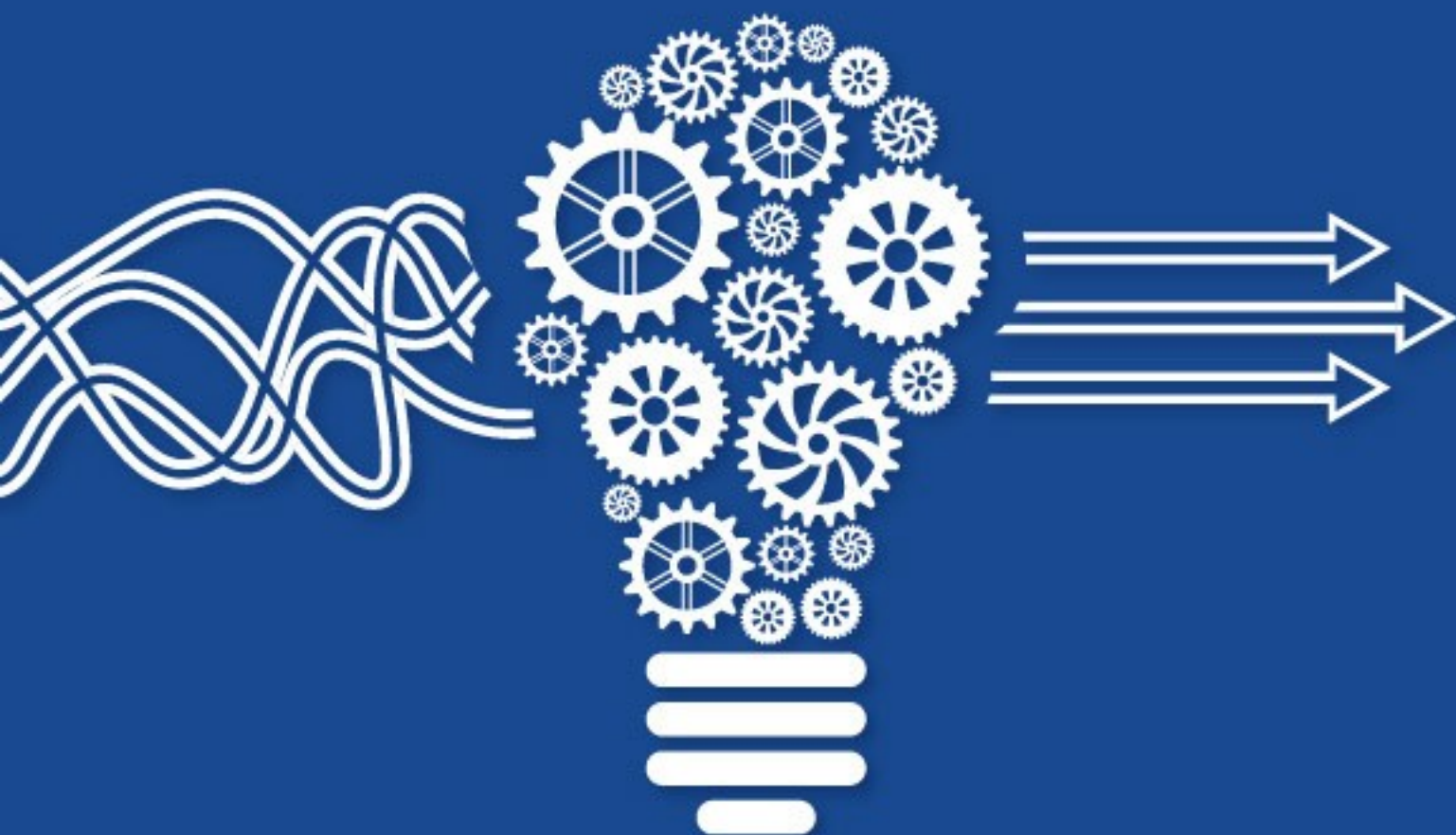


POTENTIAL UNLEASHED SYNERGY, STRATEGY & BEYOND



ASSOCIATED MOTOR FINANCE COMPANY PLC
ANNUAL REPORT 2022/2023



Associated Motor Finance
Company PLC.
ESTD. 1962

POTENTIAL UNLEASHED SYNERGY, STRATEGY & BEYOND

“

The unique transformation of AMF blazed the trail to harness and unlock the hidden potential, pushing the power levels beyond the normal limits that increased our strength, speed, and overall capabilities. We were able to access our full potential surpassing the limitations faced in the past and overcoming the seemingly insurmountable challenges to achieve the desired performance levels. Our commitment to fostering a culture of growth, empowerment, and training opportunities encouraged our employees to go beyond their perceived limitations. The unparalleled performance achieved through implementing cutting-edge techniques, tailored development, and a supportive environment, propelled our organization to new heights. ”

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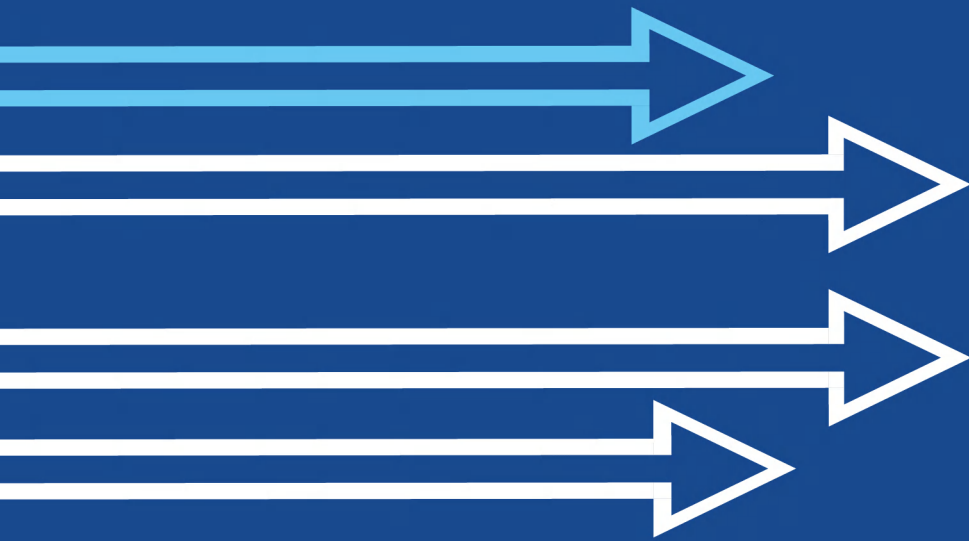
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FORM OF PROXY

CORPORATE INFORMATION

A YEAR OF RESILIENCE AND GROWTH



OVERVIEW

COMPANY PROFILE

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 Monetary Board of the Central Bank of Sri Lanka (CBSL) 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 CBSL Master Consolidation Plan, AMF merged with AFC on 1st April 2021, to become a single entity and one of the strongest in the industry. Through synergies from this union, AMF now caters to a wider clientele across different market segments with an island-wide branch network as well as an extensive dealer network and stands in better stead than many others in the sector to navigate through the uncertainties and macro-economic challenges we are undergoing as a nation. The Company's diverse portfolio of financial products and services includes leasing and hire purchase, mortgage loans, personal loans, time and savings deposits, Islamic finance, 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.”

VALUES

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.

FINANCIAL HIGHLIGHTS

| For the year ended 31st march | 2022/23 | 2021/22 | % Change |
|--|---------|---------|----------|
| Result on Operation | | | |
| For the year ended Rs. Mn | | | |
| Interest Income | 3,881 | 2,468 | 57% |
| Interest expense | 2,188 | 1,519 | 44% |
| Net interest income | 1,693 | 949 | 79% |
| Profit before income tax | 367 | 492 | -25% |
| Profit after income tax | 200 | 299 | -33% |
| Financial Position | | | |
| At the year end Rs. Mn | | | |
| Total Asset | 16,023 | 15,161 | 6% |
| Lending portfolio | 10,109 | 8,777 | 15% |
| Deposits from public | 12,443 | 11,173 | 11% |
| Borrowings | 28 | 765 | -96% |
| Shareholders' funds | 2,935 | 2,699 | 9% |
| Market capitalisation | 929 | 963 | -4% |
| Information per Ordinary Share | | | |
| Earnings - basic (Rs.) | 1.77 | 2.86 | -38% |
| Net asset Value (Rs) | 25.90 | 23.82 | 9% |
| Market value at the end of the period (Rs.) | 8.20 | 8.50 | -4% |
| Price earnings (time)- ordinary shares | 4.64 | 2.97 | 56% |
| Ratios | | | |
| Return on average assets (%) | 2.36 | 4.55 | -48% |
| Return on average shareholder's funds (%) | 7.12 | 15.25 | -53% |
| Net interest margin (%) | 10.86 | 8.76 | 24% |
| Equity to assets (%) | 18.32 | 17.81 | 3% |
| Compliance Ratios | | | |
| Core capital to risk weighted assts (Tier I) (%) | 16.26 | 14.87 | 9% |
| Total capital to risk weighted assts (Tier II) (%) | 17.24 | 15.79 | 9% |
| Liquid assets to total assets (%) | 19.71 | 27.68 | -29% |
| Liquid assets to deposits (%) | 25.38 | 37.56 | -32% |

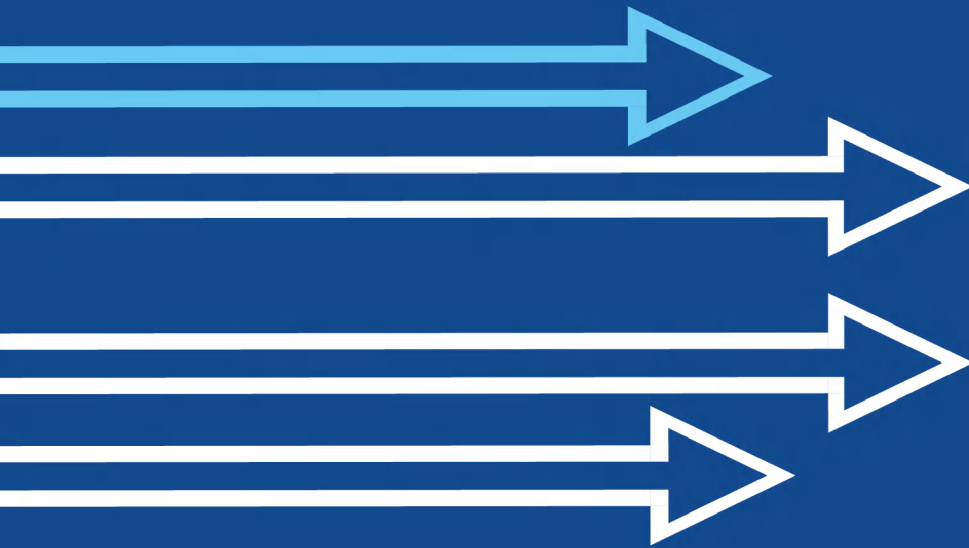
ROA = Profit before tax as a percentage of average assets

ROE = Profit after tax as a percentage of average equity

NIM = The ratio of interest income less interest expenses to average assets



NON-FINANCIAL
HIGHLIGHTS



3,504

DEPOSIT CUSTOMERS

32,704

LENDING CUSTOMERS

2,051

SHAREHOLDER BASE

78%

DEPOSIT RENEWAL RATIO

325

TOTAL EMPLOYEES

Dear Shareholders,

I am pleased to present to you the Chairman's Review for our company's annual report 2022/23. It is with great pride and enthusiasm that I reflect upon the achievements and progress we have made over the past year. This review serves as an opportunity to provide you with a comprehensive overview of our performance, strategic initiatives, and outlook for the future.

As we all know, the financial year 2022/23 has been by far the most challenging year for the company as well as for the country. When reflecting on some of the major social, economic and political challenges we had to face, and the strategic decisions deployed to overcome the same.

RIISING TO THE CHALLENGE

In light of the challenging economic conditions prevailing in the country, we strategically focused our efforts on asset-backed products that offer high yields. Notably, we have achieved significant progress in expanding our presence in the 2-wheeler market, capitalizing on the rising demand and potential for profitability. Simultaneously, we have prudently limited our lending activities to riskier segments, such as microfinance and loans, in order to mitigate potential risks.

Furthermore, recognizing the uncertainties surrounding the current economic climate, we have placed a greater emphasis on maintaining liquidity over short-term profitability. This strategic decision ensures that we are well-prepared to navigate unforeseen challenges and withstand sudden market and regulatory shocks. By fortifying our liquidity position, we can effectively manage our operations and seize opportunities that may arise in the market.

Our unwavering commitment to achieving operational excellence continues to underpin our success. We have implemented several measures aimed at creating value for our shareholders. Streamlining our processes to enhance productivity and minimize inefficiencies has been a key focus. This entails identifying and eliminating bottlenecks while harnessing technology to automate routine tasks.

Furthermore, we have invested in the professional development of our staff, equipping them with necessary skills to optimize resource allocation and facilitate adaptability and agility to evolving business needs.



Empowering our workforce to drive the company's strategic goals and objectives remains integral to our corporate culture, fostering a sense of ownership and accountability among our employees as they actively contribute to shaping our future.

We place great value on the contributions of our employees and are dedicated to recognizing and rewarding their efforts. Through the acknowledgment of exceptional performance, we inspire our staff to continuously strive for excellence. Our pursuit of higher operational efficiencies has been realized through various initiatives:

- Elimination of non-essential activities that do not significantly contribute to our core objectives, allowing us to allocate resources more efficiently towards Value-adding tasks and initiatives.

- Optimization of our meeting practices by reducing unnecessary gatherings and transitioning to online platforms, resulting in time savings and improved productivity by minimizing disruptions and enhancing attendance rates.

- Implementation of cost-saving measures, including the reduction of paper usage. For instance, we have successfully transitioned from paper-based customer notices to more efficient SMS and email communications. Additionally, we have replaced costly external training programs with internally developed modules, optimizing costs while maintaining training quality.

Embracing a hybrid workplace model that blends in-office and

remote work arrangements, we prioritize the flexibility and work-life balance of our employees. By empowering our workforce to choose the work environment that suits their lifestyle, has promoted accountability and enhance job satisfaction.

We remain committed to digitalization and end-to-end process automation as integral components of our operations. These ongoing initiatives have further enhanced efficiency and resource optimization. Leveraging tools such as Power BI enable real-time report generation, while internally developed applications such as Vlog and Dtracker facilitate comprehensive monitoring of key activities, enhancing decision-making processes.

EXPLORING OPPORTUNITIES IN A CHALLENGING ENVIRONMENT

In response to the crisis, we conducted a thorough evaluation to identify hidden opportunities and mitigate potential threats by harnessing our internal capabilities. Given the prevailing market uncertainty, our strategic focus shifted towards leasing markets within our existing customer segments, as opposed to introducing new products to untested customer segments. This approach was driven by our limited ability to assess the repayment capacity of new customer segments. Additionally, we capitalized on our extensive dealer network to expand our geographical reach.

Furthermore, our strategy of maintaining excess liquidity yielded positive results for our

overall performance. Following the interest rate hike in April 2022, we successfully seized the market opportunity and invested our surplus liquidity at a higher yield, surpassing the company's cost of capital.

These strategic decisions and actions have allowed us to adapt to the changing landscape while safeguarding our interests and maximizing returns. By leveraging our internal capabilities and making prudent choices, we have positioned the company to navigate through uncertainties effectively and capitalize on favorable market conditions.

FINANCIAL RESULTS

I am proud to announce that our net interest income reached a remarkable Rs. 1.6 billion, representing a substantial 78.5% increase compared to the previous year. This significant growth demonstrates our ability to excel even in difficult market conditions.

Although our Profit Before Tax (PBT) stood at Rs. 367 million, reflecting a decrease from the previous year, it is important to note that this decline is primarily attributed to impairment charges. Nevertheless, our performance serves as proof of our company's agility and the sound decision-making of our management team. We have swiftly adapted to market conditions, ensuring the long-term sustainability of our operations.

Furthermore, our liquidity management has been commendable. We have consistently maintained liquidity ratios well above the threshold levels.

At the end of the financial year, our liquid assets to total assets ratio stood at 19.71%, and our liquid assets to deposit ratio was maintained at 25.38%. These figures demonstrate our commitment to effective financial management and our ability to meet our financial obligations promptly.

I am pleased to report that our financial stability remains intact. Our core capital (Tier I) and total capital (Tier II) have been maintained well above the minimum regulatory requirements. This highlights our dedication to maintaining a solid financial foundation and ensures the continued strength and stability of our company.

In conclusion, despite the challenges faced during the year, our financial performance reflects our resilience and ability to navigate through uncertain times. Our substantial increase in net interest income, coupled with our effective liquidity management and robust financial stability, provides a strong platform for future growth. I extend my heartfelt gratitude to our exceptional team, supportive shareholders, and valued stakeholders for their unwavering commitment and trust.

BEYOND 2022/23

Looking ahead, we are determined to steer our company toward continued profitable growth. In line with the developments in the regulatory landscape, we will adopt a proactive approach by lending aggressively, mobilizing funds actively, and implementing effective recovery

strategies. These actions will not only strengthen our position in the market but also contribute to the overall stability and sustainability of our operations.

Digitalization will remain a key focus for us as we concentrate on further developing our digital strategy. We recognize the importance of embracing technological advancements to meet the evolving needs of our customers and enhance their experience. By leveraging digital tools and platforms, we aim to streamline processes, improve efficiency, and provide innovative solutions that add value to our customers' lives.

In our pursuit of growth and risk management, diversifying our portfolio will be a priority. We will explore new opportunities and sectors that align with our strategic objectives while ensuring a prudent approach to risk assessment and mitigation. By diversifying our portfolio, we can enhance our resilience and capitalize on emerging market trends, driving sustainable long-term growth.

Furthermore, we are committed to nurturing and empowering our workforce. Through Business Process Reengineering (BPR) initiatives and targeted Training and Development (T&D) programs, we will equip our employees with the necessary competencies, knowledge, and tools to thrive in an ever-changing business environment. We believe that investing in our employees professional development will not only enhance their performance, but also foster a culture of continuous improvement and innovation.

As we move forward, we remain steadfast in our commitment to delivering value to our shareholders, customers, and other stakeholders. By embracing aggressive lending, active fund mobilization, and effective recovery strategies, along with a focus on digitalization, portfolio diversification, and staff empowerment, we are confident in our ability to seize opportunities and overcome challenges in the dynamic landscape of our industry.



K.D.U.S. Nanayakkara
Chairman

Dear Shareholders,

It is with great pleasure and a sense of accomplishment that I present to you this year's CEO's report. As I reflect on the challenges we faced in the past year due to the political and social unrest and the slowdown in economic growth caused by the soaring inflation, I am reminded of the resilience and determination that defines our company. Despite the adversities we encountered, we remained steadfast and adapted to the ever-changing landscape. However, little did we anticipate that the year ahead would bring even more formidable obstacles in the form of an economic and social crisis that engulfed our country. In the face of these heavier challenges, I am proud to inform you that our company, Associated Motor Finance PLC, not only weathered the storm but also achieved remarkable growth and performance.

I am thrilled to begin this report by expressing my deep gratitude for the trust and confidence bestowed upon us by our stakeholders. It is their unwavering support and belief in our vision that has been the cornerstone of our success. As we celebrate our long-term existence, I am delighted to announce a significant milestone in our journey. With the successful merger of Arpico Finance Company PLC in April 2021, we have achieved a remarkable feat, surpassing the Rs. 16 billion mark in terms of our total asset base as of March 31, 2023. This milestone not only demonstrates our company's robust financial position but also solidifies our footprint in the industry.

CONTINUOUS GROWTH AMIDST ECONOMIC CHALLENGES

Over the past year, we have successfully identified a profitable and attractive market segment that aligns with our risk appetite and tolerance levels. This segment presents a significant opportunity for us to expand our lending capacity and utilize our budgets effectively. On the other hand, attractive interest rates on savings and fixed deposits gave us the opportunity to expand the deposits and savings base.

Customer deposits continued to be the dominating source of funds for the sector, a fact that held true for AMF as well where depositors who value the ethical practices and our sustainable business models continue to partner year after year with the Company. The Company kicked off its business

drive with new vigor, a fortified team, and a fresh strategy to drive new customer acquisitions with increased public participation resulting in one of the best years for fixed deposits. Stable growth in savings and fixed deposit base due to company performance, the trust generated over the years, and attractive rates have resulted in healthy liquidity in the company. The rates prevailing in the market for



various short-term and medium-term instruments were above the cost of funds, mobilized by the company. Treasury performed well by taking the opportunity in the market rates, even though this was not the industry norm at all times when the business ran as usual in the past.

Despite the challenges faced by many companies in the industry, we have managed to carry on our business operations without scaling down. Our dedicated team has implemented strategic initiatives to achieve our budget targets, ensuring the sustainable growth of our organization. I am proud to announce that our leasing portfolio has grown by an impressive 18.5% where the industry had a degrowth of 14.5% during this period, reflecting our commitment to meeting the financial needs of our customers.

Furthermore, we have been vigilant in monitoring non-performing loans (NPLs), ensuring their levels remain under control. Whilst many other companies have been downsizing their loan portfolios, we have successfully managed to strike a balance between growth and risk management. Our diligent risk assessment procedures and proactive measures have allowed us to mitigate potential credit risks effectively.

I Assure you, that we continue to remain focused on capitalizing on the opportunities presented by our identified market segment. We will continue to allocate resources strategically, maintaining a healthy lending capacity that aligns with our budgets and risk parameters. Our priority remains to serve

our clients' financial needs while safeguarding the long-term sustainability of the organization.

In the face of an increasingly challenging business environment, characterized by unfavorable factors such as high interest rates, burdensome taxes, and stringent restrictions on vehicle imports, our company demonstrated remarkable resilience and adaptability. Despite these obstacles, we navigated through turbulent waters by implementing strategic measures to mitigate their impact on our operations. Furthermore, we also encountered tightened regulatory measures, including rigorous core capital-related calculations, precise measurement, and classification of credit facilities, as well as restrictions on repossessions. These measures posed additional hurdles, demanding meticulous attention and compliance. However, my team rose to the occasion, meticulously navigating the regulatory landscape while ensuring that our operations remained aligned with the ever-evolving regulatory framework. Our ability to overcome these challenges underscores our commitment to excellence and our capacity to thrive even in the most demanding environments.

It is noteworthy to mention that effective April 1, 2022, there has been a change in the non-performing loan (NPL) classification from 180 days to 120 days. Although this change in NPL classification has presented us with a formidable task, we welcome it as a step towards long-term sustainability. By recognizing and addressing delinquencies earlier, we can

mitigate potential risks and safeguard the health of our loan portfolio. Furthermore, the increased focus on timely recovery will enable us to maintain healthier financials and foster a culture of responsible lending.

