,759,723	0.12%
Eastern Province	51,800,541	0.53%	14,402,466	0.46%
Total portfolio	9,698,566,540	100%	3,145,066,214	100%

SECTOR WISE CONCENTRATION OF THE LENDING PORTFOLIO

As at 31 March	2022		2021	
	(Rs.)	%	(Rs.)	%
Province				
Services	4,287,107,647	44.20%	2,688,977,355	85.50%
Agriculture	1,332,838,470	13.74%	212,142,781	6.75%
Trade	1,251,788,790	12.91%	33,281,123	1.06%
Others	1,097,535,046	11.32%	159,166,407	5.06%
Transport	1,081,283,158	11.15%	14,616,187	0.46%
Industry	469,441,057	4.84%	-	0.00%
Construction	133,416,337	1.38%	19,403,450	0.62%
Tourism	45,156,035	0.47%	17,478,912	0.56%
Total portfolio	9,698,566,540	100%	3,145,066,214	100%

44.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is defined as the risk that the Company will encounter in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and abnormal circumstances. To limit this risk, management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Company regularly analyzes and monitors its liquidity positions and, maintains an adequate margin of safety in liquid assets.

Further the Company is maintaining its assets in the form of Sri Lankan government treasury bills and government securities equivalent to 7.5% of the average of its month end total deposit liabilities and unsecured borrowings of the 12 months preceding financial year.

44.3.1 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2022:

	On demand	Less than 03 months	03 - 12 months	01 - 05 years Over	05 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest earning assets						
Cash and bank balances	19,793,275	484,314,644	-	-	-	504,107,920
Financial assets - amortized cost	785,458,237	2,917,164,898	301,936,602	-	5,204,259	4,009,763,996
Financial assets - measured at FVPL	-	-	-	-	20,292,803	20,292,803
Loans and receivables (gross)	49,623,781	174,821,886	627,727,317	373,450,348	8,218,264	1,233,841,597
Lease rentals receivables (gross)	219,296,668	899,110,274	2,654,325,741	4,683,492,337	8,485,985	8,464,711,005
Financial assets - measured at FVOCI	-	-	-	-	33,676,887	33,676,887
Total Interest earning assets	1,074,171,961	4,475,411,702	3,583,989,661	5,056,942,685	75,878,197	14,266,394,207
Non Interest earning assets						
Property, equipment and right of use of assets	-	-	-	-	1,118,194,852	1,118,194,852
Intangible assets	-	-	-	-	7,607,033	7,607,033
Goodwill	-	-	77,048,872	308,195,488	-	385,244,360
Other assets	121,769	55,274,762	18,414,670	5,609,652	29,330,291	108,751,144
Deferred tax assets	-	-	-	81,491,673	-	81,491,673
Inventories	-	5,582,067	16,746,202	-	-	22,328,270
Investment properties	-	-	-	91,850,000	-	91,850,000
Total non-interest earning assets	121,769	60,856,829	112,209,744	487,146,813	1,155,132,176	1,815,467,332
Total Assets	1,074,293,730	4,536,268,531	3,696,199,405	5,544,089,498	1,231,010,374	16,081,861,538
Percentage	7%	28%	23%	34%	8%	100%
Interest bearing liabilities						
Dues to banks	118,096,876	409,511,010	237,889,326	-	-	765,497,212
Dues to customers	226,667,109	2,302,561,236	5,781,942,168	2,860,797,418	1,214,564	11,173,182,494
Other financial liabilities	1,348,473	160,045,211	-	-	-	161,393,684
Total interest bearing liabilities	346,112,458	2,872,117,456	6,019,831,493	2,860,797,418	1,214,564	12,100,073,389
Non Interest bearing liabilities						
Retirement benefit obligations	-	-	-	-	56,947,593	56,947,593
Current tax liability	-	32,995,738	-	-	-	32,995,738
Other liabilities	8,327,521	120,899,112	27,251,400	82,376,726	32,311,778	271,166,536
Total non-interest bearing liabilities	8,327,521	153,894,850	27,251,400	82,376,726	89,259,371	361,109,867
Total liabilities	354,439,979	3,026,012,306	6,047,082,893	2,943,174,143	90,473,936	12,461,183,257
Percentage	3%	24%	49%	24%	0.73%	100%

44.3.2 LIQUIDITY RESERVES

The following table sets out the components of the Company's liquidity reserves.