The revised NPL classification period has necessitated swift action on our part. To ensure the continued sustainability of our operations, we have expedited numerous collection and recovery-related activities. Our dedicated team has worked tirelessly to enhance our recovery processes, embracing digitalization and leveraging effective data mining techniques. These initiatives have strengthened our ability to identify and recover non-performing assets efficiently.

Our commitment to digitalization has been instrumental in streamlining our collection and recovery processes. Through the implementation of advanced technologies, we have enhanced our ability to assess and mitigate credit risks effectively. This digital transformation has not only improved the efficiency of our operations but has also provided us with valuable insights for data-driven decision-making.

Looking ahead, we remain steadfast in our pursuit of excellence. We will continue to monitor and optimize our collection and recovery processes, harnessing the power of digitalization and data mining techniques. By doing so, we aim to maintain a robust loan portfolio and ensure the long-term prosperity of our organization.

NEW PRODUCT INITIATIVES

Highlighting our recent accomplishments through new initiatives and product developments, in a market characterized by economic volatility and risks, we have pursued a strategic approach to portfolio expansion, focusing on concentric diversification and targeted customer segments that align with our core competencies and expert knowledge. Recognizing the importance of minimizing risks associated with venturing into completely new products, we have successfully introduced innovative features to our existing products. This approach has allowed us to leverage our established customer base while providing them with enhanced value propositions. By closely monitoring market trends and customer preferences, we have ensured that our offerings remain relevant and competitive.

One key avenue we explored is securitization investments, offering both short-term and long-term options. These investments have allowed us to receive decent returns while mitigating risks through collaboration with specialized lenders with investment-grade ratings. By leveraging strategic alliances, we have expanded our lending capacity without compromising our established business model.

We have approached these new initiatives and product developments with a strong focus on customer-centricity and continuous improvement. By deeply understanding the needs and expectations of our target

audience, we have been able to deliver products and services that meet and exceed their expectations. Our commitment to innovation has ensured that we remain at the forefront of industry trends, enabling us to provide cutting-edge solutions that address the evolving demands of our customers.

Looking ahead, our dedication to expanding our portfolio through concentric diversification and targeted customer segments will remain central to our growth strategy. Additionally, we will continue to forge strategic alliances and collaborations to leverage the expertise and capabilities of trusted partners, allowing us to expand our capacity and capture new market opportunities.

TESTIMONY OF SUCCESS – FINANCIAL PERFORMANCE

Reflecting upon our financial performance for the fiscal year ending on March 31, 2023, our results serve as a testament to the dedication and efforts we have invested in safeguarding the interests of all our stakeholders while creating value for our esteemed shareholders.

While the return on assets and return on shareholder funds experienced a negative impact compared to the previous year, this was expected, given the challenging circumstances we faced. However, it is noteworthy that despite these challenges, the company has made significant progress in improving both the net interest margin and equity-to-assets ratios, achieving growth of 24% and 3%

respectively. This achievement is particularly commendable considering the industry-wide trend of shrinking net interest margins.

In line with our strategic decision to expand our loan portfolio, we took coordinated steps to reduce excess liquidity levels, allowing us to effectively deploy our resources and drive business growth. Despite this deliberate reduction, our company has maintained a healthy liquidity level of 19.71% and 25.38% in relation to total assets and total deposits, respectively. This prudent management of liquidity ensures stability and positions us favorably to seize new opportunities as they arise.

Furthermore, I am delighted to report that we recorded a remarkable 78.5% increase in net interest income (NII) for the period under review. This achievement reflects our commitment to enhancing revenue generation and optimizing the utilization of our assets. Additionally, our earnings per share (EPS) for the period stands at Rs.1.77, highlighting the sustained profitability of our operations.

Amidst the challenges we encountered, it is gratifying to observe that our net asset value (NAV) has grown to Rs.25.90, representing a commendable 9% increase over the year. This growth reinforces the resilience of our business and the value we have created for our shareholders.

Our strategy is to remain focused on driving sustainable growth and maximizing value for all our stakeholders. We will continue to evaluate market conditions, adapt our strategies accordingly, and prioritize risk management to navigate any uncertainties that may arise.

Effective from January 1, 2022, the government increased the value-added tax (VAT) on financial services to 18%. This change has had a direct impact on our operations, leading to an increase in tax obligations for our financial services offerings. Furthermore, from October 1, 2022, the government introduced a new tax known as the Social Security Contribution Levy (SSCL) at a rate of 2.5%. These combined tax measures have contributed to a substantial rise in our total tax on financial services.

As a result of these changes, our total tax on financial services has increased by Rs 41.8 million, representing a significant 43% rise compared to the previous fiscal year. In addition, the income tax rate was changed from 24% to 30% with effect from 01 October 2022. Accordingly, this increase in financial and income tax liabilities poses a challenge to our financial performance and requires us to carefully evaluate our business strategies and operations to adapt to the new tax landscape.

Nevertheless, we are committed to navigating this new tax landscape with prudence and strategic adaptability. We will continue to focus on delivering value to our stakeholders while upholding our commitment to regulatory compliance.

EMPLOYMENT DEVELOPMENT AND ACCOLADES

I take this opportunity to proudly highlight the significant achievements made in terms of our staff, digitalization efforts, and our commitment to information security. Our dedicated and versatile team has demonstrated exceptional multitasking capabilities, enabling us to efficiently handle diverse tasks and responsibilities. Their unwavering commitment to excellence has been instrumental in driving our success and ensuring the smooth functioning of our operations.

Moreover, we take immense pride in announcing that we have obtained the ISO 27001:2013 certification, a testament to our commitment to maintaining the highest standards of information security. This certification validates our robust systems, processes, and controls that safeguard our valuable data and protect the confidentiality, integrity, and availability of information. Our dedication to maintaining the highest levels of information security is a testament to our unwavering commitment to our customers and stakeholders.

STRIDING AHEAD

Looking ahead, our primary focus will be on strengthening our core business while strategically diversifying our portfolio. By prioritizing our core competencies, we can optimize our operations, streamline processes, and deliver exceptional value to our customers.

Additionally, we will place a strong emphasis on meeting regulatory requirements and ensuring that we remain well-capitalized under the Prompt Corrective Action (PCA) framework. By maintaining robust compliance practices and proactively addressing regulatory changes, we will instill confidence in our stakeholders and uphold the highest standards of corporate governance.

Furthermore, the implementation of our digitalization strategy will be a key driver in achieving operational efficiencies and cost savings. We will harness emerging technologies and leverage digital tools to automate processes, enhance customer experiences, and improve overall organizational agility. By embracing digital transformation, we will position ourselves at the forefront of industry innovation and ensure that we remain competitive in an evolving marketplace.

To accomplish these objectives, we will foster a culture of continuous improvement, encouraging collaboration and innovation across all levels of the organization. Our dedicated team will be empowered with

the necessary resources and training to drive our strategic initiatives forward.

As we forge ahead, we remain committed to creating sustainable growth and delivering value to our stakeholders. By concentrating on our core business, diversifying our portfolio, prioritizing regulatory compliance, and embracing digitalization, we are confident in our ability to navigate challenges and seize opportunities in the ever-changing business landscape.

ACKNOWLEDGMENT

I would like to express my heartfelt appreciation and gratitude to our Chairman and the Board of Directors, management team, employees, and customers for their unwavering support and dedication throughout the year. Your commitment to our organization's vision and values has been instrumental in our achievements and growth.

I also extend my sincere gratitude to the Governor of the Central Bank of Sri Lanka and the Director, as well as the officials of the Department of Supervision of Non-Bank Financial Institutions. Their guidance, expertise, and regulatory oversight have played a crucial role in ensuring a strong and stable financial system.

I value the trust and confidence placed in us by our stakeholders, and we are committed to continuously improving and delivering on our promises. We remain focused on creating sustainable value for our shareholders, providing exceptional service to our

customers, and maintaining the highest standards of corporate governance.

Once again, I extend my deepest gratitude to all who have contributed to our success and look forward to continuing our journey together toward a prosperous future.



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

BOARD OF DIRECTORS



SEATED L TO R

Mr. Nalatha Dayawansa - Deputy Chairman | **Mrs. Shammalka Dayawansa** - Executive Director
Mr. Suranga Nanayakkara - Chairman

2ND ROW L TO R

Mr. Shanil Dayawansa - Executive Director | **Mr. Suren Goonewardene** - Non-Executive Director | **Mr. T.M.A. Sallay** - Director / CEO
Mr. Tauchira Kandamby - Non-Executive Director | **Mr. Ranil Wijegunawardena** - Non-Executive Director
Mr. Nilanka Pieris - 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 an 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 the 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 38 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.

Mr. T.M.A. Sallay

Executive Director / Chief Executive Officer

Mr. Sallay is a financial professional with over 37 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 and 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 performs as the Head of Finance of the Company. He served as an Executive Director of Arpico Finance Company PLC since December 2014 until March 2021.

He was subsequently appointed to the Board of AMF 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 27 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 24 years of experience in sectors such as Finance, Garments, Imports and Exports.

Mr. Tauchira Gooneratne Kandamby
Independent Non-Executive Director

Mr. Kandamby counts 32 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 of the Company.

He has functioned as Chief Executive Officer/General Manager of Nanda Investments & Finance PLC and also held senior management positions as 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 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 business 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 Practising 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, Guardian Insurance Brokers (Pvt) Ltd, Dawi Investment Trust (Pvt) Ltd, Acme Printing and Packaging PLC, SunAgro Life Science Ltd, JF Packaging Limited, Kiffs (Private) Limited, Alliance Five (Private) Limited, Acme Printing Solutions Limited and JF Ventures Limited.

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 and 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 Non Independent Non-Executive Director

Mr Pieris is a Finance Professional with over 32 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), Fellow Member of the Sri Lanka Institute of Credit Management, 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 a Honorary Capacity he serves on the Governing Council of the Sri Lanka Institute of Credit Management, as the Treasurer of the Sinhalese Sport Club and as a Member of the Technology and Innovation Committee of the Sri Lanka Institute of Directors.

CORPORATE MANAGEMENT



LEFT TO RIGHT SEATED

Mr. Vajira Panditharathne - SAGM Recovery & Operations | **Mr. Chandrin Fernando** - Deputy CEO
Ms. Geethika Wickramasinghe - DGM Deposits

LEFT TO RIGHT 2ND ROW

Mr. Shantha Gunasekera - AGM Marketing | **Mr. Dileepa Dharmarathna** - SAGM Credit

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 Jayewardenapura 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 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 and Vice Chairman of MESANA 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 23 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 33 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 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 24 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.

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 Counselling. He has successfully completed the Certificate in Marketing from SLIM. He possesses over 18 years of experience in the finance industry and 10 years in the field of Mass Media Communications. Of this period, 9 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 29 years of experience in the finance industry, of which 18 years in managerial positions.

THE TALENT POOL

Our talent pool stands as a testament to our commitment to fostering a dynamic and skilled workforce. This strategic initiative brings together a diverse array of talented professionals who share a common passion for excellence and dedication to pushing the boundaries of innovation. Our talent pool serves as a breeding ground for cultivating and honing the skills of these exceptional individuals ensuring that they remain at the forefront of industry trends and advancements.

Through targeted development programs, mentorship, and exposure to challenging projects, we empower our talented members to excel in their respective roles, while also nurturing their leadership potential. By investing in the growth and development of our talent, we are not only shaping the future of our organization but also contributing to the broader advancement of our company.

By tapping into the expertise and creativity of these talented professionals, we drive innovation, efficiency, and strategic thinking across all facets of our operations. As we look to the future, we are excited to watch our talent pool members evolve into industry leaders propelling both their careers and our organization to new heights of achievement.



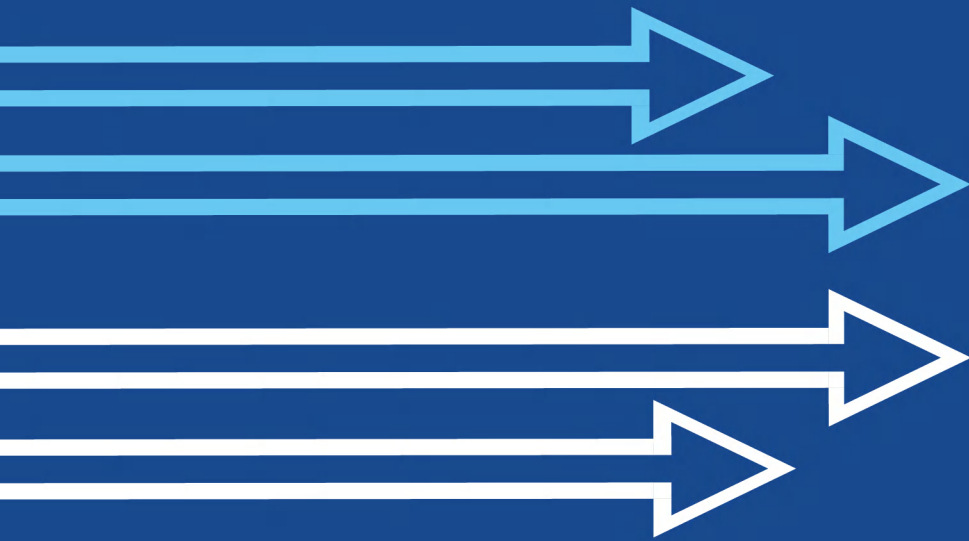
SEATED L TO R

Subashini Dias Senior Manager - Fixed Deposits | **Chamara Wanniarachchi** Senior Manager - Matara Branch |
Chamila Herath - Senior Manager - Legal

STANDING L TO R

Shamindra Greo Manager - Sales | **Monro Silva** - Senior Manager - Fixed Deposits
Nilmini Karunathilake - Senior Manager - Compliance | **Mohammed Recaz** - Manager - Islamic Finance
Niluka Mahanama - Senior Manager - Internal Audit | **Gayana Ranasinghe** - Manager - Human Resource

FOSTERING OPPORTUNITIES IN A TURBULENT ENVIRONMENT



MANAGEMENT DISCUSSION AND ANALYSIS

SRI LANKAN ECONOMY

The Sri Lankan economy descended into a full-blown crisis in 2022, its worst economic crisis since independence, mainly driven by unsustainable macroeconomic fundamentals along with domestic and global headwinds that reversed the post-pandemic recovery. Provisional estimates indicate that Sri Lanka's GDP contracted by 7.8% in 2022, compared to the growth of 3.5 % in 2021. The acute shortage of foreign exchange liquidity brought economic activity to a near standstill in the April-June quarter due to shortages of consumer goods, fuel, electricity, and raw materials. These issues together with significant increases in major utility prices amidst the depreciation of the exchange rate led to both public anxiety and political upheaval. The Government and the Central Bank of Sri Lanka (CBSL) initiated several containment and remedial policy measures such as adjusting policy interest rates, prioritizing essential imports to conserve foreign exchange, and introducing a fuel rationing system, to stabilise the economy.

Consumer price inflation experienced a significant acceleration during the first nine months of 2022, reaching a historic high in September 2022 before gradually declining with the impact of notably tight monetary conditions and other demand management measures. Accordingly, year-on-year headline inflation, as measured by the Colombo Consumer Price Index (CCPI, 2013=100), which was recorded at 12.1% at the end of 2021, accelerated to 69.8% in September 2022 before moderating to 57.2% by December 2022. On a positive note, the Sri Lanka rupee, which depreciated by a substantial 41.4% against the US dollar by the end of April 2022, experienced a 10.9% appreciation against the US dollar by the end of March 2023, reflecting improved market sentiments with the approval of 48-month Extended Fund Facility arrangement of approximately US Dollars 3 billion from International Monetary Fund to support the implementation of economic policy reforms to address vulnerabilities and drive growth.

NON-BANK FINANCIAL INSTITUTION (NBFI) SECTOR

Despite the challenging economic environment, the NBFI sector managed to continue its expansion in 2022. By the end of the year, the NBFI sector consisted of 36 licensed finance companies (LFCs) and 1 specialized leasing company (SLC) and had 1,834 branches, of which a majority, 65.6%, were located outside Western Province. The sector's total assets amounted to Rs. 1,611.2 billion by the end of 2022, accounting for 5.2% of the total assets of Sri Lanka's financial system. Growth was recorded in assets and deposits with adequate capital and liquidity buffers while credit and profitability growth declined, and Non-Performing Loans (NPLs) increased. The implementation of the Masterplan for consolidation of NBFIs, which aims to establish resilient and reliable LFCs in the medium term, supported this growth, safeguarding the interest of depositors and preserving the financial system stability.

ASSET BASE

The total asset base of the sector increased by 2.9% to Rs. 1,635.8Bn by the end of March 2023, down from the previous year's growth of 14.3%. Loans and advances, which accounted for 71.0% of total assets with a value of Rs. 1,160.7Bn, recorded a negative growth of 4.3% compared to March 2022. Even though leases continued to dominate the loans and advances portfolio of the sector, its share decreased due to the continuation of restrictions imposed by the Government on the importation of motor vehicles as a measure to restrict foreign currency outflows. The investment portfolio recorded a significant growth of 28.3% reaching Rs. 225.0Bn as of 31st March 2023 compared to the growth of only 13.4% in the previous year.

ASSET QUALITY

The classification of NPL was changed from 180 days past the due date to 120 days on 01st April 2022. As a result of this change in classification and the impact of adverse macroeconomic conditions, the sector's gross NPL ratio substantially increased to 16.0% as at 31st March 2023 from 9.1% recorded as at 31st March 2022. Similarly, the net NPL ratio increased to 10.7% by the end of March 2023 compared to 1.9% recorded by the end of March 2022.

PROFITABILITY

The NBFIs sector revealed a decline in profitability for the year under review. The profit after tax for the year ended 31st March 2023 was Rs. 31.5Bn, a 47% decrease from the profit after tax for the year ended 31st March 2022 of Rs. 59.8Bn. The drop in profitability was mostly caused by a 134% increase in total interest expenses, as opposed to a 46% increase in total interest income from the previous financial year end. Operating expenses and loan loss provision also increased by 20% and 118%, respectively, from the previous year's end.

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. 308.9Bn as of 31st March 2023 from Rs. 265.8Bn as of 31st March 2022. As a result, the sector's core capital and total capital ratios increased to 19.6% and 21.9%, respectively, as of 31st March 2023 from the 16.2% and 17.7% reported at the end of the previous financial year.

With a share of 55.5%, customer deposits continued to dominate the liabilities of the sector. The deposits increased by 13.3% to Rs. 908.2Bn, whilst borrowings, which accounted for 17.5% share of the liabilities, decreased by 22.7% to Rs. 286.8Bn. Total capital, which accounted for 22.9% share of the liabilities, increased by 12.3% to Rs. 374.8Bn.

The NBFIs sector maintained liquidity well above the minimum regulatory requirement during the year. The liquid assets to deposits and borrowings ratio increased to 19.1% as of 31st March 2023 from 14.3% recorded as of 31st March 2022. The overall available liquid assets of the sector at the end of 2022 showed a surplus of Rs. 86.9Bn against the stipulated minimum requirement of Rs. 98.0Bn.

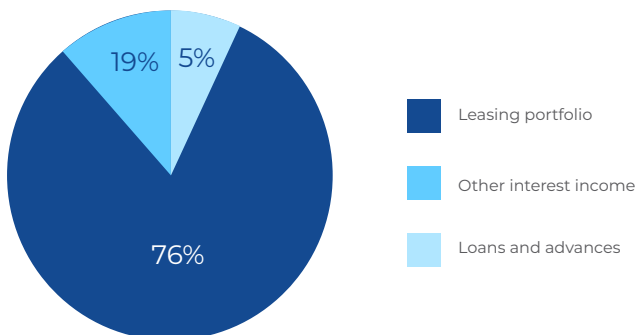
INTEREST INCOME

The company recorded an interest income of Rs.3,881Mn during the year under review. This was a 57% growth compared to the Rs 2,468Mn in the previous year.

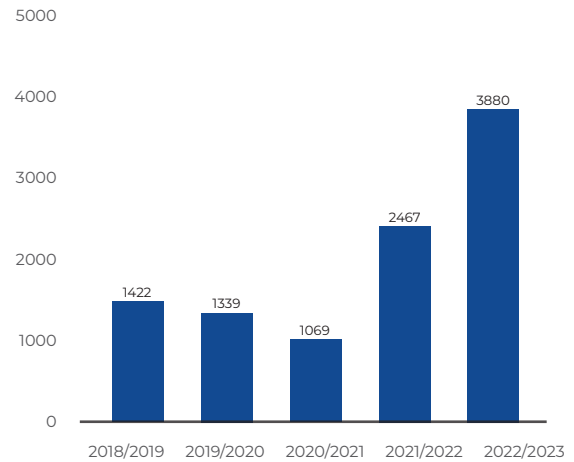
Total interest income, the leasing portfolio derived an income of Rs. 2,954 Mn an increase of 48% compared to the Rs. 1,989 Mn earned in the previous financial year due to the increase in interest rates and higher lending. As the highest contributor to interest income over the last few years, in the year 2022/23 too, the leasing portfolio contributed 76% to the total income of the company.

Interest income from other loans and advances showed marginal growth in 2022/23 and earned Rs. 190 Mn compared to Rs. 157Mn earned in the previous financial year.

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.738 Mn compared to Rs. 322 Mn earned in the previous financial year which was 129% growth compared to the last year due to the high-interest rate environment that prevailed in the country, which has benefited significantly from the excess funds investments which were held in short tenor.



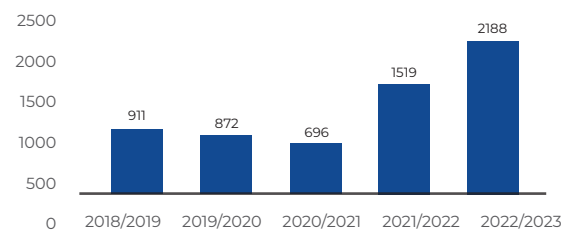
Interest Income (Mn)



INTEREST EXPENSES

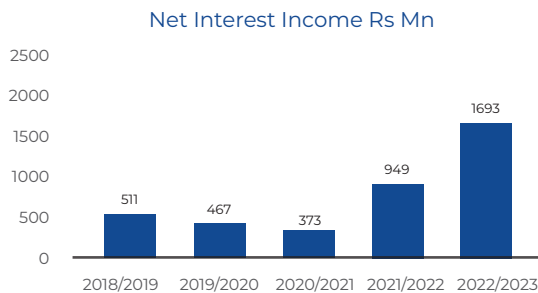
Interest expense of Rs.2,188Mn during the year under review increased by 44% compared to the Rs 1,519 Mn in the previous year. Total interest expense, the Deposit from customers derived an expense of Rs. 2,078 Mn an increase of 77% compared to the Rs. 1,172 Mn incurred in the previous financial year which contributed 95% to the total interest expense of the company. This increase is mainly due to the rise in interest rate prevailing in the market and the increase in FD based compared to the previous year. Debts instrument issued and other borrowed funds have reduced by 68% from Rs 347Mn to Rs 110Mn in respectively 2021-2022 and 2022-2023 and this is mainly due to repayment of the borrowing during the year.