	31.03.2022		31.03.2021	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Cash in hand	19,538,275	19,538,275	557,955	557,955
Balances with banks	484,569,644	484,569,644	343,281,738	343,281,738
Repo investments - less than 3 months	3,515,561,859	4,345,529,252	290,827,518	290,827,518
Repo investments - more than 3 months	-	-	1,009,037,660	1,399,817,018
Investments in fixed deposits	265,900,257	265,900,257	116,969,494	116,969,494
	4,285,570,036	5,115,537,429	1,760,674,364	2,151,453,722

44.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

44.4.1 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company policy is to continuously monitor interest rates on regular basis. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities.

The following table demonstrates the sensitivity of the Company's statement of profit or loss for the year ended 31 March 2022 to a reasonable possible change in interest rates, with all other variable constant.

	31.03.2022	31.03.2021
	Rs.	Rs.
Assets	75,803,082	32,461,024
Liabilities	62,305,916	26,315,976

Impact on Statement of Profit or Loss due to interest rate variations

+0.5%	2,994,690	(61,323)
-0.5%	(2,994,690)	61,323

44.4.2 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Company has no investment and no borrowing in foreign currency and there is no currency risk for the Company.

44.4.3 EQUITY PRICE RISK

The sensitivity analysis for equity risk reflects how changes in the fair value of equity securities at the reporting date will fluctuate in to assumed changes in equity market prices. The movements in the fair value of equity securities monitored by assessing the projected changes in the fair value of equity securities held by the portfolios in response to assumed equity price movements of +/- 1%.

1% increase/decrease in equity market prices	2021/2022			2020/2021		
	Carrying value	Profit before tax	Other comprehensive income	Carrying Value	Profit before tax	Other comprehensive income
As at 31.03.2022	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets measured at FVPL	202,928	202,928	-	-	-	-
Financial assets measured at FVOCI	336,769		336,769	11,659	-	11,659

44.5 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company are managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

44.6 CAPITAL ADEQUACY RISK

For a financial institution, capital is a buffer against insolvency. It is available to absorb unforeseen losses so the Company can remain in business. The more capital the Company has relative to the risks it takes, the more confidence the stakeholders are that it will meet its obligations to them. Capital adequacy risk arises from Company's inability to maintain the required amount of capital which is perceived to be adequate to absorb the risk

As per the Finance Business Act Direction No 3 of 2018, the Licensed Finance Companies (LFCs) with assets less than Rs. 100 Bn is required to maintain a minimum Capital Adequacy Ratio (CAR) of 11% and a Core Capital Ratio (Tier 1) of 7% by 1 July 2020 and Business Act direction No 2 of 2017 required every Licensed Finance Company to maintain minimum core capital at not less than Rs. 2.5 billion by 1 January 2021. However, due to the stress on the Sri Lankan Financial System caused by the pandemic, the Central Bank of Sri Lanka (CBSL) has deferred the enhancements of these minimum capital adequacy requirements due by LFCs on 1 July 2020 and 1 July 2021, for a further period of one year until 1 July 2021 and 1 July 2022 respectively and meet core capital requirement of 2.5 bn by 1 January 2022. Therefore, Company is required to maintain the following minimum capital ratios within the stipulated time frames.

Minimum capital requirement

	01-Jan-2022	
Core capital Rs.	2.5Bn	

	01 July 2021	01 July 2022
Tier 1 Capital (%)	7%	8.5%
Total Capital (%)	11%	12.5%

As of 31 March 2022, the Minimum core capital of the company is Rs. 2.624 Bn, and the Company's T1 and T2 ratios are 14.9% and 15.8% respectively. Accordingly, the company has met the minimum core capital requirement with Tier 1 & 2 ratios as of 31 March 2022.

44.7 IMPACT OF COVID -19

The Company strives to manage the outcomes of adverse economic and market conditions proactively, whilst achieving the risk return objectives of the Company. The Company has always acted with due care and taken prudent measures to ensure an effective, efficient and healthy repayment behavior of credit customers while safeguarding the interests of the stakeholders.

The subsequent adverse economic effects induced by the outbreak of COVID-19 pandemic, have caused financial stress among our retail, SME and corporate clients which inserted pressure on credit risk in the short term and the Company has provided relief measures to the affected businesses and individuals who are eligible as per the directions issued by the CBSL.

ANNEXURES



	31.03.2018 Rs 000	31.03.2019 Rs 000	31.03.2020 Rs 000	31.03.2021 Rs 000	31.03.2022 Rs 000
Balance Sheet					
Cash and cash equivalents	176,843	89,053	260,351	343,840	504,108
Investments in government securities	453,941	518,070	537,380	1,299,865	-
Placement with banks and other financial institutions	824,919	466,380	98,863	116,969	4,009,764
Financial assets - measured at FVTPL	-	-	-	-	20,293
Financial assets - measured at FVOCI	1,311	1,166	1,166	1,166	33,677
Other investment	391,963	57,394	335,379	26,824	-
Financial assets at amortized cost / loans and receivables	4,471,577	4,472,890	4,615,510	2,916,037	8,777,307
Other assets	97,125	116,908	122,056	114,060	108,751
Inventories	118,927	137,534	54,543	10,500	22,328
Deferred tax assets	223,223	321,306	332,790	336,074	81,492
Investment properties	-	-	85,000	88,850	91,850
Intangible assets	3,281	2,985	2,306	2,063	7,607
Property and equipment	62,985	74,728	108,400	75,568	1,118,195
Investment in subsidiary company	1,160,388	1,160,388	1,160,390	1,160,388	-
Goodwill	-	-	-	-	385,244
Total Assets	7,986,484	7,418,801	7,714,135	6,492,205	15,160,616
Deposits from customers	5,435,798	4,914,785	4,622,186	4,058,791	11,173,182
Dues to banks and other borrowings	1,160,306	1,089,792	1,406,286	1,055,619	765,497
Other liabilities	286,433	170,825	412,929	104,407	432,560
Current tax liability	-	-	-	-	32,996
Retirement benefit obligations	29,573	36,121	40,411	44,379	56,948
Total liabilities	6,912,111	6,211,524	6,481,814	5,263,195	12,461,183
Equity					
Stated Capital	56,086	56,086	56,086	56,086	611,274
Other Reserve	82,904	89,474	90,639	90,639	149,346
Retained Earnings	935,383	1,061,717	1,085,595	1,082,284	1,938,813
Total Equity	1,074,373	1,207,277	1,232,321	1,229,010	2,699,433
Total liabilities and shareholders' funds	7,986,484	7,418,801	7,714,135	6,492,205	15,160,616

INCOME STATEMENT

	31.03.2018	31.03.2019	31.03.2020	31.03.2021	31.03.2022
Gross Income	1,596,423	1,538,366	1,460,241	1,158,899	2,649,850
Interest Income	1,434,304	1,422,416	1,339,103	1,106,814	2,300,643
Interest expense	900,309	911,496	872,492	696,195	1,519,247
Net interest income	533,995	510,920	466,611	410,619	781,396
Other Operating Income	162,119	115,950	121,138	52,085	285,275
Operating expenditure	(305,356)	(361,010)	(391,508)	(390,330)	(894,197)
Profit before income tax	43,383	36,218	11,819	(9,417)	492,329
Income tax (expense) / reversals	13,103	98,083	11,484	3,284	(192,860)
Net Profit	56,485	134,301	23,304	(6,132)	299,469

	31.03.2018	31.03.2019	31.03.2020	31.03.2021	31.03.2022
Ratios					
Earning per Share (Rs)	10.07	23.95	4.16	(1.09)	2.86
Net Assts Per Share (Rs)	191.57	215.26	219.73	219.14	23.82
Return on Average Shareholder's fund (%)	4.02	3.17	0.97	(0.77)	25.06
Return on Average Assets (%)	0.58	0.47	0.16	(0.13)	4.55
Total Assets to Shareholder's funds (Time)	7.43	6.15	6.26	5.28	5.62
Net interest Margin (%)	7.10	6.63	6.17	5.78	7.22
Growth in Gross Income (%)	26.60	(3.64)	(5.08)	(20.64)	128.65
Growth in interest Income (%)	24.21	(0.83)	(5.86)	(17.35)	107.86
Growth in interest Expense (%)	50.81	1.24	(4.28)	(20.21)	118.22
Growth in net interest Income (%)	(4.26)	(4.32)	(8.67)	(12.00)	90.30
Growth in profit before Taxes (%)	(27.69)	(16.52)	(67.37)	(179.67)	5,328.34
Growth in Net Profit after Taxes (%)	(40.20)	137.76	(82.65)	(126.31)	4,983.46
Growth in Total Assets (%)	13.20	(7.11)	3.98	(15.84)	133.52
Growth in Total Advance (%)	9.57	0.03	3.19	(36.82)	201.00
Growth in Shareholder's Funds (%)	(1.07)	12.37	2.07	(0.27)	119.64

A) ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31 MARCH 2022

Shareholdings	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000 shares	956	285,170	0.26	5	668	0	961.00	285,838	0.26
1,001 - 10,000 shares	778	2,973,135	2.62	1	4,104	0	779.00	2,977,239	2.62
10,001 - 100,000 shares	347	10,711,959	9.45	2	80,256	0.07	349.00	10,792,215	9.52
100,001 - 1,000,000 shares	36	8,082,788	7.13	1	673,609	0.59	37.00	8,756,397	7.72
Over 1,000,000 shares	11	90,515,579	79.88	0	-	0	11.00	90,515,579	79.88
Total	2,128	112,568,631	99.34	9	758,637	0.66	2,137.00	113,327,268	100.00

B) CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
Individual	2,024	76,274,188
Institutional	113	37,053,080

C) TWENTY LARGEST HOLDERS OF SHARES AS AT 31 MARCH

	3/31/2022		3/31/2021		
Shareholdings	%	Shareholdings	%		
Mr. John Paulu Irugalbandarage Nalatha Dayawansa	45,273,864	39.95	Imperial Import & Export Co. (Pvt) Ltd	2,422,308	43.19
Imperial Import & Export Co. (Pvt) Ltd	29,067,696	25.65	Mr. John Paulu Irugalbandarage Nalatha Dayawansa	2,375,405	42.35
Mr. John Paulu Irugalbandarage Nelaka Dayawansa	2,478,795	2.19	Mr. John Paulu Irugalbandarage Nadishka Dayawansa	100,128	1.79
Mr. John Paulu Irugalbandarage Nadishka Dayawansa	2,001,312	1.77	Mrs. Ayanthi Shammalka Dayawansa	98,784	1.76
Mrs. Ayanthi Shammalka Dayawansa	1,884,144	1.66	Mr. John Paulu Irugalbandarage Nelaka Dayawansa	96,257	1.72
Mr. Akurana Wattage Prajith Perera	1,783,056	1.57	Mr. John Paulu Irugalbandarage Shanil Dayawansa	92,386	1.65
Mr. John Paulu Irugalbandarage Shanil Dayawansa	1,762,212	1.55	Mr. Akuranawattage Prajith Perera	90,000	1.60
Miss. Akuranawattage Shiyonika Perera	1,715,292	1.51	Miss. Akuranawattage Shiyonika Perera	90,000	1.60
People's Leasing & Finance PLC/K.L.Udayananda	1,626,076	1.43	Mrs. Ayoma Shyamali Perera	89,962	1.60
People's Leasing & Finance PLC/Mr.A.A.A.Noorudin	1,470,724	1.3	Kottawa Industries & Tours Ltd.	51,560	0.92
Mrs. Ayoma Shyamali Perera	1,452,408	1.28	Mrs. John Paulu Irugalbandarage Pushparan	44,948	0.80
Mr. Paul Jesudasan Pereembarajah	673,609	0.59	Mrs. Podinona Perera	16,966	0.30
Seylan Bank PLC/Karagoda Loku Gamage Udayananda	667,644	0.59	Mr. Chandranath Rajeendra Narangoda	3,548	0.06
Kottawa Industries & Tours Ltd.	618,720	0.55	Udyathilaka Indrapala suriyabandara	2,507	0.02
Mrs. Malini Arudpragasam /Anuk Mahendran Arudpragasam	474,855	0.42	Nanayakkara Management Service (Pvt) Ltd	1,500	0.02
Hatton National Bank PLC/Ramaraj Kuhan	448,195	0.4	Mr. Puvendran Gajendra	1,160	0.02
Mr. Ginige Cyril Walter, De Silva(Deceased)	435,936	0.38	Imperial Motor Finance Co. Ltd.	1,082	0.02
Seylan Bank Plc/Shermal Hemaka Jayasuriya	400,000	0.35	Mr. Walahanduwa Gamage Karunadasa	1,082	0.02
Miss Nishma Ruhi Fonseka	356,000	0.31	Mrs. Sannasliyanarachchge Dona Mary Beatrice	1,000	0.02
Mrs. John Paulu Irugalbandarage Pushparani Karunaratne	250,000	0.22	Mr. Hithamilage Gamini Dissanayake	1,000	0.02

D) MARKET VALUE PER SHARE FOR THE YEAR ENDED

	31-Mar-22	31-Mar-21
	Rs.	Rs.
Highest	745.00	425.00
Lowest	8.20	250.00
Closing	8.50	297.75