Interest expense Rs(Mn)



NET INTEREST INCOME

Net interest income (NIM) is the net result of Interest Income and Interest Expenses increased by 79% to Rs. 1,693 Mn in the financial year under review compared to Rs. 949 Mn in the previous financial year. This was due to the improvement in new loan disbursements compared to the previous year and the high-interest rate in the market. NIM of the company was at 10.9% in FY23 which is well above the industry level of 6.6%.

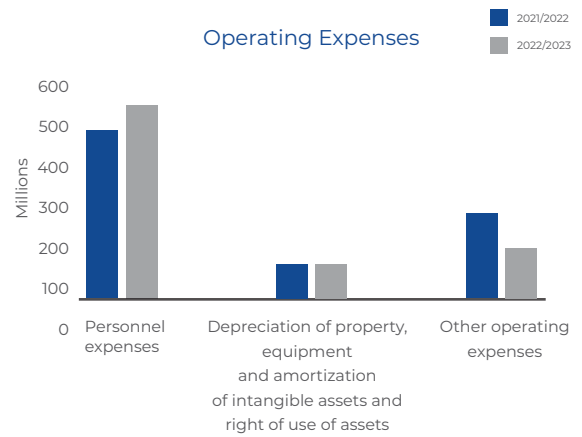


IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES

In accordance with the CBSL Direction No. 01 of 2020, "Classification and Measurement of Credit Facilities" the method of computing the non-performing loan ratio was changed with effect from 01 April 2022 when the Company adopted the loan classification of 120 days past due date for non-performing loans instead of the earlier NPL classification of 6 months. The company recorded an expense of Impairment of Rs 414 Mn during the year under review compared to the impairment reversal of Rs 422Mn in the last financial year. However, 90% of the portfolio being asset-backed and higher than industry provision coverage (AMF -51.9 % vs industry - 33.4% in FY23) lowers credit risk.

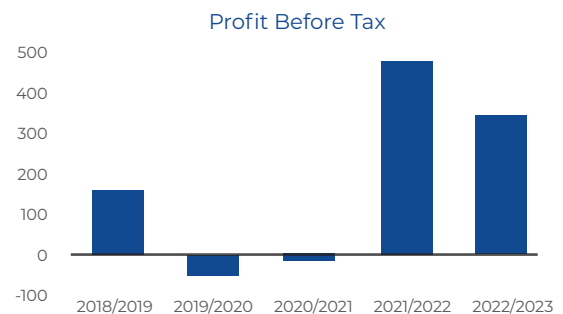
OPERATING EXPENSES

The company's total operating expenses for the year under review represented only a marginal decrease of 2% from Rs 894 Mn to Rs 877 Mn compared to last year. Personnel costs, which accounted for 64% of the total operating expenses increased by 13% whereas other operating expenses decreased by 28% compared to the previous year.



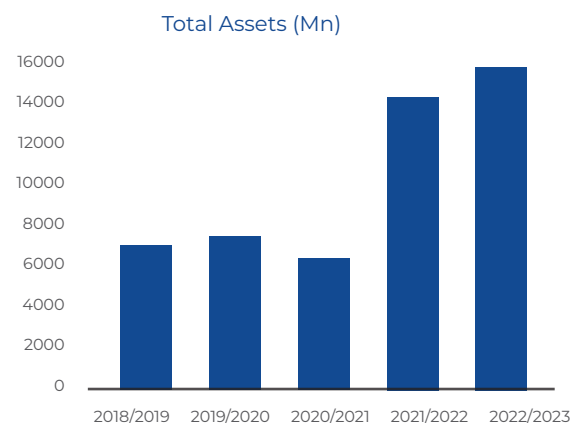
PROFITABILITY

Profit before tax dropped by 25% to Rs. 367 Mn during the financial year under review compared to Rs. 492 Mn in the previous financial year. Profit after Tax decreased by 33% to Rs. 200 Mn compared to the Rs. 299Mn in the previous financial year. The Company's profitability indicators such as Return on Average Assets - before Tax (ROA) and Return on Average Equity after tax (ROE) are 2.36% and 7.12% compared to the previous year reported ratios of 4.55% and 15.25% respectively.



TOTAL ASSETS

Total assets of the Company as at 31 March 2023 showed a marginal increase of 6% respectively as against the asset base as at 31 March 2022.



LENDING

The lending portfolio of the company consists of leasing, hire purchases, and loans against Fixed Deposits. The lending portfolio of the Company was increased by 15% from Rs. 8.7Bn as at 31 March 2022 to Rs. 10.1Bn as at 31 March 2023 due to increased lending volumes during the latter part of the year. The leasing portfolio contributed 89% to total lending although showcasing a slight increase compared to the 87% contribution to total lending in the previous financial year. Of the total lending portfolio, the leasing portfolio derived lending of Rs. 10.3Bn an increase of 22% compared to the Rs. 8.5Bn in the previous financial year

FUNDING

Deposits remained the main funding source representing 99% of the total funding mix. The company's total deposit base as at 31 March 2023 stood at Rs.12Bn, indicating a year-on-year growth of 11% compared Rs 11Bn in the previous financial year

LIQUIDITY MANAGEMENT

The company continued to maintain a strong liquidity position throughout the year, backed by a combination of investments in reverse repurchase agreements, treasury bills, fixed deposits, savings & current account balances and cash in hand. 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. 3,157Mn in excess of the minimum regulatory level of Rs. 1,244Mn.

The Company's liquid asset ratio was 25% as at 31 March 2023. The company proactively manages the liquidity by investing most of the asset in risk-free assets at a higher yield to ensure the security of the deposits of our valued customers and the wealth of the stakeholders.

SHAREHOLDERS' FUND

Shareholders' funds increased by 9% to Rs.2,935 Mn in 31 March 2023 compared to Rs.2,699 in the previous financial year.



STAKEHOLDER CAPITAL

Stakeholders are individuals, groups, and entities who are impacted by the Company's products, services, and operations, or who have an impact on the Company's strategy, objectives, and operations through their actions, decisions, or attitudes. AMF aims to build mutually beneficial long-term relationships with its stakeholders. AMF has implemented a robust procedure to identify and prioritize its key stakeholder groups. Through its stakeholder engagement approach, AMF is able to identify and understand their aspirations and concerns and then develop strategies for adding value to stakeholder engagements in order to forge lasting relationships. An ongoing dialogue and engagement approach enables AMF to understand the aspirations and concerns of its stakeholders and consider them in formulating its strategies, adding value to the relationships. The value addition process works in two ways: offering value to stakeholders and deriving value from stakeholders.

It is imperative that we engage meaningfully with our stakeholders in order to achieve economic, environmental, and social sustainability. Accordingly, our stakeholder engagement approach is a well-structured framework that helps us to recognize all stakeholder groups and effectively engage with them to address their concerns. The parties affected by our Company operations are identified through a scanning process of the business environment, and they are then clustered together into broad stakeholder groups based on their commonalities. Stakeholder engagement involves finding the best solutions to their concerns in order to provide them with a superior service while assuring the Company's optimal performance.

CUSTOMER CAPITAL

A key stakeholder group that continues to be at the core of our business is our customers. We strive to build mutually beneficial long-term relationships with them, provide excellent customer care, and offer effective, easily accessible financial products and services to cater to their diverse needs. We concentrate on developing simple, transparent products that meet their various expectations and utilize technology to save time and minimize unnecessary visits to a branch.

LENDING

We remain dedicated to serving customers at the bottom of the economic pyramid, who have been economically marginalized and have little to no access to obtain services from banks, to help them to become financially stable and bankable. 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 support representatives such as a well-equipped contact center that provides a high standard of personalized service and online facilities that save time and increase convenience.

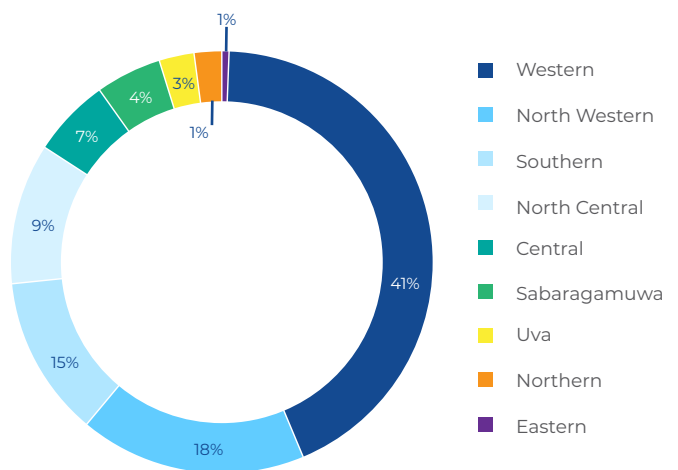
DEPOSITS

Deposits, which accounted for 81% of the total funding as at 31st March 2023, remained our primary source of funding. We valued the confidence that our depositors have continued to place in us by offering the highest return on their investments while adhering to regulatory requirements, servicing their obligations promptly, and making sure they received value-added customer service. The average deposit renewal ratio remained at 78% during the financial year under review, which demonstrates strong customer loyalty in our Company and customer satisfaction with the premium service standards extended by us.

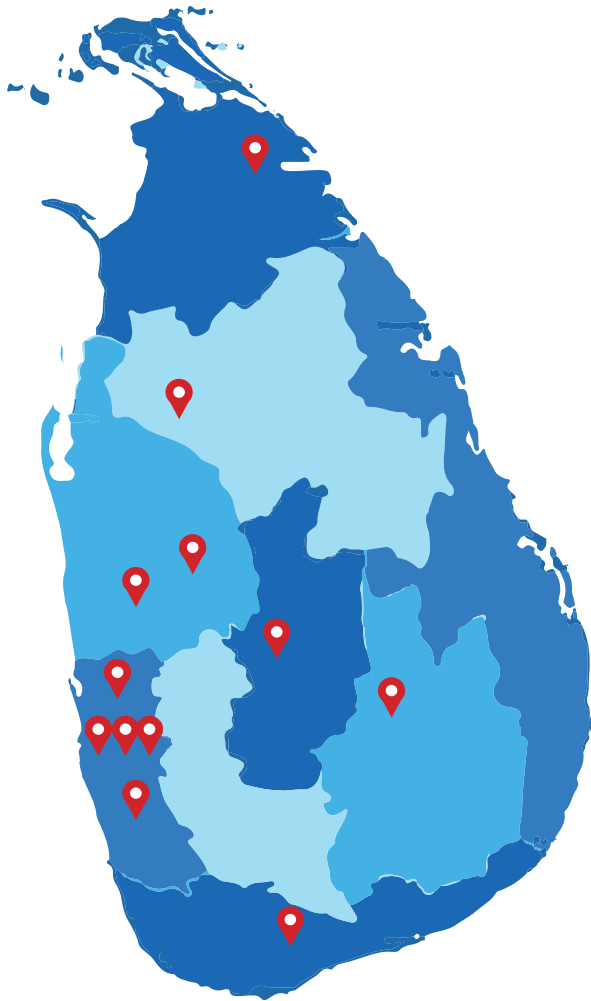
CUSTOMER REACH

We cater to customers across the nation to meet their personal and business needs with our island-wide branch network and extensive dealer network supported by technology. At 44%, close to half of our customer base comes from Western Province, followed by North Western, Southern, and North Central Provinces.

GEOGRAPHICAL SPREAD OF CUSTOMERS



MAP OF SRI LANKA WITH THE BRANCH LOCATIONS



CUSTOMER PRIVACY

We constantly make sure that the technological solutions we implement to improve customer convenience are governed by a robust data protection framework and IT security environment. Our IT operations and systems adhere to the statutory requirements and standards stipulated by the CBSL and other regulatory bodies and our information security is ISO 27001:2013 certified by Bureau Veritas for four consecutive years.

CUSTOMER COMMUNICATION

We engage with our customers using a variety of marketing and communication channels. We communicate with our customers through our website, SMS notifications, emails, and IVR calls, and employ social media accounts as platforms for lead creation and customer inquiries. We use our website to inform our customers about our product offerings and any developments such as interest rate changes and the introduction of new products. All information customers need to make well-informed decisions is made available in all three languages, Sinhala, English, and Tamil, and is posted accurately and promptly.

The required capital for the 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 2023, our total no of shareholder base amounted to 2,051 of which 95% were individuals and 5% were institutions.

SHAREHOLDER FUND

The Company's shareholder funds increased up to Rs 2,935 Mn as at the end of the financial year 2022/2023 compared to Rs 2,699 Mn as at 31.03.2022.

The Company's return on average shareholders' funds for the year under review declined up to 7.12 % in 2022/23 from 15.25% in 2021/22.

MARKET CAPITALIZATION AND SHARE PRICE MOVEMENT

At the end of the current financial year, the market capitalization of AMF remained at Rs. 929 Mn. The share price of AMF recorded a high of Rs. 8.40 and a low of Rs. 7.10 during the FY 2022/23. The last traded price during the year was Rs. 8.20

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

For the year ended 31 March 2023, the ROA and ROE of our Company stood at 2.36% and 7.12% respectively.

EARNINGS PER SHARE (EPS) AND PRICE-EARNINGS RATIO

The company's earnings attributable to ordinary shareholders decreased up to Rs 1.77 compared to Rs. 2.86 at the end of last year. The price earnings ratio increased up to 4.64 times from 2.97 times in the last year.

NET ASSET VALUE (NAV)

The NAV per share of the Company increased from Rs23.82 at the beginning of the financial year to Rs. 25.90 at the end of the financial year under review.

HUMAN CAPITAL

As one of the stable and long-standing financial institutions in the industry, we always believe our employees are critical to our service delivery. Our agility and our ability to rise to any challenge and come up with solutions have been due to our competent, passionate, and committed workforce. Our success over the years is therefore underpinned by the way we lead and engage with our people, the way we work, and the way we are organized. We continuously strive to nurture a winning team, who makes significant contributions to the progress of our organization with a passion for excellence.

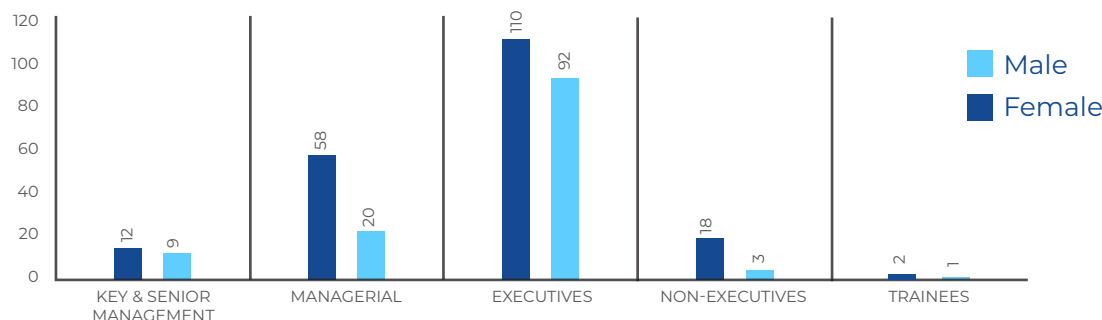
For the stability of our Human Capital, it's essential to have employee diversity based on gender, age group, service period and ethnicity within an organization. Therefore, we promote a culture of diversity and inclusiveness, and nurturing a workforce of diversity.

Our values are embedded in the standards, policies, and guidance that we set out to help them to develop themselves in order to perform well in their roles at our organization. Further, as an equal opportunity employer, we do not discriminate against employees based on gender, race, religion, caste, or sexual orientation. In addition, we have been fully compliant with all relevant national regulations concerning our employees and their interests.

Our Human Strength

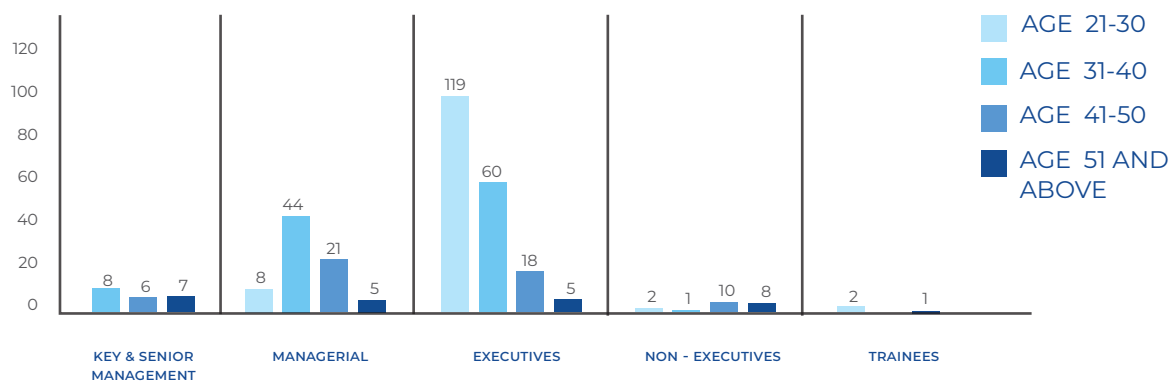
325

EMPLOYMENT CATEGORY



| EMPLOYMENT CATEGORY | MALE | FEMALE | COUNT | % |
|-------------------------|------------|------------|------------|-------------|
| KEY & SENIOR MANAGEMENT | 9 | 12 | 21 | 6% |
| MANAGERIAL | 20 | 58 | 78 | 24% |
| EXECUTIVES | 92 | 110 | 202 | 62% |
| NON - EXECUTIVES | 3 | 18 | 21 | 7% |
| TRAINEES | 1 | 2 | 3 | 1% |
| GRAND TOTAL | 125 | 200 | 325 | 100% |

AGE WISE

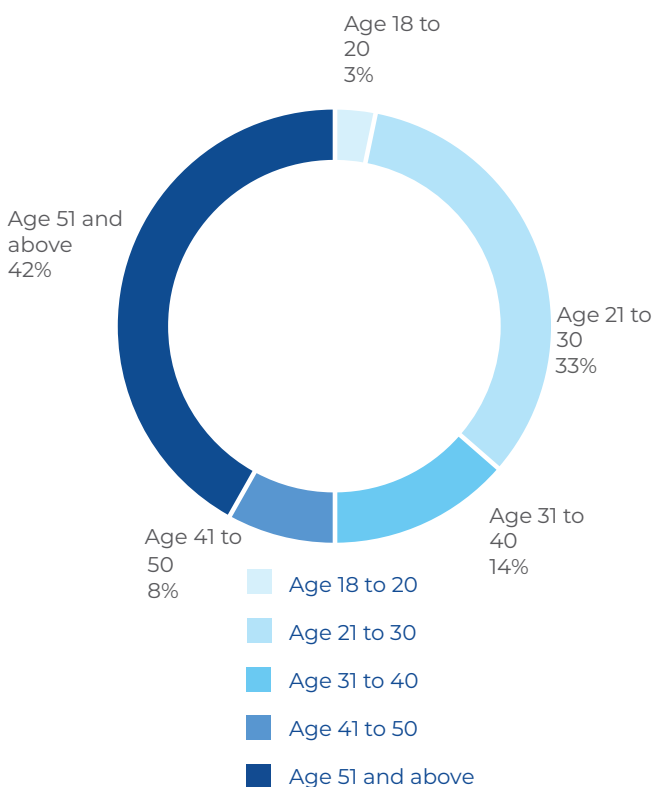


| AGE CATEGORY | KEY & SENIOR MANAGEMENT | MANAGERIAL | EXECUTIVES | NON - EXECUTIVES | TRAINEES | COUNT | % |
|------------------|-------------------------|------------|------------|------------------|----------|-------|------|
| AGE 21 TO 30 | - | 8 | 119 | 2 | 2 | 131 | 40% |
| AGE 31 TO 40 | 8 | 44 | 60 | 1 | - | 113 | 35% |
| AGE 41 TO 50 | 6 | 21 | 18 | 10 | 1 | 56 | 17% |
| AGE 51 AND ABOVE | 7 | 5 | 5 | 8 | - | 25 | 8% |
| GRAND TOTAL | 21 | 78 | 202 | 21 | 3 | 325 | 100% |

TALENT OPTIMIZATION

The success of our business depends on our ability to attract and retain talented and motivated individuals who make a significant contribution to the success of our organization. Therefore, we continue to recruit the right talented individuals from all over the country. We have set strict guidelines to ensure they possess the required knowledge, skills, and attitudes to implement the long – term strategy for our organization.

AGE WISE



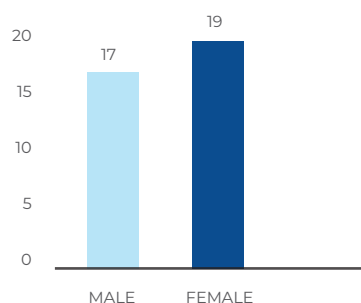
| AGE CATEGORY | MALE | FEMALE | % |
|------------------|------|--------|------|
| AGE 18 TO 20 | - | 1 | 3% |
| AGE 21 TO 30 | 3 | 9 | 33% |
| AGE 31 TO 40 | 2 | 3 | 14% |
| AGE 41 TO 50 | 2 | 1 | 8% |
| AGE 51 AND ABOVE | 10 | 5 | 42% |
| GRAND TOTAL | 17 | 19 | 100% |

Guided by our recruitment policy, we give priority to our internal members to fill vacancies that open up in the company. External recruitment is made if the vacancies cannot be filled internally or if the specialized skills which are not available in-house are needed. Every new recruit undergoes a comprehensive induction and orientation programme to absorb the AMF culture, values, policies and procedures.

| GENDER | COUNT | % |
|-------------|-------|------|
| MALE | 17 | 47% |
| FEMALE | 19 | 53% |
| GRAND TOTAL | 36 | 100% |

During the year, we recruited 36 employees of whom 53% were females. The total staff strength of the organization increased to 325 employees as at the end of the financial year of 2022/23.

GENDER WISE



Given below is the analysis of staff members based on the employment category.

| EMPLOYMENT CATEGORY | MALE | FEMALE | COUNT | % |
|-------------------------|------|--------|-------|------|
| KEY & SENIOR MANAGEMENT | 1 | 1 | 2 | 6% |
| MANAGERIAL | 2 | 4 | 6 | 17% |
| EXECUTIVES | 5 | 11 | 16 | 44% |
| NON - EXECUTIVES | 9 | 2 | 11 | 30% |
| TRAINEES | - | 1 | 1 | 3% |
| GRAND TOTAL | 17 | 19 | 36 | 100% |

LEARNING & DEVELOPMENT

We strive to encourage our staff to develop their skills alongside a rule of professionalism, consequently striving to build a competent workforce equipped to serve customers with care and precision through continuous application of personal and professional resilience-based programs.

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.

Our employees are trained on-the-job and through internally developed training programmes using our own resource personnel.