E) DIRECTORS SHAREHOLDING AS AT 31 MARCH

	31-Mar-22	31-Mar-21
	No. of Shares	No. of Shares
Mr. J.P.I.N. Dayawansa	45,273,864	2,375,405
Mrs. A.S. Dayawansa	1,884,144	98,784
Mr. J.P.I.S. Dayawansa	1,762,212	92,386
Mr. T.M.A. Sallay	6,204	250
Mr. P.S. Goonewardene	912	-
Mr. N.M. Pieris	2,400	-
Mr. K.D.U.S. Nanayakkara	-	-
Mr. T.G. Kandamby	-	-
Mr. Ranil Wijegunawardena	-	-

F) PUBLIC HOLDING

	31-Mar-22	31-Mar-21
Name	No. of Shares	No. of Shares
No of Share Holders	2,126	445
No of Shares	35,253,444	618,972
% of Public Holding	31.11%	11.04%
Float Adjusted Market Capitalization(Rs.)	24,970,672	184,288,807



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **ASSOCIATED MOTOR FINANCE COMPANY PLC** will be held as a virtual meeting at No. 146, Havelock Road, Colombo 05, Sri Lanka at 2.00 pm on Friday, 30th September 2022, for the following purposes:

- 1) To consider and receive the Annual Report of the Board and the Audited Financial Statements for the financial year ended 31st March 2022, together with the Report of the Auditors thereon.
- 2) To authorize Directors to determine donations for the financial year ending 31st March 2023 up to the date of next Annual General Meeting.
- 3) To re- elect Mr. Ranil Wijegunawardane as a Non-Executive Director who retires by rotation in terms of Article D 35 (5) of the Articles of Association.
- 4) To authorize the Directors to determine the remuneration of the Auditors, Messrs. SJMS Associates, Chartered Accountants who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act, No. 07 of 2007.
- 5) To consider any other business of which due notice has been given.

By Order of the Board,
Chart Business Systems (Private) Limited
Secretaries
3rd Floor, NO 9 - 1/2,
School Lane, Kollupitiya,
Colombo 03.

10 August 2022

NOTES

1) In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Annual General Meeting of Associated Motor Finance Company PLC will be a virtual meeting held by participants joining in person or proxy and through audio or audio visual means in the manner specified below:

I. ATTENDANCE OF THE CHAIRMAN AND THE BOARD OF DIRECTORS

The Chairman, Board of Directors, certain Key Management Personnel, the External Auditors and the Secretaries will be present virtually to the meeting on Friday, 30th September 2022 at 2.00pm.

II. SHAREHOLDER PARTICIPATION

- a. The Shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
- b. The Shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio visual means only.
- c. The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio visual means. To facilitate this process, the shareholders are required to furnish the details of the shareholder and proxy holder, if any, by perfecting Annexure I to the circular to shareholders and forward same to the Corporate Solution Unit of Central Depository Systems (Pvt) Ltd, the Registrars, at Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya, Sri Lanka, or via e-mail to registrars@cse.lk to be received by the Registrars not less than five (05) days before the date of the meeting so that the meeting login information could be forwarded to the e-mail address as provided.
- d. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Form of Proxy should be delivered to the Corporate Solution Unit of Central Depository Systems (Pvt) Ltd, the Registrars, at Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya, Sri Lanka, or via e-mail to registrars@cse.lk to be received by the Registrars by 2.00 p.m. on Wednesday, 28th September 2022 being not less than 48 hours before the time appointed for the holding of the Meeting.

III SHAREHOLDER'S QUERIES

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to the Corporate Solution Unit of Central Depository Systems (Pvt) Ltd, the Registrars, at Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya, Sri Lanka, or via e-mail to registrars@cse.lk to be received by the Registrars not less than Five (05) days before the date of the meeting. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2. The Annual Report of the Company for the year 2022 will be available for perusal on the Company website www.amf.lk and the Colombo Stock Exchange website on www.cse.lk.

3. Due to the prevailing situation in the country and uncertain circumstances due to travel restrictions, the Notice convening the AGM will be published in one issue of a daily newspaper/e-newspaper in Sinhala, English and Tamil languages.

A series of horizontal dotted lines for writing notes, spanning the width of the page.

Folio No	
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(Please write your Folio Number)

Form of Proxy

I/We.....of.....
being a member /members of Associated Motor Finance Company PLC
 hereby appoint.....of..... whom failing.