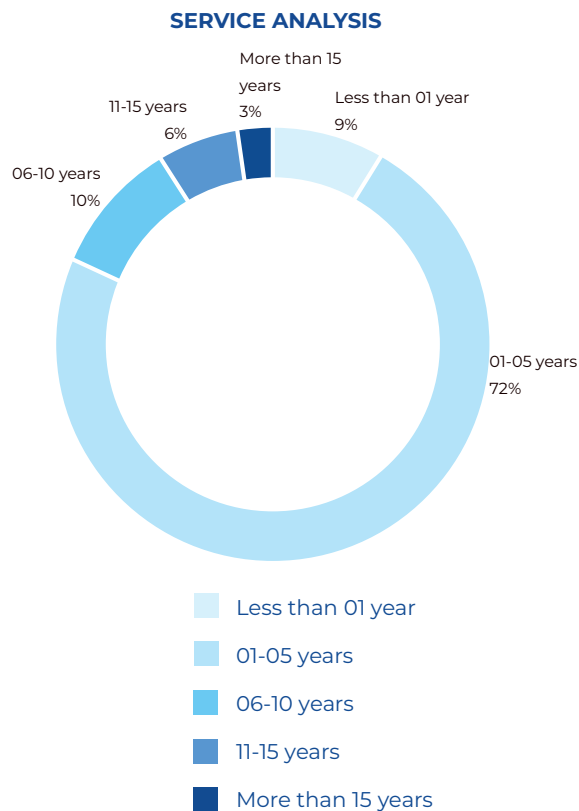
PERFORMANCE MANAGEMENT

We at Associated Motor Finance Co PLC has designed a performance management system that ensures the goals and objectives are met in an efficient and effective manner where it benefits the individual, the department and the company as a whole. Therefore, Associated Motor Finance Co PLC's 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. The result of the PMS will be used to design the training and development plan for the next financial year.

EMPLOYEE ENGAGEMENT & RETENTION

Creating a positive and favorable work culture begins with the retention of employees which is the key to the growth of the organization. Thus, we guarantee employee satisfaction and retention through effective strategies and activities.



COMPENSATION AND BENEFITS

The Company's remuneration policy is aimed towards attracting, retaining, and motivating our talent pool. The HR department conducts a formal/informal salary survey at regular intervals in order to gauge industry standards. The Company contributes 12% of employee gross salary to the Employee Provident Fund and 3% to the Employee Trust Fund. Benefits provided to staff include,

- Staff Insurance
- Staff loans
- Festival advances

EMPLOYEE WELFARE

The success of our business depends on our Human capital. Therefore, Associated Motor Finance Co PLC we believe that taking extra care of our members and their wellbeing is an ethical responsibility of AMF.

Associated Motor Finance Co PLC is committed to providing the following welfare facilities for our staff,

- Rest room facilities
- Medical insurance
- Funeral benefits

OCCUPATIONAL HEALTH AND SAFETY

The health, safety and welfare of our staff are another important focus. In compiling with the regulatory requirements all our visiting staff are covered through a personal accident cover and there is an insurance cover funded by the company that covers medical expenses, including surgical and hospitalization expenses, of the staff members. Well organized fire drills are conducted periodically at head office and branches to act promptly in an emergency, and we endeavor to create a zero-accident work environment within the organization.

REWARDS & RECOGNITION

Associated Motor Finance Co PLC ensures to evaluate the best talent through a performance management system which ensures that the best performers are offered a competitive remuneration and benefits package.

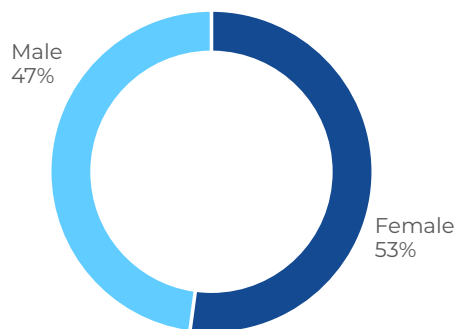
Our reward & recognition system recognizes members to increase productivity, job satisfaction, retention, loyalty and their well-being.

EMPLOYEE DIVERSITY

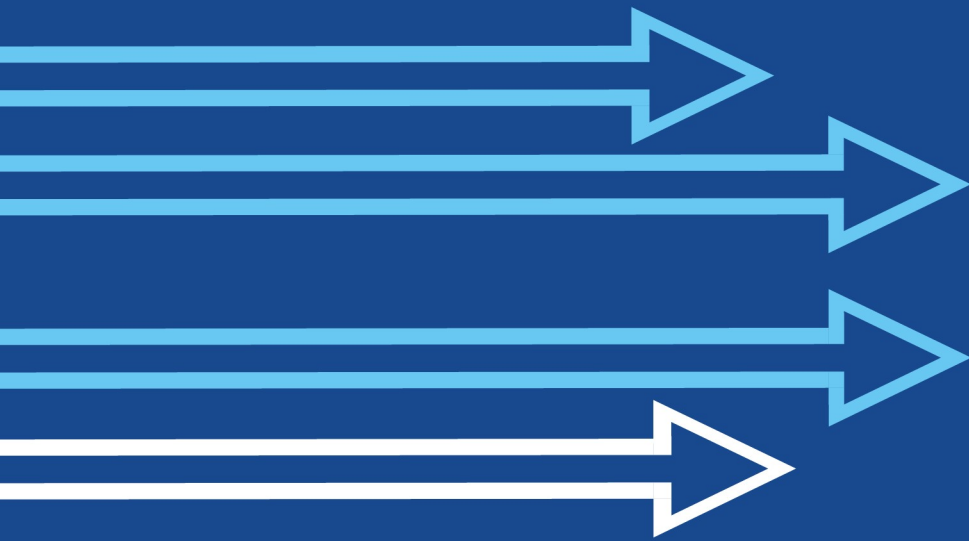
Associated Motor Finance Co PLC believes employee diversity is essential for the stability and enrichment of our human capital. Therefore, we nurture a workforce diverse in terms of gender, sexuality, age, religion, service period, educational background, and ethnicity.

During 2022/23 we have recruited 36 employees of whom 53% were females.

GENDER WISE



UNLEASHING THE POWER WITHIN



STEWARDSHIP

INTEGRATED RISK MANAGEMENT REPORT

RISK ENVIRONMENT

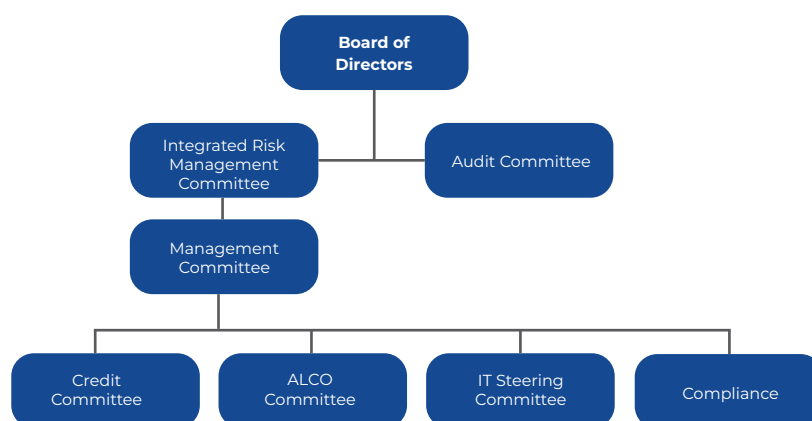
The critical issue in the year under review for the Company was Sri Lanka's deteriorating economic position, which contributed to the current economic crisis along with social unrest and political instability. The COVID-19 pandemic and the loss of access to international capital markets following the continuous downgrading of the sovereign credit rating by international rating agencies plunged the Country into a shortage of foreign currency reserves which led to a suspension of external debt servicing in April 2022. Lack of foreign reserves to pay for necessities such as fuel, gas and medicine has resulted in record-high rates of inflation and cost of living, a surge in domestic interest rates and rapid depreciation in the value of the currency, all of which have had an impact on the stability and sustainability across all industries and sectors and most significantly the financial service sector.

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. Therefore, it was critical for the Company to continuously monitor macroeconomic conditions and stringent government policies and regulations imposed and be proactive in risk management strategies that would enable the Company to be resilient amidst these challenging circumstances.

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.

BOARD OF DIRECTORS

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.

In other words, the Board

- Has the ultimate responsibility for the overall operational risk profile and operational risk framework.
- Establishes a risk culture, and has a strong understanding of the nature and scope of operational risk inherent in company strategies and activities.
- Approves operational risk policies and provides guidance to the management.
- Reviews and approves the risk appetite and is responsible for the implementation of sound risk governance principles.
- Ensures the operational risk framework is subject to regular independent review by audit or external parties.
- Ensures the operational risk framework remains relevant to changing market and other environmental factors, including risk arising from new products, activities, people and systems.

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, risk profiles and the risk appetite 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. The responsibilities of the IRMC as mandated by the Board of Directors are as follows:

- Assess all risks i.e. credit, market, liquidity, operational and strategic risk including business continuity plans of the Company through appropriate risk indicators and management information.
- Review the adequacy and effectiveness of all management level committees which are the Credit Committee, Asset-Liability Committee and IT Steering Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
- Take prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels, decided by the Board based on the Company's policies and regulatory and supervisor's requirements.
- Take appropriate action against the officers for failure to identify specific risks and take prompt corrective action as recommended by the Committee.
- Report and recommend to the Board of Directors on Risk Management and Compliance related matters seeking the Board's view, concurrence and /or specific directions.

- Consider, monitor and approve, as required, the Company's material strategies, frameworks, plans, policies, processes, models, limits and regulatory requirements in place to govern risk-taking that are consistent with the risk management strategy and the established risk appetite of the Company.
- Review any issues raised by External Auditors or Internal Audit that may materially impact the Company's risk management framework or the risk management.
- Oversee and review the outcomes of stress testing of the risk portfolio, including both scenario analysis and sensitivity analysis for the capital adequacy assessment process and liquidity adequacy assessment process.
- Oversee the management processes to ensure adherence to the Company's Risk Management Policy and Procedure.

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.

COMMITTEE RESPONSIBILITIES

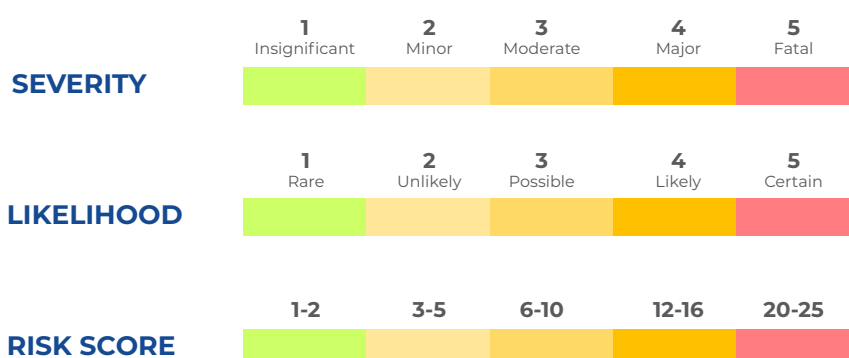
- The Audit Committee is set up primarily to assist the Board in carrying out its overall independent oversight functions in relation to the accuracy and integrity of the financial statements, internal control systems and compliance with Company policies, legal and regulatory requirements. This is done to safeguard the interests of shareholders, depositors and other stakeholders.
- The Committee is vested with the responsibility for supervision to ensure the effectiveness of the system of internal controls, financial reporting, risk management, compliance with laws, regulations and directions of the CBSL and other regulators, as well as the adequacy and effectiveness of the governance process of the company.
- The Committee shall exercise its independent oversight on internal and external assurance functions and ensure both internal and external auditors' independence, objectivity and the effectiveness of the audit process, taking into consideration relevant Sri Lankan professional and regulatory requirements.
- Reviewing of the internal audit reports and steps shall be taken liaising with the senior management of AMF to ensure that precautionary measures are taken to mitigate the risk that could arise due to reported control weaknesses, procedure violations, frauds and errors.
- The Committee is provided with sufficient resources to perform its duties including support, as necessary, from the Internal Audit Department, the external auditor, legal counsel and management in examining all matters relating to the Company's adopted accounting principles and practices, and in reviewing all material financial, operational and compliance controls.

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 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

The 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.

Key duties:

- Monitor and manage Assets & Liabilities and overall liquidity.
- Ensure adherence to the regulatory requirements.
- Develop and maintain a contingency funding plan.
- Review funding requirements and manage interest rate, market, liquidity and capital risks,

CREDIT COMMITTEE

The Credit Committee is responsible for the day-to-day management of credit risk. The committee is responsible for outlining the Company's overall credit policy. This includes establishing lending guidelines that are consistent with the credit risk appetite determined by the Board of Directors.

KEY DUTIES

- Monitors AMF's lending portfolio and oversees the management of asset quality and recovery actions.
- Reviews and monitors AMF's Non-Performing Advances (NPAs) above a predetermined threshold to initiate timely corrective actions to prevent or reduce credit losses to AMF.
- Periodically reviews and approves credit policies and procedures pertaining to the effective management of all credit portfolios within the lending strategy of AMF.

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.

KEY DUTIES:

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

RISK APPETITE

An integral component of the overall strategy formulation process, the company's Risk Appetite provides measurable targets and tolerance thresholds across all material risk categories. This creates a framework where optimal growth options can be evaluated alongside the risks involved to drive sustainable performance.

The main aim of setting a Risk Appetite is to ensure that risks are proactively managed as per the Board approved tolerance limits for each material risk category. Risk Appetite tolerance levels are set at different trigger levels, with clearly defined escalation requirements, which enable appropriate actions to be defined and implemented as required. In cases where the tolerance levels are breached, it is the responsibility of the Compliance Officer, Finance Department & Strategic Planning Unit to bring them to the attention of the Management and respective Board Sub Committees, and the Board for necessary action.

The IRMC is tasked with reviewing and approving the Risk Appetite on a continuous basis, to ensure alignment with the strategy, business environment and stakeholder requirements. Any amendments to Risk Appetite are arrived at through discussions between Business Line Heads, the relevant Board Sub Committees and the Strategic Planning Unit, Head of Finance & Compliance Officer and are thereafter recommended for approval by the Board.

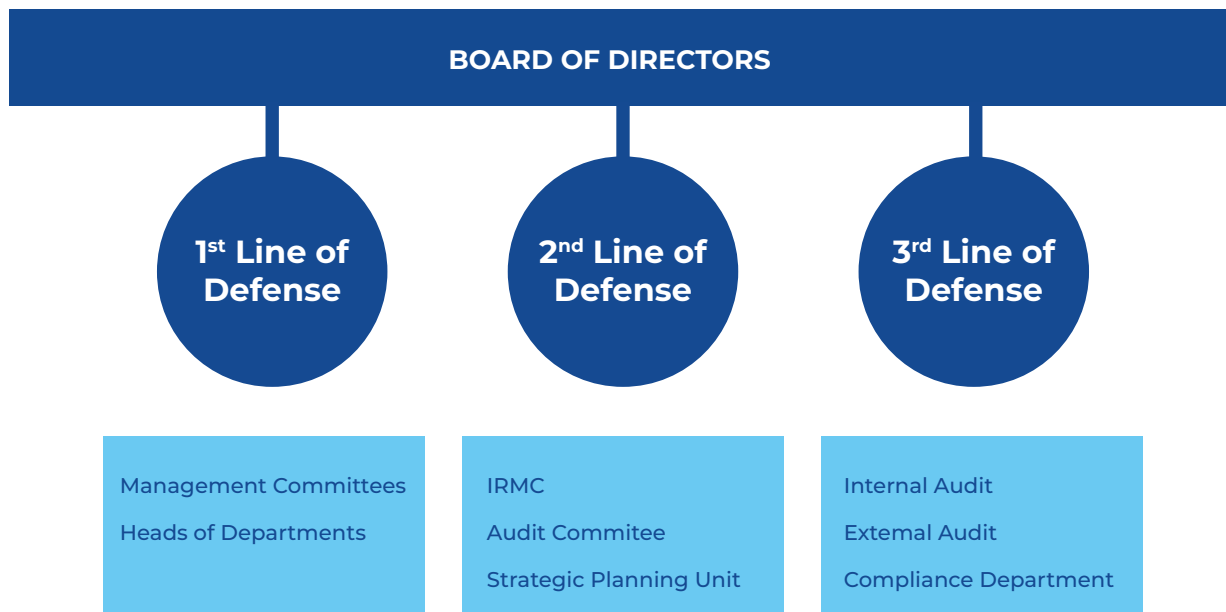
The IRMC along with the Strategic Planning Unit has set the below risk indicators for the year under review. The tolerance limits of each of these indicators are updated as and when required.

RISK APPETITE STATEMENT

| NO. | RISK INDICATORS |
|------------|--|
| 1.0 | Credit Risk |
| 1.1 | Gross NPL Ratio |
| 1.2 | Provision Coverage |
| 2.0 | Liquidity Risk |
| 2.1 | Liquid Assets to Total Assets Ratio |
| 3.0 | Market Risk |
| 3.1 | Maximum WACC on Fixed Deposits |
| 3.2 | Minimum Internal Rate of Return |
| 4.0 | Operational Risk |
| 4.1 | Minimum Lending Volume per month |
| 4.2 | Minimum Collection to meet Fixed Commitments |
| 4.3 | Fixed Deposits Renewal Ratio |
| 5.0 | Regulatory Risk |
| 5.1 | Core capital |
| 5.2 | Tier I Ratio |
| 5.3 | Tier II Ratio |

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.



1ST LINE OF DEFENSE

DAY-TO-DAY MANAGEMENT OF RISKS

- First and direct responsibility for the assessment and control of the Company's risks.
- Embeds Risk Management Framework and sound risk management practices into standard operating procedures.
- Monitors risk management performance in operation.
- Accountable for effectiveness of risk management in operation.

The first line of defense comprises of business units, departments and Management Committees. The primary responsibility for risk management in the day-to-day operations of the business is borne by the business units. They operate under the supervision of the Management Committees appointed for specific purposes, which are the ALCO, Credit Committee and IT Steering Committee.

2ND LINE OF DEFENSE

OVERSIGHT OF RISK POLICIES AND FRAMEWORK

- Developing and implementing the framework & management policies, defining roles and responsibilities, and setting goals for implementation.
- Identifying shifts in the company's implicit risk appetite.
- Assisting management in developing processes and controls to manage risks and issues.

Two Board appointed Sub Committees (Integrated Risk Management Committee and the Board Audit Committee) along with the Strategic Planning Unit form the second line of defense. The Strategic Planning Unit provides an independent oversight function and 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.

3RD LINE OF DEFENSE

INDEPENDENT REVIEW AND ASSURANCE

- Reviews effectiveness of risk management
- Confirms level of compliance
- Recommends improvements and enforces corrective actions where necessary

The third line of defense which comprises the Internal Audit Department, the Compliance Department and the External Auditors, periodically review the adequacy of the Company's risk management infrastructure, the level of compliance with policies and standards and the completeness and reliability of the risk assessment and reporting process. They are also collectively responsible for providing assurance regarding the efficacy of AMF's overall risk control and management process.

KEY RISKS CATEGORIES AND MITIGATION STRATEGIES

The Company is exposed to risks that have the potential to impact on 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

| Controllable Risks | Uncontrollable Risks |
|--------------------|----------------------|
| Credit Risk | Macro Economic Risk |
| Liquidity Risk | Regulatory Risk |
| Market Risk | Social Risk |
| Strategic Risk | Political Risk |
| Operational Risk | Environmental Risk |
| Business Risk | Unforeseen Risks |
| Reputational Risk | |
| Compliance Risk | |

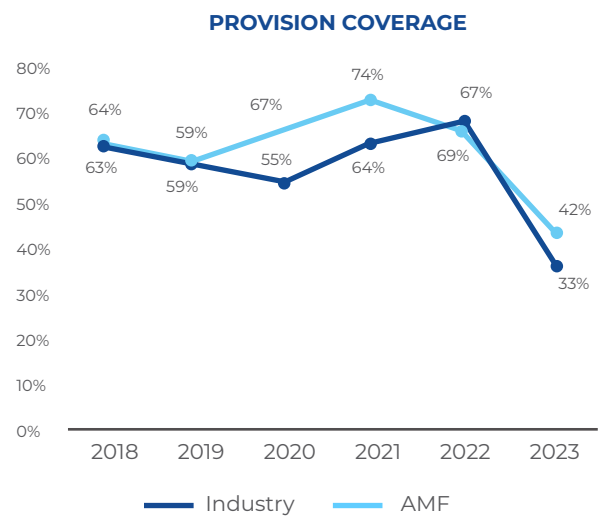
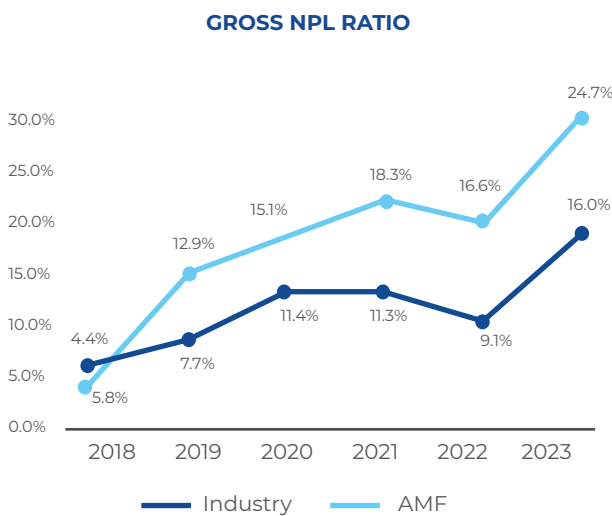
1. CREDIT RISK

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 is composed of counterparty risk, concentration risk and settlement risk. 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. At AMF, the credit risk is applicable for leases, hire purchases and loan receivables, which in effect account for a major percentage of the total assets.

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 62 percent of the Company's total assets are subject to the default risk.

Key Risk Indicators

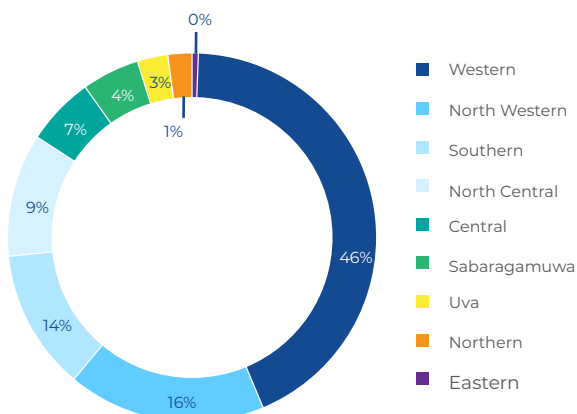


CONCENTRATION RISK

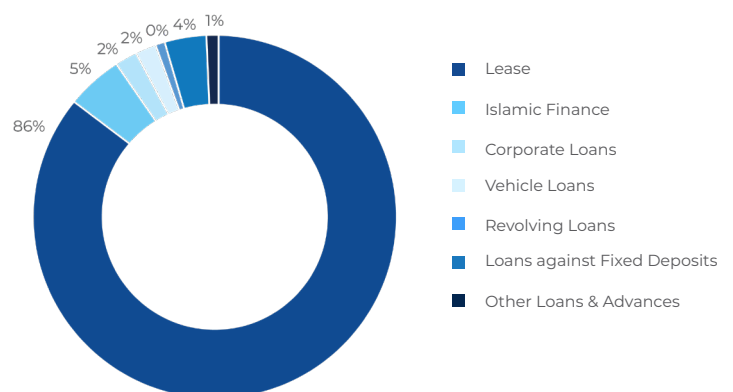
Concentration risk refers to the possibility of an unequal distribution of the Company's loans and advances to customers, products or geographical areas. This results from the product portfolio's insufficient level of diversification.

Key Risk Indicators

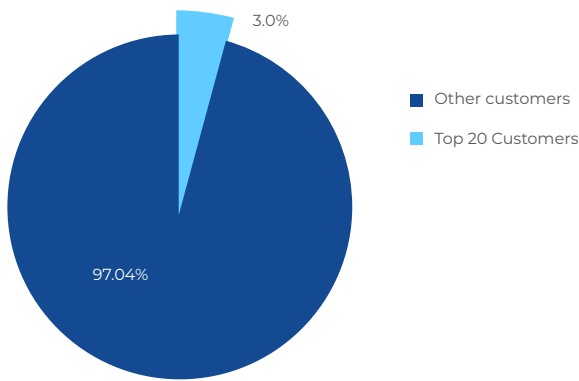
GEOGRAPHICAL CONCENTRATION



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 the Strategic Planning Unit.

RISK MINIMIZATION STRATEGIES

Areas to be focused on 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 | Post-disbursement |
|--|--|
| <ul style="list-style-type: none"> ■ Stringent credit appraisal and pre-credit sanctioning ■ Well defined credit criteria ■ Delegated approval authority at multiple levels | <ul style="list-style-type: none"> ■ 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. The finance department and the Strategic Planning Unit continuously evaluate and review the interest rates, market information and report for necessary policy decisions to mitigate the related market risks. 86 percent of AMF's lending portfolio is made up of the 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 the processes and systems of the Company and improve reliability and effectiveness of business operations.

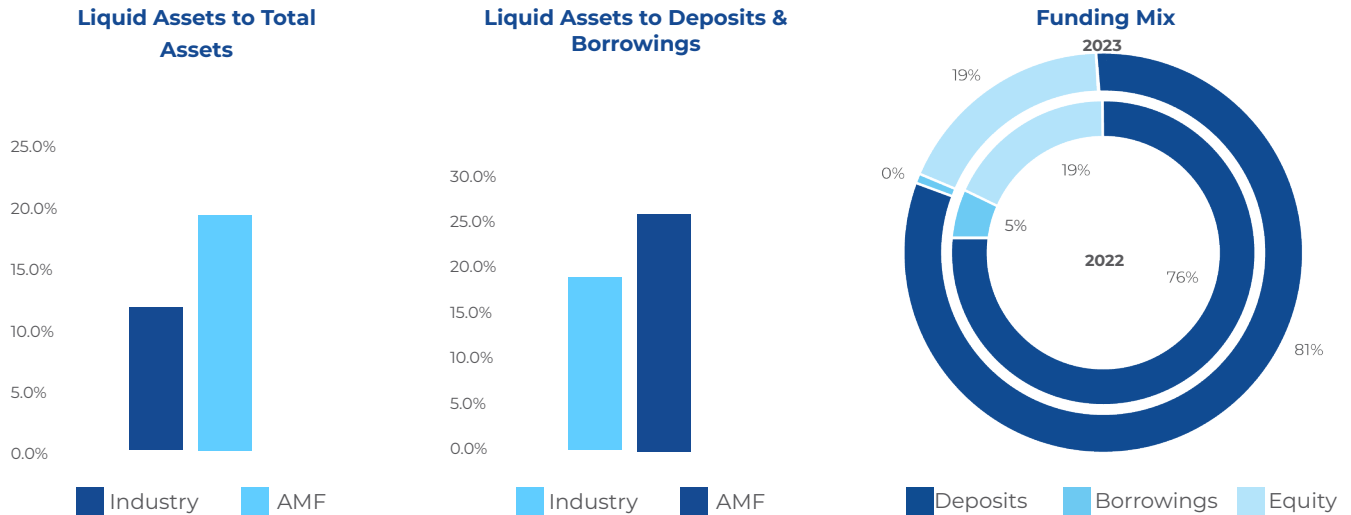
RISK MINIMIZATION STRATEGIES

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 the adequacy and effectiveness of internal controls and reports independently to the Audit Committee for necessary actions. The department's reports are reviewed and discussed, and recommendations are implemented. Proper training sessions for staff members are provided to train them in compliance with the 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 on materially disadvantageous terms. The objective of liquidity risk management is to ensure proper management of the liquidity position in the Company and to raise funds at the lowest possible cost.

KEY RISK INDICATORS



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 the 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 with 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 of 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 the 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 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 reviews 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 on, 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 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 the shareholders and 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 the 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 DIRECTIONS NO 05 OF 2021 ON CORPORATE GOVERNANCE FOR LICENSED FINANCE COMPANIES IN SRI LANKA.

(Subject to the transitional provisions stated in the above Direction, Finance Companies (Corporate Governance) Direction No. 03 of 2008 will be applicable)

| Section No | Description | Compliance Status |
|---|---|-------------------|
| 01. Board's overall responsibilities | 1.1 The board shall assume overall responsibility and accountability for the operations of the Finance Company(FC),by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, effectively discharging its responsibilities. | Complied |
| | <p>1.2 Business Strategy and Governance Framework</p> <p>a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next 3 years and update it annually in view of the development in the business environment.</p> <p>b) Approving and implementing FC's governance framework commensurate with FC's size, complexity, business strategy and regulatory requirements.</p> <p>c) Assessing the effectiveness of its governance framework periodically</p> <p>d) Appointing chairperson and the CEO and define the roles and responsibilities.</p> | Complied |
| | <p>1.3) Corporate culture and values</p> <p>a) Ensuring that there is a sound corporate culture within the FC which reinforces ethical, prudent and professional behaviour.</p> <p>b) Playing a lead role in establishing the FC's corporate culture and values including developing a code of conduct and managing conflicts of interest.</p> <p>c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.</p> <p>d) approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.</p> | Complied |

| Section No | Description | Compliance Status |
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| | <p>1.4) Risk Appetite, Risk Management and internal controls</p> <p>a) Establishing and reviewing the Risk Appetite statement (RAS) in line with FC's business strategy and governance framework .</p> <p>b) Ensuring the implementation of appropriate system and controls to identify, mitigate and manage risks prudently.</p> <p>c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information system periodically.</p> <p>d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength and preserve critical operations and services under unforeseen circumstances.</p> | Complied |
| | <p>1.5) Board Commitment and competency</p> <p>a) All members of the Board shall devote sufficient time on dealing with the matters relating to affaires of the FC.</p> <p>b) All members of the board shall possess necessary qualifications adequate skills knowledge and experience.</p> <p>c) The board shall regulary review and agree the training and development needs of all the members.</p> <p>d) The Boards shall adopt a scheme of self- assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.</p> <p>e) The Board shall resolve to obtain external independent professional advice to the Board to the discharge duties to the FC.</p> | Complied |
| | <p>1.6) Oversight of Senior Management</p> <p>a) Identifying and designating senior management, who are in position to significantly influence policy, direct activities and exercise control over business operations and Risk Management.</p> <p>b) Defining the areas of authority and key responsibilities for the senior management.</p> <p>c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.</p> <p>d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management.</p> | Complied |

| Section No | Description | Compliance Status |
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| | <p>e) Ensuring the FC has an appropriate succession plan for senior management</p> <p>f) meeting regularly with the senior management to review policies, establish lines of communication and monitor towards strategic objectives.</p> | |
| | <p>1.7) Adherence to the Existing Legal Framework</p> <p>a) Ensuring that FC does not at in manner that is detrimental to the interests of and obligations to depositors,shareholders and other stakeholders.a</p> <p>b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, direction and ethical standard.</p> <p>c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failiur to discharge the duties diligently.</p> | Complied |
| 2 Governance Framework | <p>2.1 Board shall develop and implement a governance framework in line with these directions.</p> <p>a) role and responsibilities of the Board</p> <p>b) matters assigned for the Board.</p> <p>c) delegation of authority.</p> <p>d) composition of the Board.</p> <p>e) the Board’s independence.</p> <p>f) the nomination, election and appointment of directors and appointment of senior management.</p> <p>g) the management of conflicts of interests</p> <p>h) access to information and obtaining independent advice.</p> <p>i) capacity building of Board members.</p> <p>j) the Board’s performance evaluation.</p> <p>k) role and responsibilities of the chairperson and the CEO.</p> <p>l) role of the company secretary.</p> <p>m) Board sub committees and their role; and</p> <p>n) limits on related party transactions.</p> | Complied |

| Section No | Description | Compliance Status |
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| 3 Composition of the Board | 3.1 The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC. | Complied |
| | 3.2 The number of directors on the Board shall not be less than seven (7) and not more than thirteen (13). | Complied |
| | 3.3 The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4. | Complied |
| | 3.4 Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth(¼) of the total number of directors of the Board. | Complied |
| | 3.5 Executive Directors | |
| | b) A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. | Complied |
| | c) In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC. | Complied |
| | d) All Executive directors shall have a functional reporting line in the organization structure of the FC. | Complied |
| | e) The executive directors are required to report to the Board through CEO. | Complied |
| | f) Executive directors shall refrain from holding executive directorships or senior management positions in any other entity. | Complied |

| Section No | Description | Compliance Status |
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| | <p>3.6 Non-Executive Directors</p> <p>a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.</p> <p>b) A non-executive director cannot be appointed or function as the CEO/executive director of the FC.</p> | <p>Complied</p> <p>Complied</p> |
| | <p>3.7 Independent Directors</p> <p>This section currently in compliance with the Section 4 of the Finance Companies (Corporate Governance) Direction No 03 of 2008.</p> | <p>Complied</p> |
| | <p>3.8. Alternate Directors</p> <p>a) Representation through an alternate director is allowed only;</p> <p>i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and</p> <p>ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.</p> <p>b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.</p> <p>c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.</p> <p>d) An alternate director cannot be appointed to represent an executive director.</p> | <p>NA</p> |
| | <p>3.9. Cooling off Periods</p> <p>a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.</p> <p>b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non independent under the provisions of this Direction.</p> | <p>Not applicable</p> <p>Complied</p> |

| Section No | Description | Compliance Status |
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| | <p>3.10. Common Directorships</p> <p>Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).</p> | Not Applicable AMF does not hold common directorship |
| | <p>3.11. The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.</p> | Complied |
| <p>4 Assessment of the fitness and propriety criteria</p> | <p>4.1 No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.</p> <p>4.2 A person over the age of 70 years shall not serve as a director of a FC.</p> <p>4.3 Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following,</p> <p>a) Assessment by the Director/Department of Supervision of NonBank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.</p> <p>b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).</p> <p>c) The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.</p> <p>d) The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.</p> | Complied Complied Complied |
| <p>5 Appointment and resignation of directors and senior management</p> | <p>The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.</p> | Complied |

| Section No | Description | Compliance Status |
|---|--|-------------------|
| 6. The Chairperson and the CEO | <p>6.1. There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.</p> | Complied |
| | <p>6.2. The chairperson shall be an independent director, subject to 6.3 below.</p> | Complied |
| | <p>6.3. In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non executive directors including senior director shall assess the chairperson's performance at least annually.</p> | NA |
| | <p>6.4. Responsibilities of the Chairperson</p> | |
| | <p>The responsibilities of the chairperson shall at least include the following:</p> <ul style="list-style-type: none"> a) Provide leadership to the Board. b) Maintain and ensure a balance of power between executive and non-executive directors. c) Secure effective participation of both executive and non-executive directors. d) Ensure the Board works effectively and discharges its responsibilities. e) Ensure all key issues are discussed by the Board in a timely manner. f) Implement decisions/directions of the regulator. g) Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary. h) Not engage in activities involving direct supervision of senior management or any other day to day operational activities. i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. j) Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO. | Complied |
| <p>6.5 Responsibilities of the CEO</p> | | |
| <p>The CEO shall function as the apex executive-in-charge of the day-to-day management of the FC's operations and business.</p> | Complied | |

| Section No | Description | Compliance Status |
|------------|---|-------------------|
| | <p>a) Implementing business and risk strategies in order to achieve the FC's strategic objectives.</p> <p>b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions.</p> <p>c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.</p> <p>d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator.</p> <p>e) Strengthening the regulatory and supervisory compliance framework.</p> <p>f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.</p> <p>g) CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.</p> | |

| Section No | Description | Compliance Status |
|--------------------------------|--|-------------------|
| 7.Meetings of the Board | 7.1 The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board’s consent through the circulation of papers to be avoided as much as possible. | Complied |
| | 7.2. The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings. | Complied |
| | 7.3. A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given. | Complied |
| | 7.4. A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions. | Complied |
| | 7.5 A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth(¼) of the number of directors that constitute the quorum at such meeting are independent directors. | Complied |
| | 7.6. The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year. | Complied |
| | 7.7. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting. | Complied |
| | 7.8. A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors’ meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors. | Complied |
| | 7.9. Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable. | Complied |

| Section No | Description | Compliance Status |
|---|--|-------------------|
| 8.Company Secretary | <p>8.1 a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.</p> | Complied |
| | <p>8.2. All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.</p> | Complied |
| | <p>8.3. The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.</p> | Complied |
| | <p>8.4. The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/ video recordings for a minimum period of 6 years.</p> | Complied |
| | <p>8.5. The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.</p> | Complied |
| | <p>8.6. Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.</p> | Complied |
| | <p>8.7 The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.</p> | Complied |
| 9.Delegation of Functions by the Board | <p>9.1. The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.</p> | Complied |
| | <p>9.2. In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.</p> | Complied |

| Section No | Description | Compliance Status |
|-------------------------------------|---|---|
| | <p>9.3. The Board may establish appropriate senior management level sub committees with appropriate DA to assist in Board decisions.</p> <p>9.4. The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.</p> <p>9.5. The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> |
| 10. Board sub Committee | Subject to the transitional provision section 8 of Finance Companies (Corporate Governance) Direction No.3 of 2008 will be applicable. | |
| 8 Board Appointed Committees | <p>8.2 Audit Committee</p> <p>The following shall apply in relation to the Audit Committee:</p> <p>a) The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.</p> <p>b) The Board members appointed to the committee shall be non-executive directors.</p> <p>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.</p> <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> <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.</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> |

| Section No | Description | Compliance Status |
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| | <p>in relation to the provision of non-audit services, the committee shall consider:</p> <p>(i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services;</p> <p>(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</p> <p>(iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor.</p> <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> <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> <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> <p>i) The committee shall review the external auditor's management letter and the management's response thereto.</p> <p>j) The committee shall take the following steps with regard to the internal audit function of the finance company:</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> |

| Section No | Description | Compliance Status |
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| | (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; | Complied |
| | (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; | Complied |
| | (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; | Complied |
| | (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; | Complied |
| | (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; | Complied |
| | (vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care; | Complied |
| | k) The committee shall consider the major findings of internal investigations and management's responses thereto; | Complied |
| | l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present. | Complied |
| | m) The committee shall have: <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 |
| | n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. | Complied |

| Section No | Description | Compliance Status |
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| | <p>o) The Board shall, in the Annual Report, disclose in an informative way,</p> <ul style="list-style-type: none"> (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings. <p>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> <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> | <p>Complied</p> <p>Complied</p> <p>Complied</p> |
| | <p>8.3 Integrated Risk Management Committee</p> <p>The following shall apply in relation to the Integrated Risk Management Committee:</p> <ul style="list-style-type: none"> 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. 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. 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. 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> <p>Complied</p> <p>Complied</p> <p>Complied</p> |

| Section No | Description | Compliance Status |
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| | <p>e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.</p> <p>f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.</p> <p>g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.</p> <p>h) The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> |
| <p>11. Internal Controls</p> | <p>11.1. FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.</p> <p>11.2 A proper internal control system shall:</p> <p>(a) promote effective and efficient operations;</p> <p>(b) provide reliable financial information;</p> <p>(c) safeguard assets;</p> <p>(d) minimize the operating risk of losses from irregularities, fraud and errors;</p> <p>(e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.</p> <p>11.3. All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> |
| <p>12. Related Party Transactions</p> | <p>This section currently in compliance with Section 9 of the Finance Companies (Corporate Governance) Direction No 03 of 2008</p> <p>Board shall establish a policy and procedures for related party transactions, which covers the following.</p> <p>a) All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors.</p> | <p>Complied</p> <p>Complied</p> |

| Section No | Description | Compliance Status |
|------------|---|-------------------|
| | <p>b) All related party transactions shall be prior reviewed and recommended by the RPTRC.</p> <p>c) The business transactions with a related party that are covered in this Direction shall be the following:</p> <p>i. Granting accommodation.</p> <p>ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable.</p> <p>iii. Providing financial or non-financial services to the FC or obtaining those services from the FC.</p> <p>iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.</p> | Complied |
| | <p>12.2 The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.</p> <p>a) Directors and senior management.</p> <p>b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC.</p> <p>c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa.</p> <p>d) Directors and senior management of legal persons in paragraph (b) or (c).</p> <p>e) Relatives of a natural person described in paragraph (a), (b) or (d).</p> <p>f) Any concern in which any of the FC’s directors, senior management or a relative of any of the FC’s director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.</p> | Complied |
| | <p>12.3 The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favorable treatment” shall mean:</p> | Complied |

| Section No | Description | Compliance Status |
|-------------------------------|---|---|
| | <p>a) Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee.</p> <p>b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty.</p> <p>c) Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties.</p> <p>d) Providing or obtaining services to or from a related party without a proper evaluation procedure; or</p> <p>e) Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.</p> | |
| 13 Group Governance | <p>13.1. Responsibilities of the FC as a Holding Company</p> <p>a) The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.</p> | NA |
| 14 Corporate Culture | <p>14.1. A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.</p> <p>14.2. The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.</p> <p>14.3. A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> |
| 15. Conflicts Interest | <p>15.1. a) Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director has substantial interest, is interested and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.</p> | Complied |
| 16. Disclosures | <p>16.1. The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.</p> | Complied |

| Section No | Description | Compliance Status |
|------------|---|---|
| | <p>The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.</p> <p>i. Financial statements</p> <p>In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,</p> <ul style="list-style-type: none"> ■ A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. ■ A statement of responsibility of the Board in preparation and presentation of financial statements. <p>ii. Chairperson, CEO and Board related disclosures</p> <ul style="list-style-type: none"> ■ Name, qualification and a brief profile. ■ Whether executive, non-executive and/or independent director. ■ Details of the director who is serving as the senior director, if any. ■ The nature of expertise in relevant functional areas. ■ Relatives and/or any business transaction. ■ Relationships with other directors of the company. ■ Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity. ■ Number/percentage of board meetings of the FC attended during the year; and ■ Names of board committees in which the director serves as the Chairperson or a member. <p>iii. Appraisal of board performance</p> <ul style="list-style-type: none"> ■ An overview of how the performance evaluations of the Board and its committees have been conducted. <p>iv. Remuneration</p> <ul style="list-style-type: none"> ■ A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration. (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) ■ The aggregate values of remuneration paid by the FC to its directors and senior management. | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> |

| Section No | Description | Compliance Status |
|------------|---|---|
| | <p>v. Related party transactions</p> <ul style="list-style-type: none"> ■ The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. ■ Total net accommodation granted 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 FC's core capital. ■ The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC. <p>vi. Board appointed committees</p> <ul style="list-style-type: none"> ■ The details of the chairperson and members of the board committees and attendance at such meetings. <p>vi. Group Structure</p> <p>viii. Director's report</p> <p>A report, which shall contain the following declarations by the Board:</p> <ul style="list-style-type: none"> ■ The FC has not engaged in any activity, which contravenes laws and regulations. ■ The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. ■ The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. ■ The business is a going concern with supporting assumptions; and ■ The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness. <p>ix. Statement on Internal Control</p> <ul style="list-style-type: none"> ■ A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. | <p>Complied</p> <p>Complied</p> <p>NA</p> <p>Complied</p> <p>Complied</p> |

| Section No | Description | Compliance Status |
|------------|---|---|
| | <ul style="list-style-type: none"> ■ The external auditor’s assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. ■ A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. ■ A statement of the regulatory and supervisory concerns on lapses in the FC’s risk management, or non-compliance with the Act, and rules and directions. <p>x. Corporate governance report</p> <ul style="list-style-type: none"> ■ Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor’s assurance statement of the compliance with the Corporate Governance Direction. <p>Xi. Code of Conduct</p> <ul style="list-style-type: none"> ■ FC’s code of business conduct and ethics for directors, senior management and employees. ■ The Chairperson shall certify that the company has no violations of any of the provisions of this code. <p>xii. Management report</p> <ul style="list-style-type: none"> ■ Industry structure and developments ■ Opportunities and threats ■ Risks and concerns ■ Sustainable finance activities carried out by the company ■ Prospects for the future <p>xiii. Communication with shareholders</p> <ul style="list-style-type: none"> ■ The policy and methodology for communication with shareholders. ■ The contact person for such communication. | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> |

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 | Compliance Status |
|------------|---|--|
| 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.100. | 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.100. | 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.194. | Complied |
| 7.6 (iv) | The public holding percentage. Refer Share Information of Annexures on page No.194. | 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.194. | Complied |
| 7.6 (vi) | Information pertaining to material foreseeable risk factors. Refer Report of the Integrated Risk Management Committee on page No.94. | 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 2022/23 |

| Section No | Description | Compliance Status |
|------------|--|--|
| 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.160. | Complied |
| 7.6 (ix) | Number of shares representing the stated capital as at the end of the financial year. Refer notes to the Financial Statements on page No.177-178 | Complied |
| 7.6 (x) | 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. Refer Share Information of Annexures on page No.194. | Complied |
| 7.6 (xi) | Ratios and market price information on : 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) 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 No.100 | Complied |
| 7.6 (xii) | Significant changes in the company's or its subsidiaries' fixed assets and the market value of land. If the value differs substantially from the book value as at the end of the year. Refer notes to the financial statements on page No.167. | Complied |
| 7.6 (xiii) | Details of funds raised through a public issue, rights issue and a private placement during the year. | No public/ rights issue for the FY 22/23 |
| 7.6 (xiv) | Information in respect of Employee Share Ownership or Stock Option Schemes. | The company does not have any Employee share ownership or Stock Option Schemes at present. |

| Section No | Description | Compliance Status |
|------------|---|--------------------------------|
| 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. 181-182 |