- Mr. K.D.U.S. Nanayakkara or failing him
- Mr. J.P.I.N. Dayawansa or failing him
- Mr. T.M.A. Sallay or failing him
- Mr. J.P.I.S. Dayawansa or failing him
- Mrs. A.S. Dayawansa or failing her
- Mr.T.G.Kandamby or failing him
- Mr. R. Wijegunawardane or failing him
- Mr. P.S. Goonewardene or failing him
- Mr. N.M. Pieris or failing him

as my/our proxy to represent me/us* and to vote on my/our behalf at the Annual General Meeting of the Company which will be held as a **“Virtual Meeting” at 2.00 p.m. on 30th September 2022, at No.146, Havelock Road, Colombo 05, Sri Lanka** and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

*Please delete the inappropriate words	For	Against
1. To consider and receive the Annual Report of the Board and the Audited Financial Statements for the financial year ended 31st March 2022, together with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To authorize Directors to determine donations for the financial year ending 31st March 2023 up to the date of next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re- elect Mr. Ranil Wijegunawardane as a Non-Executive Director who retires by rotation in terms of Article D 35 (5) of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize the Directors to determine the remuneration of the Auditors, Messrs. SJMS Associates, Chartered Accountants who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act, No. 07 of 2007.	<input type="checkbox"/>	<input type="checkbox"/>
5. To consider any other business of which due notice has been given	<input type="checkbox"/>	<input type="checkbox"/>

Signed on thisday ofTwo Thousand and Twenty Two.

.....
 Signature/s

INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.
2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.
4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.
5. The duly completed and signed PROXY FORM should be delivered to the Corporate Solution Unit of Central Depository Systems (Pvt) Ltd, the Registrars, at Ground Floor, M&M Center 341/5, Kotte Road, Rajagiriya, Sri Lanka, or via e-mail to registrars@cse.lk – to be received by the Registrars by 2.00 p.m. on Wednesday, 28th September 2022 being not less than 48 hours before the time appointed for the holding of the Meeting.

PLEASE PROVIDE THE FOLLOWING DETAILS (MANDATORY):

NIC/PP/Company Registration No. of the Shareholder/s:

Folio No:

Email address of the Shareholder/(s) or proxy holder
(Other than a Director appointed as proxy):

Mobile No:

Fixed Line:

NAME OF THE COMPANY

Associated Motor Finance Co.PLC
COMPANY REGISTERED NO.
PB 733 PQ

DATE OF INCORPORATION

25th July 1962

LEGAL FORM

A Public Limited Company, Licensed
by the Monetary Board of the Central
Bank of Sri Lanka in terms of the
Finance Business Act
No.42 of 2011.

REGISTERED OFFICE

No.89,Hyde Park Corner, Colombo 02

CORPORATE OFFICE

No.146, Havelock Road,
Thimbirigasyaya,
Colombo 05

SECRETARIES

Chart Business Systems (Private)
Limited
3rd Floor, No 9-1/2,
School Lane, Kollupitiya,
Colombo 03.

REGISTRARS

S.S.P.Corporate Services (Pvt) Ltd
No.101 ,Inner Flower Road, Colombo 03

AUDITORS

SJMS Associates,
Chartered Accountants.
No.11,Castle Lane .Colombo 04.

STOCK EXCHANGE LISTING

Ordinary shares of the Company were listed on
the Colombo Stock Exchange from 23rd May
2011.

BOARD OF DIRECTORS

Mr. K.D.U.S. Nanayakkara
Mr. J.P.I.N. Dayawansa
Mrs. A.S. Dayawansa
Mr. J.P.I.S. Dayawana
Mr. T.G. Kandamby
Mr. R. Wijegunawardane
Mr. T.M.A. Sallay
Mr. P. S. Goonewardene
Mr. N.M. Pieris

TAX ADVISORS

Dasanayaka Associates
No. 16, Shady Grove Avenue,
36th Lane, Colombo 08, Sri Lanka.

BANKERS TO THE COMPANY


Commercial Bank of Ceylon PLC,
Bank of Ceylon
Sampath Bank PLC
Nations Trust Bank PLC
National Development Bank
Hatton National Bank
Seylan Bank PLC




Associated Motor Finance
Company PLC.
Estd. 1962

Associated Motor Finance Company PLC

No 89, Hyde Park Corner, Colombo 02, Sri Lanka

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 (+94) 11 268 8760

 www.amf.lk