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 | Compliance Status |
|------------|---|-------------------|
| 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. | Complied |
| 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 determine 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 | Compliance Status |
|------------|--|-------------------|
| 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.89.</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.91.</p> | Complied |

COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017 ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

| Section No | Description | Compliance Status |
|--------------|--|-------------------|
| A | THE BOARD | Adopted |
| 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 2022/2023 is mentioned on page No.102. | Adopted |
| A.1.2 | <p>The Board's role and responsibilities</p> <p>The Board as a whole is responsible for,</p> <ul style="list-style-type: none"> ■ Formulation and implementation of a sound business strategy ■ Appointing the chair and the senior independent director if relevant ■ 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 ■ Approving budgets and major capital expenditure ■ Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation. ■ 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 a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company. ■ Fulfilling other Board functions as are vital given the scale, nature and complexity of the business concerned. | Adopted |

| Section No | Description | Compliance Status |
|------------|---|-------------------|
| 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 |
| A.1.4 | <p>The Board members have access to advice the Company Secretary on Corporate services.</p> <p>The Company Secretary provides corporate services to the company. The Board has access to advice 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>One third of directors can call for resolution to be presented to the board.</p> | Adopted |
| A.1.8 | <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 recognize the need for continuous training and an expansion of the knowledge and skills required to effectively perform his duties as a director.</p> | Adopted |

| Section No | Description | Compliance Status |
|------------|--|-------------------|
| 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 |
| 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> <ol style="list-style-type: none"> 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. 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. | Adopted |

| Section No | Description | Compliance Status |
|---------------|--|-------------------|
| 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 |
| A.5.3 & A.5.4 | <p>Evaluation of independence of Non-Executive Directors</p> <p>The Independent Non-Executive Directors are complied with the applicable rules and regulations, and they annually submit declarations on their independency.</p> | Adopted |
| A.5.5 | <p>Determination of independence of Non-Executive Directors</p> <p>The disclosure is made on the independence status of the Directors on page No.101.</p> | Adopted |
| A.5.6 | <p>Appointment of Alternative Directors</p> <p>No alternative Director was appointed during the year of 2022/23.</p> | Adopted |
| A.5.7 & A.5.8 | <p>Senior Independent Director</p> <p>Situation has not arisen.</p> | Adopted |
| A.5.9 | <p>Meeting with Non-Executive Directors</p> <p>The Chairman holds meetings with Non-Executive Directors on an annual basis.</p> | Adopted |
| A.5.10 | <p>Recording of concerns about the matters of the company which cannot be unanimously resolved.</p> <p>Concerns raised by the Directors are recorded in the minutes and there were no such instances which the Directors could not unanimously resolve.</p> | Adopted |

| Section No | Description | Compliance Status |
|---------------|--|-------------------|
| A.6 | <p>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.</p> | Adopted |
| A.6.1 | <p>Providing adequate information to the Board The Management provides adequate information to the Board within the stipulated time period.</p> | Adopted |
| A.6.2 | <p>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.</p> | Adopted |
| A.7 | <p>Appointment to the Board There should be a formal and transparent procedure for the appointment of new Directors to the Board.</p> | Adopted |
| A.7.1 & A.7.2 | <p>Establishment of the Nomination Committee The Company has formed a Nomination Committee and the report of the Nomination Committee is presented on page No. 98</p> | Adopted |
| A.7.3 | <p>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.</p> | Adopted |
| A.8 | <p>Re-Election All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.</p> | Adopted |
| A.8.1 | <p>Appointment of Non-Executive Directors The requirement is specified in the Articles of Association of the company.</p> | Adopted |
| A.8.2 | <p>Re-Election by the Shareholders The requirement is specified in the Articles of Association of the company.</p> | Adopted |
| A.8.3 | <p>Resignation In the event of a resignation of a director prior to completion of his appointed term, the director should provide a written communication to the board of his reason for his resignation.</p> | Adopted |
| A.9 | <p>Appraisal of Board Performance Board members should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.</p> | Adopted |

| Section No | Description | Compliance Status |
|---------------------------------------|---|-------------------|
| A.9.1, A.9.2,A.9.3 & 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. 101. | 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 |
| B | DIRECTORS' REMUNERATION | |
| 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.89. | Adopted |

| Section No | Description | Compliance Status |
|----------------|--|-------------------|
| B.1.4 | <p>Remuneration of Non-Executive Directors</p> <p>The Board as a whole determines the remuneration of Non-Executive Directors, and they receive a fee for attending Board and subcommittee meetings.</p> | Adopted |
| B.1.5 | <p>Access to professional advice</p> <p>The Committee is empowered to seek professional advice inside and outside the Company as and when it is deemed necessary.</p> | Adopted |
| B.2 | <p>The Level and Makeup of Remuneration</p> <p>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.</p> | Adopted |
| B.2.1 to B.2.9 | <p>The level and make up of Remuneration of the Executive Directors</p> <p>The committee considers the following when determining the remuneration,</p> <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 | <p>Level of remuneration for Non-Executive Directors</p> <p>The remuneration for the Non-Executive Directors is paid according to the time commitment, responsibilities of their role and market practices.</p> | Adopted |
| B.3 | <p>Disclosure of Remuneration</p> <p>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</p> <p>The pertinent disclosures are made on page Nos. 130 and 181.</p> | Adopted |
| C | <p>RELATIONS WITH SHAREHOLDERS</p> | |
| C.1 | <p>Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings.</p> <p>Board should use the AGM to communicate with shareholders and should encourage their participation.</p> | Adopted |
| C.1.1 | <p>Notice of the AGM</p> <p>Company should arrange for the notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.</p> | Adopted |

| Section No | Description | Compliance Status |
|----------------------------|---|-------------------|
| C.1.2 & C.1.3 | <p>Use of proxy votes</p> <p>The Company has recorded all proxy votes for each resolution prior to the AGM.</p> | Adopted |
| C.1.4 & C.1.5 | <p>Availability of subcommittee Chairmen at the AGM</p> <p>The Chairmen of the sub committees are present at the AGM to answer questions by shareholders.</p> | Adopted |
| C.2 | <p>Circulation of AGM Notice and pertinent documents</p> <p>Company circulates the AGM Notice and a summary of the procedures within a stipulated time period.</p> | Adopted |
| C.2.1 to C.2.7 | <p>Communication with Shareholders</p> <p>The Board should implement effective communication with shareholders.</p> | Adopted |
| C.3 C.3.1 | <p>Communication with Shareholders</p> <p>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> | Adopted |
| C.3.2 | <p>The Company Secretary maintains records of all correspondence received from shareholders and directs the same to appropriate channels for resolution.</p> | Adopted |
| | <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 |
| | <p>Major Transactions</p> <p>The company did not engage in any major transactions during the period of 2022/2023 as defined by Section 185 of the Companies Act No.07 of 2007.</p> | Adopted |
| | <p>Disclosures Requirement</p> <p>Public listed companies should in addition comply with disclosure requirements and shareholder approval by special resolution.</p> | Adopted |

| Section No | Description | Compliance Status |
|--------------------------|---|-------------------|
| D | ACCOUNTABILITY AND AUDIT | Adopted |
| D.1 | The Board should present a balanced and an understandable assessment of the company's financial position and prospects. | Adopted |
| D.1.1 & D.1.2 | <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.1.3 | <p>Declaration of Chief Executive Officer's and Chief Financial officer's</p> <p>The Board should, before it approves the Company's financial statements for a financial period, obtain from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards.</p> | Adopted |
| D.1.4 | <p>Statement of Directors' Report.</p> <p>Directors Responsibility for Financial Reporting is given on page No.104.</p> | Adopted |
| D.1.5 | <p>Financial Reporting- Statement on Board Responsibilities</p> <p>Refer the Report of the Board of Directors on page No.104.</p> | Adopted |
| D.1.6 | <p>Management Discussion and Analysis</p> <p>Management discussion and analysis is given on pages 25 to 39.</p> | Adopted |
| D.1.7 | <p>Net Assets</p> <p>In the event of the net assets of the company fall below 50% of the value of the company's shareholders fund, the directors shall forthwith summon and EGM.</p> | Adopted |
| D.1.8 | <p>Disclosure of Related Party Transactions</p> <p>Related party transactions are disclosed in this Annual Report on pages 180 to 182. A process is in place to obtain the required declaration and to maintain the relevant records.</p> | Adopted |
| D.2 | <p>Risk Management and 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 |

| Section No | Description | Compliance Status |
|--------------|--|-------------------|
| 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.91</p> | Adopted |
| D.3.2 | <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.3.3 | <p>Disclosures of the Audit Committee</p> <p>Refer 'Audit Committee Report' on page No.91 of this Annual Report.</p> | Adopted |
| D.4 | <p>Related party transaction review committee</p> <p>The Board should establish a procedure to ensure that the company does not engage in transactions with more favorable treatment.</p> | Adopted |
| D.4.1 | <p>The related party and Related party transactions will be as defined LKAS 24</p> | Adopted |
| D.4.2 | <p>Composition of Related Party Transaction Review Committee -Annual report page no.89</p> | Adopted |
| D.4.3 | <p>Terms of Reference of the Related party review Committee</p> <p>The Related Party Review Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee.</p> | Adopted |
| D.5 D.5.1 | <p>Code of Business conduct and Ethics</p> | Adopted |

| Section No | Description | Compliance Status |
|------------|---|-------------------|
| D.6 | <p>Corporate Governance Disclosures The company should disclose the extent of adoption of best practices in Corporate Governance.</p> | Adopted |
| | <p>Disclosure of corporate governance compliance 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 Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders views to the Board.</p> | Adopted |
| | <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 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 Individual shareholders are encouraged to participate at the Annual General Meeting and to exercise their voting rights.</p> | Adopted |
| G | <p>Internet of things and Cybersecurity The board should have a process to identify how in the organization's business model, cyber security risk.</p> | Adopted |
| H | <p>ESG REPORTING</p> <p>Annual Report should contain sufficient information to assess how ESG risk and opportunities are recognized, managed, measured and reported.</p> | Adopted |

REPORT OF THE REMUNERATION COMMITTEE

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. P.S. 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 following decisions were taken by the committee

- Equity based or performance-based compensation will not be extended to Non-Executive Directors as adopted previously.

- 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 Group.

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

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

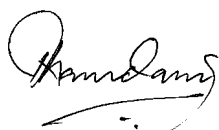
MEETINGS

The Remuneration 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:

FEES AND REMUNERATION

The remuneration and other benefits of the Board of Directors of the company is disclosed in Note 43.2 to the Financial Statement on page 181.

on behalf of the Remuneration Committee Meeting.



T. G. KANDAMBY

Chairman - Remuneration Committee
13 June 2023

REMUNERATION COMMITTEE MEETING ATTENDANCE

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

AUDIT COMMITTEE REPORT

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 M. Pieris

Non-Independent Non-Executive
Director

Mr. P. S. Goonewardene

Independent Non-Executive Director

Profiles of the Audit Committee members are given on Page Nos.18 to 21.

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.P.S. 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 organization's operations. It helps an organization 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 analyzing organizational 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 organization'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 organization'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



T. G. KANDAMBY

Chairman - Audit Committee

13 June 2023

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. P.S. Goonewardene.

The members of the Committee are

Mr. P. S. Goonewardene

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

Mr.J.P.I.N.Dayawansa

Deputy Chairman / Executive Director

Mr. K D U S Nanayakkara

Chairman/ Executive Director

Mr. T.M.A. Sallay

Executive Director/ CEO

Mr. J P I S. Dayawansa

Executive Director

Mrs. A. S. Dayawansa

Executive Director

Mr.T.G.Kandamby

Independent Non-Executive Director

Mr.R. Wijegunawardane

Independent Non-Executive Director

Mr. Nilanka M. 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 recognizing 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.

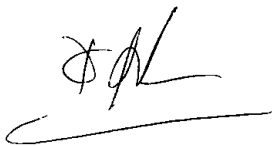
The Committee is accountable to the Board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities. This ensures risks and opportunities are adequately identified, evaluated and managed at the appropriate level in each division, and that their individual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

RISK MANAGEMENT COMMITTEE ATTENDANCE

| Name of Committee member | No of Meetings eligible to attend | Attended |
|--------------------------|-----------------------------------|----------|
| Mr. P. S. Goonewardene | 06 | 06 |
| Mr.J.P.I.N.Dayawansa | 06 | 06 |
| Mr. K D U S Nanayakkara | 06 | 06 |
| Mr. T.M.A. Sallay | 06 | 06 |
| Mr. J P I S. Dayawansa | 06 | 06 |
| Mrs. A. S. Dayawansa | 06 | 06 |
| Mr.T.G.Kandamby | 06 | 06 |
| Mr.R. Wijegunawardane | 06 | 06 |
| Mr. Nilanka M. Pieris | 06 | 06 |



MR. P.S. GOONEWARDENE

Chairman – Integrated Risk
Management Committee
13 June 2023

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 Sri Lanka 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. P.S. Goonewardene

Independent Non-Executive Director

Mr. Nilanka M. 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 Five (05) 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 | 05 | 05 |
| Mr. T.G. Kandamby | 05 | 05 |
| Mr. K.D.U.S. Nanayakkara | 05 | 05 |
| Mr.P.S. Goonewardene | 05 | 05 |
| Mr.N.M.Pieris | 05 | 05 |

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 page No. 43 to the Financial Statements on page Nos. 180 to 182. 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 recognizing, 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.103

On behalf of the Related Party Transactions Review Committee.



R. WIJEGUNAWARDANE

Chairman - Related Party Transactions Review Committee
13 June 2023

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. P.S. 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

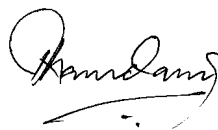
The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of Executive and Non-Executive Directors to the Board. Any Director of the Board may be invited to attend.

MEETINGS

During the Financial year 2022/23 Committee held two (02) meetings 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 | 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 |

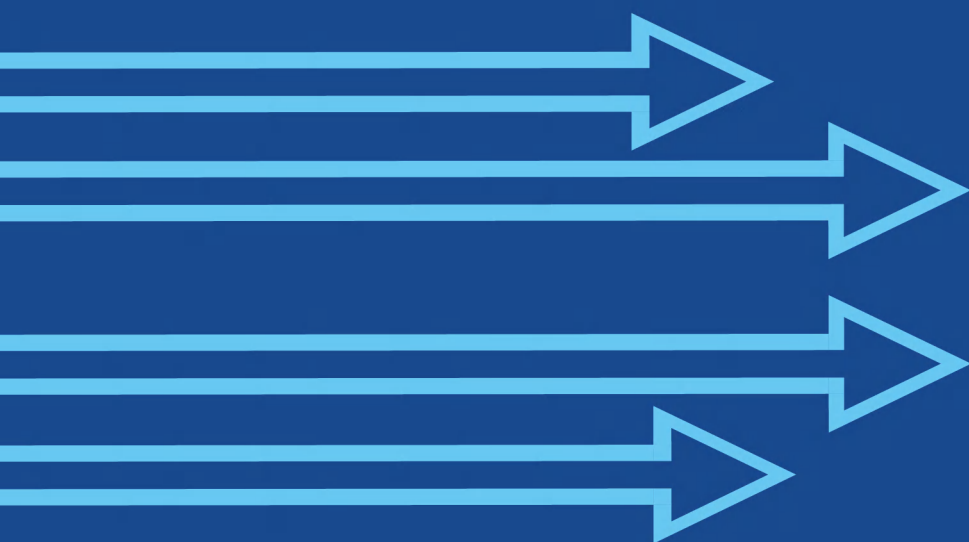
On behalf of the Nomination Committee



T.G. KANDAMBY

Chairman - Nomination Committee
13 June 2023

**SUSTAINING OUR
MOMENTUM
DESPITE
CHALLENGES**



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 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 2023. 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 27 June 2023

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. Lanka Rating Agency Ltd (LRA) has assigned a BB- (Stable) rating to the Company, in July 2023.

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 Nos. 10 to 12 and the Director/ CEO's Review on page Nos. 13 to 17.

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 111 to 191 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements, maintenance of proper accounting records and disclosures regarding accounting policies and principles of the Company. The Directors are of the view that the Financial Statements 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.

The detailed report is given on page 104 of the Annual Report.

AUDITOR'S REPORT

The Company's Auditors, Messrs SJMS Associates performed the audit on the consolidated financial statements for the year ended 31st March 2023 and the Auditor's Report issued thereon is given on page Nos. 108 to 110 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 115 to 191. 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 2023 was Rs. 611,273,941

RESERVES

The reserves of the company with the movements during the year are given on page Nos.178 to 179 of the Financial Statements.

PROPERTY AND EQUIPMENT

Details and movements of Property and Equipment are shown on Note No 30 to the Financial Statements on page Nos. 161 to 167

DONATIONS

The total donations made by the Company were nil

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 31.03.2023 | No. of Shares as at 31.03.2022 |
|------------------------|--------------------------------|--------------------------------|
| Mr. J.P.I.N. Dayawansa | 45,273,864 | 45,273,864 |
| Mrs. A.S. Dayawansa | 1,884,144 | 1,884,144 |
| Mr. J.P.I.S. Dayawansa | 1,762,212 | 1,762,212 |

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 21 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. P.S. Goonewardene, 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:

| Name of the Director | 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

The remuneration and other benefits of the Board of Directors of the company is disclosed in Note 43.2 to the Financial Statement on page 181.

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. 2,865,000/- 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 2023, 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 43 to the financial statements on pages 180 to 182.

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 2023.

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

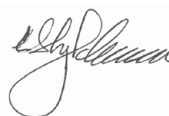
The Annual General Meeting will be virtually held on the 27th September 2023 at 10.00 a.m.

NOTICE OF MEETING

Notice of the meeting relating to the Annual General Meeting is provided on page 196 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
13 June 2023

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 Page Nos.108 to 110 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 is 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 materials misstatements and irregularities are either prevented or detected within a reasonable period of time. The Finance Committee under the guidance of the Management, monitor the effectiveness of the system of internal controls and recommends modifications where necessary.

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 2023 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

13 June 2023

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.

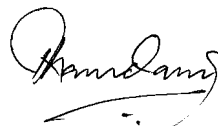
Internal controls over financial reporting are checked by the Internal Auditors of the Company for suitability of design and effectiveness on an ongoing basis. The scope, quality and reports of internal audits are reviewed by the Board Audit Committee at its meetings which are conducted once in two months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

13 June 2023

Independent Assurance Report on the Directors' Statement on Internal Control To the Board of Directors of Associated Motor Finance Company PLC

Introduction

We were engaged by the Board of Directors of Associated Motor Finance Company PLC (the "Company") to provide assurance on the Directors' Statement on Internal Control (the "Statement") included in the annual report for the year ended 31 March 2023.

Management's responsibility for the statement of internal control

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the Independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

The standard requires that the practitioner plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, during this engagement, performed an audit or review of the financial information.

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for Directors; and appropriately reflected the process the Directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

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

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control of the Company.



SJMS ASSOCIATES
Chartered Accountants
Colombo

02 August 2023

INDEPENDENT AUDITOR'S REPORT

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 2023, 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 2023,

and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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

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.

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, 63% of the total assets of the Company consisted of loans & advances and lease receivables amounted to Rs. 10,109 Mn. Such amount is net of impairment allowance of Rs. 1,329 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 24 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 1828.



SJMS ASSOCIATES
Chartered Accountants
Colombo

13 June 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| FOR THE YEAR ENDED 31 MARCH | | 2022/2023 | 2021/2022 |
|--|----------|----------------------|----------------------|
| | Note | Rs. | Rs. |
| Gross income | 7 | 3,986,498,558 | 2,580,779,777 |
| Interest income | | 3,880,860,398 | 2,467,760,084 |
| Less :Interest expenses | | (2,187,630,642) | (1,519,247,143) |
| Net interest income | 8 | 1,693,229,756 | 948,512,941 |
| Fee and commission income | 9 | 65,976,670 | 54,388,376 |
| Net trading income | 10 | 349,361 | 2,033,364 |
| Other operating income | 11 | 39,312,129 | 56,597,953 |
| Total operating income | | 1,798,867,916 | 1,061,532,634 |
| Less: Impairment charges and other losses | 12 | (414,444,607) | 422,617,554 |
| Net operating income | | 1,384,423,309 | 1,484,150,189 |
| Less: Operating expenses | | | |
| Personnel expenses | 13 | (565,055,907) | (500,294,845) |
| Depreciation of property, equipment and amortisation of Right of Use of Assets | | (84,387,310) | (76,979,481) |
| Amortisation of intangible assets | | (3,899,480) | (5,337,001) |
| Other operating expenses | 14 | (224,210,726) | (311,585,945) |
| Profit before tax on financial services | | 506,869,886 | 589,952,917 |
| Less : Tax on financial services | 15 | (139,454,116) | (97,624,405) |
| Profit before taxation | | 367,415,770 | 492,328,513 |
| Less: Income tax (expense) / reversals | 16 | (166,952,732) | (192,859,554) |
| Net profit/ (loss) for the year | | 200,463,038 | 299,468,960 |

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 | | 1,722,521 | 10,887,036 |
| Gains on revaluation of land and buildings | | 31,982,185 | - |
| Retirement benefit obligations - actuarial gain / (loss) | | 1,180,882 | (1,042,657) |
| Total other comprehensive income / (expenses) for the year, net of taxes | | 34,885,588 | 9,844,379 |
| Total comprehensive income for the year | | 235,348,627 | 309,313,338 |

Earnings per share

| | | | |
|---------------------------------------|-----------|-------------|-------------|
| Basic earnings per share (Rs.) | 17 | 1.77 | 2.86 |
|---------------------------------------|-----------|-------------|-------------|

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

STATEMENT OF FINANCIAL POSITION

| As at | | 31.03.2023 | 31.03.2022 |
|--|------|-----------------------|-----------------------|
| | Note | Rs. | Rs. |
| Assets | | | |
| Cash and cash equivalents | 21 | 161,388,335 | 504,107,920 |
| Financial assets - amortised cost | 22 | 3,893,786,671 | 4,009,763,997 |
| Financial assets - measured at fair value through profit or loss | 23 | 20,642,164 | 20,292,803 |
| Loans and receivables | 24 | 826,506,936 | 946,525,556 |
| Lease rental receivables from customers | 25 | 9,282,671,481 | 7,830,781,830 |
| Financial assets - measured at fair value through other comprehensive income | 27 | 35,810,964 | 33,676,887 |
| Inventories | | 2,104,892 | 22,328,270 |
| Investment properties | 28 | 113,000,000 | 91,850,000 |
| Other assets | 29 | 94,927,042 | 108,751,142 |
| Property, equipment and right of use of assets | 30 | 1,146,971,047 | 1,118,194,852 |
| Intangible assets | 31 | 3,707,554 | 7,607,033 |
| Deferred tax assets | 32 | 56,474,473 | 81,491,673 |
| Goodwill | | 385,244,360 | 385,244,360 |
| Total assets | | 16,023,235,919 | 15,160,616,322 |
| Liabilities | | | |
| Dues to banks and other borrowings | 33 | 28,221,643 | 765,497,212 |
| Deposits from customers | 34 | 12,442,822,754 | 11,173,182,495 |
| Trade and other payables | 35 | 411,780,303 | 432,560,220 |
| Current tax liability | 36 | 138,954,930 | 32,995,738 |
| Retirement benefit obligations | 37 | 66,674,596 | 56,947,593 |
| Total liabilities | | 13,088,454,226 | 12,461,183,257 |
| Equity | | | |
| Stated capital | 38 | 611,273,941 | 611,273,941 |
| Retained earnings | 39 | 2,018,644,749 | 1,938,812,636 |
| Other reserves | 40 | 304,863,002 | 149,346,488 |
| Total equity | | 2,934,781,693 | 2,699,433,065 |
| Total liabilities and equity | | 16,023,235,919 | 15,160,616,322 |
| Net asset value per share (Rs.) | | 25.90 | 23.82 |

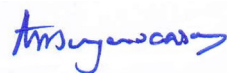
These financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007



T M A SALLAY

Chief Executive Officer/Director

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.



A.S. DAYAWANSA

Director
13 June 2023



J.P.I.S. DAYAWANSA

Director
13 June 2023

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

STATEMENT OF CHANGES IN EQUITY

| FOR THE YEAR ENDED 31 MARCH 2023 | Stated Capital | Capital Reserves | Reva- -luation Reserve | General Reserve | Statutory Reserve Fund | Fair Value Reserve | Regulatory Loss Allowance Reserve | Retained Earnings | Total |
|---|--------------------|---------------------|------------------------------|--------------------|------------------------------|-----------------------|--|----------------------|----------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Balance as at 01 April 2021 | 56,086,280 | 17,930 | - | 1,029,052 | 88,613,707 | 978,472 | - | 1,082,284,161 | 1,229,009,602 |
| <u>Effect of amalgamation with Arpico Finance Co. PLC</u> | | | | | | | | | |
| 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 | - | - | - | - | - | - | - | 299,468,960 | 299,468,960 |
| 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 | - | 1,938,812,637 | 2,699,433,067 |
| Net profit/ (loss) for the period | - | - | - | - | - | - | - | 200,463,038 | 200,463,038 |
| Other comprehensive income net of tax | - | - | 31,982,185 | - | - | 1,722,521 | - | 1,180,882 | 34,885,588 |
| Transfers to / (from) during the year | - | - | - | - | 10,023,152 | - | 111,788,655 | (121,811,807) | - |
| Balance as at 31 March 2023 | 611,273,941 | 32,864,774 | 31,982,185 | 1,029,052 | 113,610,307 | 13,588,029 | 111,788,655 | 2,018,644,750 | 2,934,781,693 |

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 | 2022/2023 | 2021/2022 |
|--|----------------------|------------------------|
| | Rs. | Rs. |
| Cash flow from operating activities | | |
| Net profit / (loss) before taxation | 367,415,770 | 492,328,513 |
| Adjustments for; | | |
| Depreciation of property and equipment and amortisation of right of use assets and intangible assets | 88,286,789 | 82,316,482 |
| Profit on disposals of property and equipment | (2,047,478) | (2,746,171) |
| Fair value gain on investment property | (21,150,000) | (3,000,000) |
| Provision for bad and doubtful debts | 414,444,607 | (353,547,750) |
| Provision for gratuity | 15,292,727 | 9,001,333 |
| Interest on borrowings | 105,714,337 | 346,864,988 |
| Dividend receipt | (2,103,415) | (1,946,411) |
| Write offs tax | - | 47,451,045 |
| Written off - Loans and advances | (36,501,725) | (241,535,383) |
| Operating profit before working capital changes | 929,351,613 | 375,186,646 |
| (Increase) / decrease in financial investments | 115,502,964 | 39,000,796 |
| (Increase) / decrease in loans and advances | (1,709,813,913) | 1,927,236,167 |
| (Increase) / decrease in other assets | 13,824,100 | 19,091,142 |
| (Increase) / decrease in inventories | 20,223,378 | (11,585,222) |
| Increase/ (decrease) in public deposits | 1,269,640,259 | (738,354,341) |
| Increase / (decrease) in trade and other payables | (20,779,917) | 108,449,601 |
| | (311,403,128) | 1,343,838,143 |
| Cash generated from operations | 617,948,485 | 1,719,024,789 |
| Income tax paid | (99,160,880) | - |
| Retirement benefits liabilities paid | (3,878,750) | (7,030,174) |
| Interest paid | (167,970,412) | (374,260,664) |
| Net cash from operating activities | 346,938,443 | 1,337,733,951 |
| Cash flow from investment activities | | |
| Dividends received | 2,103,415 | 1,946,411 |
| Purchase of property and equipment, intangible assets & ROU Asset | (19,826,950) | (88,418,011) |
| Purchase of intangible assets | - | (325,000) |
| Proceeds from disposal of property and equipment | 3,085,002 | 5,070,000 |
| Net cash flow (used in)/ from investing activities | (14,638,534) | (81,726,601) |
| Cash flow from financing activities | | |
| Proceeds on borrowings | - | - |
| Repayments of borrowings | (674,744,467) | (2,050,653,119) |
| Proceed from cash Right Issue | - | 500,178,965 |
| Net cash flow used in financing activities | (674,744,467) | (1,550,474,154) |
| Net increase / (decrease) in cash and cash equivalents | (342,444,558) | (294,466,804) |
| Cash & cash equivalents at the beginning of the year | 475,611,250 | 343,839,692 |
| 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 | 133,166,692 | 475,611,250 |
| Cash and cash equivalents comprises | | |
| Cash and bank balances | 161,388,335 | 504,107,920 |
| Bank overdrafts | (28,221,643) | (28,496,670) |
| Cash and cash equivalents at the end of the year | 133,166,692 | 475,611,250 |

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

NOTES TO THE 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.

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 2023 was 325. (Previous period ending 31 March 2022 - 353).

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 2023, 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, except for information on cash flows have been prepared following the accrual basis of accounting.

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 Sri Lanka Accounting Standards.

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 2023 (including comparatives) were approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 13 June 2023.

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
- Investment property measured at fair value
- 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. No adjustments have been made for inflationary factors affecting the Financial Statements.

An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 44 on 'Current and Non Current Analysis of Assets and Liabilities' to these Financial Statements.

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 realise 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. Further, the Company has not early adopted any other accounting standard, interpretation or amendment that has been issued but not effective.

2.12. 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 directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

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 utilised against such tax losses. Judgement 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 41.

2.13. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, favourable and unfavourable, 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 42 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 maximise the use of relevant observable inputs and minimise 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.

3. FAIR VALUE MEASUREMENT (CONTD.)

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/ amortisation, 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.

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 judgement 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. SEGMENT INFORMATION

The Company does not have any operating segment that engages in business activities from which it may earn revenues, and on which expenses incurred whose operating results are regularly reviewed by the entity's management to determine the resources to be allocated to the segment and assess its performance for which discrete financial information is available.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

| | 2022/2023 | 2021/2022 |
|------------------------------|----------------------|----------------------|
| | Rs. | Rs. |
| Interest income | 3,880,860,398 | 2,467,760,084 |
| Fee and commission income | 65,976,670 | 54,388,376 |
| Net trading income | 349,361 | 2,033,364 |
| Other operating income (net) | 39,312,129 | 56,597,953 |
| | 3,986,498,558 | 2,580,779,777 |

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 amortised cost.

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.

| | 2022/2023 | 2021/2022 |
|--|-----------|-----------|
| | Rs. | Rs. |

Interest income

| | | |
|--|----------------------|----------------------|
| Loans and advances | 189,762,986 | 156,917,525 |
| Lease receivables | 2,953,587,923 | 1,989,179,927 |
| Placements with banks and other financial institutions | 119,029,220 | 89,769,159 |
| Other financial assets | 618,480,268 | 231,893,473 |
| Total interest income | 3,880,860,398 | 2,467,760,084 |

Interest expenses

| | | |
|--|----------------------|----------------------|
| Deposits from customers | 2,077,989,284 | 1,172,118,205 |
| Debt instruments issued and other borrowed funds | 109,641,358 | 347,128,938 |
| Total interest expenses | 2,187,630,642 | 1,519,247,143 |
| Net interest income | 1,693,229,756 | 948,512,941 |

9. FEE AND COMMISSION INCOME

The Company earns fee and commission income from a diverse range of services it provides to its customers. These fees include credit-related fees and commission income. All fees and commissions are recognised to the Income Statement on an accrual basis. Fee and commission income that are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Profit or Loss over the expected life of the instrument.

| | 2022/2023 | 2021/2022 |
|--|-----------|-----------|
| | Rs. | Rs. |

| | | |
|-------------------|-------------------|-------------------|
| Service charges | 13,000 | 1,000 |
| commission income | 65,963,670 | 54,387,376 |
| | 65,976,670 | 54,388,376 |

10. NET TRADING INCOME

Net trading income includes all gains and losses from changes in fair value of financial assets 'recognised through profit or loss'.

| | 2022/2023 | 2021/2022 |
|---------------------------------------|----------------|------------------|
| | Rs. | Rs. |
| Fair value gain on dealing securities | 349,361 | 2,033,364 |
| | 349,361 | 2,033,364 |

11. OTHER OPERATING INCOME

Income earned on other sources, which are not directly related to the normal operations of the Company is recognised as other operating Income on an accrual basis.

Dividend Income

Dividend income received from financial assets measured at fair value through other comprehensive income is recognised when the Company's right to receive the payment is established.

Gain or Loss on Disposal of Property and Equipment

The profit/(loss) on disposal of property, plant and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of other operating income in the financial year in which significant risks and rewards of ownership are transferred to the buyer.

Other Income

| | 2022/2023 | 2021/2022 |
|--|-------------------|-------------------|
| | Rs. | Rs. |
| Dividend income | 2,103,415 | 1,946,411 |
| Profit on disposal of property and equipment | 2,047,478 | 2,746,171 |
| Sundry income | 5,943,485 | 42,705,251 |
| Trading income | 7,412,835 | 6,200,121 |
| Fair value gain on investment property | 21,150,000 | 3,000,000 |
| Exchange gain/(loss) | 654,917 | - |
| | 39,312,129 | 56,597,953 |

NOTES TO THE FINANCIAL STATEMENTS

11.1. TRADING INCOME

| | 2022/2023 | 2021/2022 |
|--|-----------|-----------|
| | Rs. | Rs. |

Profit from the sale of motor vehicles

| | | |
|------------------------|------------------|------------------|
| Sales proceeds | 32,600,000 | 175,280,000 |
| Less: Cost of vehicles | (19,198,314) | (158,135,637) |
| Less : Direct costs | (6,043,024) | (10,964,487) |
| Profit for the year | 7,358,662 | 6,179,876 |

Profit from the sale of generators

| | | |
|------------------------|------------------|------------------|
| Sales proceeds | 595,902 | 222,691 |
| Less: Cost of vehicles | (541,729) | (202,446) |
| Profit for the year | 54,173 | 20,245 |
| | 7,412,835 | 6,200,121 |

12. IMPAIRMENT CHARGES ON FINANCIAL ASSETS AND OTHER LOSSES

The Company recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments). The methodology adopted by the company is explained in the Note 26 to these Financial Statements. Recovery of amounts written-off as bad and doubtful debts is credited to impairment charges and other losses.

| | 2022/2023 | 2021/2022 |
|--|--------------------|----------------------|
| | Rs. | Rs. |
| Impairment charges/(reversal) for loans and advances | (13,226,388) | (61,028,288) |
| Impairment charges/(reversal) for leases | 457,440,351 | (300,075,462) |
| Impairment charges/(reversal) for other financial assets | - | 78,061 |
| Loss on repossessed vehicles | - | 6,457,567 |
| Loss on inventory valuation | 483,335 | (769,693) |
| Write offs | - | 1,790,063 |
| Bad debt recovered | (30,252,691) | (69,069,804) |
| | 414,444,607 | (422,617,554) |

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 Private Provident Fund.

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

13. PERSONNEL EXPENSES (CONTD.)

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.

| | 2022/2023 | 2021/2022 |
|--|--------------------|--------------------|
| | Rs. | Rs. |
| Salaries and other related expenses | 478,424,160 | 430,343,753 |
| Employer's contribution to Employees' Provident Fund | 42,671,388 | 34,360,226 |
| Employer's contribution to Employees' Trust Fund | 10,667,632 | 8,589,533 |
| Gratuity charge for the year | 15,292,727 | 9,001,333 |
| Directors fees | 18,000,000 | 18,000,000 |
| | 565,055,907 | 500,294,845 |

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.

Operating expenses also include the following expenses.

| | 2022/2023 | 2021/2022 |
|--|--------------------|--------------------|
| | Rs. | Rs. |
| Auditor's remuneration | 2,865,000 | 2,152,000 |
| Non-audit fee to auditors | 190,000 | 190,000 |
| Donations | - | 50,000 |
| Subscriptions | 3,650,014 | 3,824,935 |
| Professional fees | 11,920,002 | 25,800,316 |
| Legal expenses | 1,214,312 | 1,383,280 |
| Rights of use asset - interest expense | 12,409,336 | 9,959,430 |
| Deposit insurance premium | 16,912,454 | 16,324,605 |
| Crop insurance levy expense | 1,989,485 | 1,350,651 |
| Other expenses | 173,060,123 | 250,550,729 |
| | 224,210,726 | 311,585,945 |

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 and Social Security Contribution Levy.

Value Added Tax (VAT) on Financial Services

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

VAT on Financial Services was charged at 15% from 1 April 2021 to 31 December 2021 and 18% with effect from 1 January 2022.

Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) is calculated in accordance with Social Security Contribution Levy Act, No. 25 Of 2022 and subsequent amendments thereto. SSCL is payable on 2.5% of Company's value addition attributable to financial services with effect from 01 October 2022. The value addition attributable to financial services is as same as to the value use to calculate the VAT on Financial Services.

| | 2022/2023 | 2021/2022 |
|---------------------------------------|--------------------|-------------------|
| | Rs. | Rs. |
| Value Added Tax on Financial Services | 128,060,986 | 97,624,405 |
| SSCL on Financial Services | 11,393,130 | - |
| | 139,454,116 | 97,624,405 |

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.

NOTES TO THE FINANCIAL STATEMENTS

16. TAXATION (CONTD.)

Deferred Taxation

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

| | 2022/2023 | 2021/2022 |
|--|-----------|-----------|
| | Rs. | Rs. |

Current Income Tax

| | | |
|---|-------------|------------|
| Income tax for the year | 176,729,065 | 73,399,038 |
| Provision for income tax under provision - prior year | 28,391,008 | - |

Deferred Tax

| | | |
|---------------------------------------|--------------------|--------------------|
| Deferred taxation charge / (reversal) | (38,167,341) | 119,460,516 |
| | 166,952,732 | 192,859,554 |

A reconciliation between the tax expense and the accounting profit multiplied by relevant tax rate is as follows:

| | 2022/2023 | 2021/2022 |
|--|--------------------|--------------------|
| | Rs. | Rs. |
| Accounting Profit as per Draft Income Tax Computation | 367,415,770 | 492,328,512 |
| Income tax expense at the statutory income at 24% ,30% | 99,055,882 | 118,431,250 |
| Tax effect of disallowable expenses | 250,451,152 | 229,334,379 |
| Tax effect of allowable expenses and other deductions | (77,498,087) | (155,476,180) |
| Tax effect on losses (claimed) / incurred | - | (44,556,185) |
| Effect of tax exempt income | (6,915,350) | (2,334,227) |
| Tax effect on qualifying payments - investment in subsidiary | (88,364,532) | (72,000,000) |
| Current tax expense for the year | 176,729,065 | 73,399,036 |
| Effective tax rate | 45.44% | 39.17% |
| Effective tax rate (excluding deferred tax) | 48.10% | 14.91% |

Pursuant to the Inland Revenue (Amendment) Act No. 45 of 2022 (an amendment to the Inland Revenue Act No. 24 of 2017), the applicable income tax rate for the Company has increased from 24% to 30% with effect from 01 October 2022. Accordingly, the new tax rate has been applied for the 3rd quarter current income tax and computation of deferred tax provision as of 31 March 2023.

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.

| | 2022/2023 | 2021/2022 |
|--|-------------|-------------|
| Loss attributable to ordinary shareholders | 200,463,038 | 299,468,960 |
| Weighted average number of ordinary shares | 113,327,268 | 104,567,479 |
| Earnings per ordinary share-basic and diluted (Rs.) | 1.77 | 2.86 |

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 on the date on which it originated. The Company recognises balances due to depositors when funds are transferred to the Company.

Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments).

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;

- Amortised 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.

18. FINANCIAL INSTRUMENTS (CONTD.)

Business model assessment

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

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

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

Contractual cash flow characteristic test (The SPPI Test)

As the second test of the classification process the Company assesses the contractual terms of the financial asset to identify whether they meet 'Solely the Payment of Principle and Interest' (SPPI) criteria.

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

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

Classification and subsequent measurement of financial liabilities

As per SLFRS 09, the Company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories;

- Financial liabilities at fair value through profit or loss, and
- Financial liabilities measured at amortised cost.

The subsequent measurements of financial liabilities depend 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, cancelled 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 realise 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.

18. FINANCIAL INSTRUMENTS (CONTD.)

Off setting financial instruments (Contd.)

The rights of set off relating to the financial instruments and cash collateral are conditional upon the default of the counterparty. Offsetting of financial instruments based on the rights of set off relating to the financial instruments and cash collateral is as follows;

| 31.03.2023 | | | |
|------------|-------------------------|---------------------------------|------------|
| | Gross amount receivable | Financial instrument collateral | Net amount |
| | Rs | Rs. | Rs. |
| . | | | |

Financial assets

| | | | |
|-----------------------|-------------|-------------|---|
| Loans and receivables | 429,198,984 | 726,883,816 | - |
|-----------------------|-------------|-------------|---|

Financial liabilities

| | | | |
|------------|---|---|---|
| Borrowings | - | - | - |
|------------|---|---|---|

19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an ongoing basis either at fair value or at amortised 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 : Amortised Cost

FVOCI : Fair Value through Other Comprehensive Income

19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

As at 31 March 2023

| | FVPL | AC | FVOCI | Total |
|--|------|-----|-------|-------|
| | Rs. | Rs. | Rs. | Rs. |

Assets

| | | | | |
|---|-------------------|-----------------------|-------------------|-----------------------|
| Cash in hand and at bank | - | 161,388,335 | - | 161,388,335 |
| Financial assets - amortised cost | - | 3,893,786,671 | - | 3,893,786,671 |
| Financial assets - measured at FVPL | 20,642,164 | - | - | 20,642,164 |
| Loans and advances | - | 826,506,936 | - | 826,506,936 |
| Lease rental receivables from customers | - | 9,282,671,481 | - | 9,282,671,481 |
| Financial assets - measured at FVOCI | - | - | 35,810,964 | 35,810,964 |
| Total financial assets | 20,642,164 | 14,164,353,423 | 35,810,964 | 14,220,806,551 |

| | FVPL | AC | Total |
|--|------|-----|-------|
| | Rs. | Rs. | Rs. |

Liabilities

| | | | |
|--|----------|-----------------------|-----------------------|
| Dues to banks and financial institutions | - | 28,221,643 | 28,221,643 |
| Deposits from customers | - | 12,442,822,754 | 12,442,822,754 |
| Trade payables | - | 200,639,795 | 200,639,795 |
| Total financial liabilities | - | 12,671,684,191 | 12,671,684,191 |

19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

| 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 - amortised 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 |

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, maximising the use of relevant observable inputs and minimising 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 judgement 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 categorised 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.

20. FAIR VALUE MEASUREMENT (CONTD..)

Assets and Liabilities Measured at Fair Value and Fair Value Hierarchy

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|------------|---------|-------------|-------------|
| As at 31 March 2023 | Rs. | Rs. | Rs. | Rs. |
| Non financial assets | | | | |
| Property, plant and equipment | | | | |
| Land and buildings | - | - | 980,310,000 | 980,310,000 |
| Investment Property | - | - | 113,000,000 | 113,000,000 |
| Financial assets | | | | |
| Financial assets - measured at FVPL | 20,642,164 | - | - | 20,642,164 |
| Financial investments - FVOCI | | | | |
| Investments in quoted shares | 35,810,964 | - | - | 35,810,964 |
| Investments in unquoted shares | - | - | 9,307,801 | 9,307,801 |
| As at 31 March 2022 | | | | |
| Non financial assets | | | | |
| Property, plant and equipment | | | | |
| Land and buildings | - | - | 888,500,000 | 888,500,000 |
| Investment Property | - | - | 91,850,000 | 91,850,000 |
| Financial assets | | | | |
| Financial assets - measured at FVPL | 20,292,803 | - | - | 20,292,803 |
| Financial investments - FVOCI | | | | |
| Investments in unit trusts | 27,255,550 | - | - | 27,255,550 |
| Investments in unquoted securities | - | - | 6,421,337 | 6,421,337 |

There was no inward or outward transfer at the hierarchy levels during the year 2022-2023 and 2021-2022.

Details of valuation methodologies and assumptions are disclosed in the relevant notes 22, 26, 28 and 30 to the financial statements.

20. FAIR VALUE MEASUREMENT (CONTD..)

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:

| | Amortised cost | Level 1 | Level 2 | Level 3 | Total |
|---------------------|----------------|---------|---------|---------|-------|
| As at 31 March 2023 | Rs. | Rs. | Rs. | Rs. | Rs. |

Financial assets - amortised cost

| | | | | | |
|---|---------------|-------------|---------------|---|---------------|
| Cash and cash equivalents | 161,388,335 | 161,388,335 | - | - | 161,388,335 |
| Financial assets - Amortised cost | | | | | |
| Investments in fixed deposits | 108,635,421 | - | 108,635,421 | - | 108,635,421 |
| Investments in treasury bonds | 5,270,227 | - | 5,270,227 | - | 5,270,227 |
| Investments in treasury bills | 2,508,465,100 | - | 2,508,465,100 | - | 2,508,465,100 |
| Investments in repos | 448,425,418 | - | 448,425,418 | - | 448,425,418 |
| Investments in debt securities | 822,990,505 | - | 822,990,505 | - | 822,990,505 |
| Loans and receivables | 826,506,936 | - | 826,506,936 | - | 826,506,936 |
| Lease rental receivables from customers | 9,282,671,481 | - | 9,282,671,481 | - | 9,282,671,481 |

Financial liabilities - amortised cost

| | | | | | |
|------------------------------------|----------------|---|----------------|---|----------------|
| Dues to banks and other borrowings | 28,221,643 | - | 28,221,643 | - | 28,221,643 |
| Deposits from customers | 12,442,822,754 | - | 12,442,822,754 | - | 12,442,822,754 |
| Trade and other payables | 411,780,303 | - | 411,780,303 | - | 411,780,303 |

20. FAIR VALUE MEASUREMENT (CONTD..)

| | Amortised cost | Level 1 | Level 2 | Level 3 | Total |
|---------------------|----------------|---------|---------|---------|-------|
| As at 31 March 2022 | Rs. | Rs. | Rs. | Rs. | Rs. |

Financial assets - amortised cost

| | | | | | |
|---|---------------|-------------|---------------|---|---------------|
| Cash and cash equivalents | 504,107,920 | 504,107,920 | - | - | 504,107,920 |
| Financial assets - amortised 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 - amortised 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 |

NOTES TO THE FINANCIAL STATEMENTS

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.

| | 31.03.2023 | 31.03.2022 |
|--------------|--------------------|--------------------|
| | Rs. | Rs. |
| Cash in hand | 27,831,237 | 19,538,275 |
| Cash at bank | 133,557,098 | 484,569,644 |
| | 161,388,335 | 504,107,920 |

22. FINANCIAL ASSETS - AMORTISED COST

Investments in fixed deposits, treasury bonds, treasury bills, Reverse Repurchase Agreements and debt securitisation papers are initially measured at fair value and subsequently measured at amortised cost. Interest income is accrued over the tenor of the investment using the effective interest rate (EIR) method.

| | 31.03.2023 | 31.03.2022 |
|--------------------------------|----------------------|----------------------|
| | Rs. | Rs. |
| Investment in treasury bills | 2,508,465,100 | - |
| Investments in fixed deposits | 108,635,421 | 265,900,257 |
| Investments in treasury bonds | 5,270,227 | 5,204,259 |
| Investments in repos | 448,425,418 | 3,515,561,859 |
| Investments in debt securities | 822,990,505 | 223,097,621 |
| | 3,893,786,671 | 4,009,763,997 |

22.1. The collateral value of the repurchase agreements was Rs. 598,347,533 as at 31 March 2023. (Rs.4,345,529,252/- as at 31 March 2022).

22.2 INVESTMENTS IN FIXED DEPOSITS

| | 31.03.2023 | 31.03.2022 |
|-------------------------------|--------------------|--------------------|
| | Rs. | Rs. |
| Investments in fixed deposits | 108,768,438 | 266,033,274 |
| Provision for impairments | (133,017) | (133,017) |
| | 108,635,421 | 265,900,257 |

Counter party external credit rating (A - By Fitch Rating).

| | |
|--------------------|---------------------------|
| Seylan Bank FD | A(Ika)'; Outlook Stable |
| Sampath Bank FD | AA-(Ika)'; Outlook Stable |
| Commercial Bank FD | |

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.

| | 31.03.2023 | 31.03.2022 |
|--|-------------------|-------------------|
| | Rs. | Rs. |
| Investments in dealing with securities | 20,642,164 | 20,292,803 |
| | 20,642,164 | 20,292,803 |

23.1 Investments in Dealing with Securities

| | 31.03.2023 | | | 31.03.2022 | | |
|--|---------------|------|------------|---------------|------|------------|
| | No. of shares | Cost | Fair value | No. of shares | Cost | Fair value |
| | | Rs. | Rs. | | Rs. | Rs. |

Investments in Dealing with Securities

Bank, Financial & Insurance

| | | | | | | |
|--|---------|-----------|-----------|---------|-----------|-----------|
| Alliance Finance Co. PLC | 52,000 | 305,474 | 3,525,600 | 52,000 | 305,474 | 3,640,000 |
| DFCC Bank PLC | 27 | 1,551 | 1,188 | 26 | 1,551 | 1,235 |
| Lanka Orix Leasing Company PLC | 5,700 | 511,869 | 2,137,500 | 5,700 | 511,869 | 3,203,400 |
| Citizens Development Bank PLC | 4,109 | 283,139 | 940,961 | 4,109 | 283,139 | 903,980 |
| People's Leasing & Finance Company PLC | 134,411 | 1,872,000 | 1,061,847 | 124,229 | 1,872,000 | 993,832 |

Beverages, Food and Tobacco

| | | | | | | |
|----------------------|--------|-----------|-----------|--------|-----------|-----------|
| Lanka Milk foods PLC | 21,600 | 2,734,628 | 3,121,200 | 21,600 | 2,734,628 | 2,808,000 |
|----------------------|--------|-----------|-----------|--------|-----------|-----------|

Chemicals and Pharmaceuticals

| | | | | | | |
|-------------------|-------|---------|---------|-------|---------|---------|
| Lankem Ceylon PLC | 42 | 3,570 | 3,150 | 42 | 3,570 | 1,134 |
| Chemenex PLC | 4,300 | 588,773 | 335,830 | 4,300 | 588,773 | 321,640 |

Hotel & Tourism

| | | | | | | |
|----------------------------|--------|---------|---------|--------|---------|--------|
| Sigiriya Village Hotel PLC | 1,600 | 159,034 | 88,800 | 1,600 | 159,034 | 96,000 |
| Hotel Corporation PLC | 10,478 | 404,080 | 235,755 | 10,478 | 404,080 | 94,302 |
| Serendib Hotels PLC (N/V) | 10,000 | 192,128 | 67,000 | 10,000 | 192,128 | 94,000 |

Power and Energy

| | | | | | | |
|----------------|-------|---------|---------|-------|---------|---------|
| Laughs Gas PLC | 8,000 | 184,000 | 227,200 | 8,000 | 184,000 | 159,200 |
|----------------|-------|---------|---------|-------|---------|---------|

Utilities

| | | | | | | |
|------------------|-------|---|--------|-------|---|--------|
| Laughs Power PLC | 8,000 | - | 65,600 | 8,000 | - | 82,400 |
|------------------|-------|---|--------|-------|---|--------|

Manufacturing

| | | | | | | |
|----------------------------|--------|---------|-----------|--------|---------|-----------|
| Blue Diamond Jewellery PLC | 19 | 48 | - | 19 | 48 | 6 |
| ACL Cables PLC | 47,600 | 780,646 | 3,950,800 | 47,600 | 780,646 | 2,717,960 |

Diversified Holdings

| | | | | | | |
|-----------------|---------|-----------|-----------|---------|-----------|-----------|
| Valible One PLC | 109,012 | 2,600,000 | 4,022,543 | 109,012 | 2,600,000 | 4,229,666 |
|-----------------|---------|-----------|-----------|---------|-----------|-----------|

Motors

| | | | | | | |
|--------------------------------|-------|---------|---------|-------|---------|---------|
| Diesel & Motor Engineering PLC | 1,166 | 788,918 | 542,190 | 1,122 | 788,918 | 571,049 |
|--------------------------------|-------|---------|---------|-------|---------|---------|

Land and Property

| | | | | | | |
|-------------------------|--------|-------------------|-------------------|--------|-------------------|-------------------|
| Seylan Developments PLC | 25,000 | 479,309 | 315,000 | 25,000 | 479,309 | 375,000 |
| Total | | 11,889,166 | 20,642,164 | | 11,889,167 | 20,292,803 |

NOTES TO THE FINANCIAL STATEMENTS

24. LOANS AND RECEIVABLES

Loans and receivables include financial assets measured at amortised 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 amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised 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 amortisation 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.

| | 31.03.2023 | 31.03.2022 |
|---------------------------------------|----------------------|----------------------|
| | Rs. | Rs. |
| Corporate loans | 217,366,773 | 273,472,814 |
| Personal loans | 240,968,286 | 317,388,950 |
| Micro loans | 4,439,408 | 5,773,801 |
| Other loans | 497,262,319 | 509,620,532 |
| Hire purchases and Murabh | 24,397,941 | 29,922,134 |
| Mediation / consent motion loans | 107,678,645 | 91,646,087 |
| Pawning advances | 8,687,485 | 8,687,485 |
| Prepaid rentals | (204,270) | (2,670,205) |
| | 1,100,596,588 | 1,233,841,597 |
| Less: allowance for impairment losses | (274,089,652) | (287,316,041) |
| Net loans and advances | 826,506,936 | 946,525,556 |

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 amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised 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 amortisation 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 on loans and other losses' in the statement of profit or loss and other comprehensive income.

| | 31.03.2023 | 31.03.2022 |
|---|-----------------------|-----------------------|
| | Rs. | Rs. |
| Gross rentals receivables | 13,060,272,318 | 9,924,347,580 |
| Rentals dues and other receivables | 2,108,728,867 | 1,523,617,190 |
| | 15,169,001,185 | 11,447,964,770 |
| Less: unearned income | (4,767,246,974) | (2,895,755,677) |
| | 10,401,754,211 | 8,552,209,093 |
| Less: Lease rentals prepaid | (64,214,930) | (87,498,089) |
| Net rentals receivables | 10,337,539,281 | 8,464,711,005 |
| Less : Allowances for impairment losses (Note 26.1) | (1,054,867,800) | (633,929,174) |
| Total net rentals receivable | 9,282,671,481 | 7,830,781,830 |

25.1 RENTAL RECEIVABLES ON FINANCE LEASE

Within 1 year

| | | |
|-----------------------|----------------------|----------------------|
| Gross receivable | 6,019,083,314 | 5,223,081,992 |
| Unearned income | (2,594,018,414) | (1,485,913,130) |
| Net receivable | 3,425,064,900 | 3,737,168,862 |

1-5 years

| | | |
|-----------------------|----------------------|----------------------|
| Gross receivable | 9,085,702,941 | 6,128,387,652 |
| Unearned income | (2,173,228,560) | (1,409,368,994) |
| Net receivable | 6,912,474,382 | 4,719,018,659 |

More than 5 years

| | | |
|-----------------------------|-----------------------|----------------------|
| Gross receivable | - | 8,997,037 |
| Unearned income | - | (473,554) |
| Net receivable | - | 8,523,484 |
| Total net receivable | 10,337,539,281 | 8,464,711,005 |

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 behavioural 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

26. ALLOWANCE FOR IMPAIRMENT LOSSES - (CONTD..)

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.

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.

26.1.

| | Loans and Advances | | Lease Rentals Receivable from Customers | |
|---------------------------------|--------------------|--------------------|---|--------------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs. | Rs. | Rs. | Rs. |
| As at the beginning of the year | 287,316,040 | 2,137,879 | 633,929,174 | 226,890,891 |
| Adjustment due to amalgamation | - | 499,918,260 | - | 794,937,317 |
| Charge for the period | (13,226,388) | (61,028,288) | 457,440,351 | (300,075,462) |
| Amounts written off | - | (153,711,810) | (36,501,725) | (87,823,573) |
| As at the end of the period | 274,089,652 | 287,316,040 | 1,054,867,800 | 633,929,174 |
| Individual impairment | 263,891,408 | 272,670,365 | 650,365,664 | 437,613,021 |
| Collective impairment | 10,198,244 | 14,645,677 | 404,502,137 | 196,316,153 |
| | 274,089,652 | 287,316,040 | 1,054,867,800 | 633,929,174 |

Collective impairment

| | | | | |
|--------------------|-------------------|-------------------|--------------------|--------------------|
| Stage 1 impairment | 1,037,846 | 5,240,110 | 35,022,658 | 28,987,208 |
| Stage 2 impairment | 1,334,787 | 1,767,798 | 144,616,345 | 56,234,807 |
| Stage 3 impairment | 7,825,611 | 7,637,769 | 224,863,134 | 111,094,138 |
| | 10,198,244 | 14,645,677 | 404,502,137 | 196,316,153 |

26.1. 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 | 2022/2023 | | | |
|--|----------------------|----------------------|----------------------|-----------------------|
| | Stage 01 | Stage 02 | Stage 03 | Total |
| | Rs. | Rs. | Rs. | Rs. |
| Amortised cost as at 31.03.2022 | 6,091,758,688 | 1,493,851,955 | 2,112,941,958 | 9,698,552,601 |
| Transfer to Stage 01 | 268,790,995 | (175,621,597) | (93,169,398) | - |
| Transfer to Stage 02 | (1,329,707,932) | 1,443,538,940 | (113,831,007) | - |
| Transfer to Stage 03 | (1,015,422,559) | (503,782,100) | 1,519,204,659 | - |
| New assets originated or purchased | 4,235,496,503 | 1,361,435,626 | 837,591,885 | 6,434,524,014 |
| Financial assets derecognized or repaid | (2,852,373,015) | (871,287,647) | (934,778,361) | (4,658,439,022) |
| Write-offs | (4,377,765) | (2,297,079) | (29,826,881) | (36,501,725) |
| Amortised cost as at the 31.03.2023 | 5,394,164,915 | 2,745,838,098 | 3,298,132,856 | 11,438,135,869 |

Impairment charge on lease & loan portfolios

| | Stage 01 | Stage 02 | Stage 03 | Total |
|---|-------------------|--------------------|----------------------|----------------------|
| | Rs. | Rs. | Rs. | Rs. |
| As at the beginning of the year 31.03.2022 | 48,689,423 | 62,254,249 | 810,301,545 | 921,245,216 |
| Charge for the period | (8,386,402) | 85,519,341 | 367,081,021 | 444,213,960 |
| Amounts written off | (4,377,765) | (2,297,079) | (29,826,881) | (36,501,725) |
| As at the end of the year 31.03.2023 | 35,925,256 | 145,476,511 | 1,147,555,685 | 1,328,957,452 |

26.2 Sensitivity Analysis of Allowance for Impairments

| Changed criteria | Changed factor | Effect on impairment allowance |
|-----------------------------|----------------|--------------------------------|
| | | Rs. |
| Loss Given Default (LGD) | Increased 10% | 31,755,297 |
| Probability of Default (PD) | Increased 1% | 8,484,365 |

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.

| | 31.03.2023 | 31.03.2022 |
|--|-------------------|-------------------|
| | Rs. | Rs. |
| Investments in quoted shares and unit trusts (Note 27.1) | 26,503,163 | 27,255,550 |
| Investments in unquoted shares & unit trust (Note 27.2) | 9,307,801 | 6,421,337 |
| | 35,810,964 | 33,676,887 |

27.1 Investments in Quoted Shares and Unit Trusts

| | 31.03.2023 | | | 31.03.2022 | | |
|--|----------------|------------------|-------------------|----------------|------------------|-------------------|
| | No. of shares | Cost | Fair value | No. of shares | Cost | Fair value |
| | | Rs. | Rs. | | Rs. | Rs. |
| Ceylinco Insurance PLC | 1,250 | 12,500 | 2,745,000 | 1,250 | 12,500 | 2,693,750 |
| Blue Diamond Jewellery Worldwide PLC | 6,839 | 50,000 | 5,471 | 6,839 | 50,000 | 4,103 |
| The Finance Company PLC | 1,749 | 6,937 | - | 1,749 | 6,937 | - |
| Central Industries PLC | 24 | 2,400 | 1,961 | 24 | 2,400 | 2,496 |
| Merchant Bank of Sri Lanka & Finance PLC | 224 | 625,000 | 784 | 224 | 625,000 | 1,232 |
| Chemane PLC | 600 | 38,395 | 46,860 | 600 | 38,395 | 44,880 |
| Sinhaputhara Finance Company PLC | - | - | - | 50,000 | 125,000 | 1,100,000 |
| LOLC FINANCE PLC | 84,928 | 125,000 | 501,075 | - | - | - |
| Citizen Development Bank PLC | 102,820 | 1,562,450 | 20,182,999 | 102,820 | 1,562,450 | 19,684,173 |
| Jetwing Symphony PLC | 250,000 | 2,750,000 | 1,800,000 | 250,000 | 2,750,000 | 2,625,000 |
| Comtrust Equity Fund | 17,738 | 351,747 | 486,309 | 17,738 | 351,747 | 420,845 |
| National Equity Fund | 19,608 | 115,294 | 732,704 | 19,608 | 115,294 | 679,070 |
| | 485,780 | 5,639,723 | 26,503,163 | 450,852 | 5,639,723 | 27,255,550 |

27.2 Investments in Unquoted Shares and Unit Trust

| | | | | | | |
|--|----------------|------------------|------------------|----------------|------------------|------------------|
| Ranveli Holiday Resorts Limited | 40,444 | 188,495 | 1,756,048 | 40,444 | 188,495 | 780,889 |
| Credit Information Bureau of Sri Lanka | 191 | 19,000 | 4,049,637 | 191 | 19,000 | 2,265,499 |
| Finance House Consortium | 20,000 | 200,000 | 1,107,269 | 20,000 | 200,000 | 200,000 |
| Nation Lanka Equities | 800,005 | 8,785,760 | 1,828,400 | 800,005 | 8,785,760 | 3,174,949 |
| Poltech (Ceylon) Ltd | 12,715 | 125,000 | 566,447 | 12,715 | 125,000 | - |
| | 860,640 | 9,318,255 | 9,307,801 | 873,355 | 9,318,255 | 6,421,337 |

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 Basis of Measurement

Investment properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value and the rental income from the investment property is recognised under other operating income in the Comprehensive Income in the year in which they arise.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

Determining Fair Value

External and independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the investment property portfolio as at each reporting date.

| | Level of fair value | 31.03.2023 | 31.03.2022 |
|---|---------------------|--------------------|-------------------|
| | | Rs. | Rs. |
| Balance at the beginning of the year | Level 3 | 91,850,000 | 88,850,000 |
| Net gains or losses from fair value adjustments | | 21,150,000 | 3,000,000 |
| Balance at the end of the year | | 113,000,000 | 91,850,000 |

| Property & Location | Method of Valuation | Range of Estimates for significant Unobservable Inputs | No. of Buildings | Extent | Cost Rs. | " Fair value 31.03.2023 " Rs. |
|--|--------------------------|--|------------------|------------------------------|-------------------|----------------------------------|
| Digana Land & building | | | | | | |
| Gangapitiyawatta Lot 4A, 8,6, 7, 28, 5 and 48 | Contractors Method | Rs 120,000 per perch | 3 | Land: 1A-1R-21P | 15,554,887 | 32,000,000 |
| | | Rs.2,000 per square foot | | Building 2526 square feet | | |
| Gangapitiyawatta Lot 4 | Direct comparison Method | Rs 120,000 per perch | - | Land: 1A-3R-04.70P | 6,650,000 | 34,000,000 |
| Gangapitiyawatta Lot 1-13 | Direct comparison Method | Rs 50,000 per perch | - | Land: 5A-3R-20P | 5,942,477 | 47,000,000 |
| Kirinda, Thissamaharama | Not valued | 2A-3R-30P | - | Land: 2A-3R-30P | 3,497,955 | - |
| | | | | | 28,147,363 | 113,000,000 |

28.2 Basis of Measurement (Contd.)

The Digana land and building has been valued by a Professional Valuer - Mr.T.M.D.W Hewage (Valued on 24.03.2023).

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.

Rental Income and Direct Operating Expenses of Investment Properties

These investment properties are held for capital appreciation, as such no rent income was received during the current and preceding financial years.

Direct operating expenses (including maintenance) of investment properties amounts to Rs. 366,330 that did not generate rental income during the period;

There are no restrictions on the realisability of the investment properties.

There are no contractual obligations to construct or develop investment properties or for repairs, maintenance or enhancements.

29. 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.

| | 31.03.2023 | 31.03.2022 |
|------------------------------------|-------------------|--------------------|
| | Rs. | Rs. |
| Stationery stocks | 680,546 | 2,322,398 |
| Advances, deposits and prepayments | 61,770,963 | 66,344,673 |
| Other receivables | 32,475,533 | 40,084,073 |
| | 94,927,042 | 108,751,144 |

30. 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.

30. Property and Equipment(Contd.)

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 labour, 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 capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised 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 capitalised 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.

30. Property and Equipment(Contd.)

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% |

30. Property and Equipment(Contd.)

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 amortisation 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 amortised on the straight line basis over the lease term.

| | COST | ACC DEP | CARRYING VALUE |
|--------------------------------|----------------------|--------------------|-----------------------|
| | RS. | RS. | RS. |
| Land | 847,527,598 | - | 847,527,598 |
| Buildings | 132,967,331 | 355,637 | 132,611,694 |
| Furniture and fittings | 168,906,549 | 117,259,053 | 51,647,496 |
| Equipment | 55,904,239 | 41,454,926 | 14,449,313 |
| Motor vehicles and accessories | 156,447,737 | 146,155,725 | 10,292,012 |
| Computer hardware | 92,152,705 | 77,305,645 | 14,847,060 |
| Office lift | 3,600,000 | 3,600,000 | - |
| Right of use of assets | 156,916,506 | 81,320,631 | 75,595,874 |
| | 1,614,422,665 | 467,451,618 | 1,146,971,047 |

30.1. 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 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 | 1,229,969,304 |
| 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 | 82,735,706 | 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 | 17,246,941 | 30,058,147 | 12,929,377 | 72,000 | 184,929 | 103,303,095 | 1,118,194,852 |

Cost

| | | | | | | | | | | |
|------------------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|-------------------|------------------|----------------|--------------------|----------------------|
| Balance as at 31 March 2022 | 765,145,564 | 132,782,402 | 168,272,939 | 54,085,478 | 158,077,737 | 82,735,706 | 3,600,000 | 184,929 | 150,694,510 | 1,515,579,265 |
| Revaluation | 78,947,407 | 15,426,671 | - | - | - | - | - | - | - | 94,374,077 |
| Additions | - | - | 633,610 | 1,848,711 | - | 9,417,000 | - | - | 14,750,163 | 26,649,484 |
| Transfers/ disposals | - | (11,992,043) | - | (29,950) | (1,630,000) | - | - | - | (8,528,167) | (22,180,161) |
| Balance as at 31 March 2023 | 844,092,971 | 136,217,029 | 168,906,549 | 55,904,239 | 156,447,737 | 92,152,705 | 3,600,000 | 184,929 | 156,916,506 | 1,614,422,665 |

Less: Accumulated depreciation

| | | | | | | | | | | |
|---|--------------------|--------------------|--------------------|-------------------|--------------------|-------------------|------------------|----------------|-------------------|----------------------|
| 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 |
| Charge for the year | - | 3,797,637 | 14,008,557 | 4,620,444 | 18,754,506 | 7,499,316 | 72,000 | - | 35,634,850 | 84,387,310 |
| Transfers/ disposals | - | (11,992,043) | - | (4,056) | (618,371) | - | - | - | (1,705,633) | (14,320,103) |
| Balance as at 31 March 2023 | - | 355,637 | 117,259,053 | 41,454,926 | 146,155,725 | 77,305,645 | 3,600,000 | - | 81,320,631 | 467,451,618 |
| Net book value as at 31 March 2023 | 844,092,971 | 135,861,393 | 51,647,496 | 14,449,313 | 10,292,012 | 14,847,060 | - | 184,929 | 75,595,874 | 1,146,971,046 |

30. Property and Equipment(Contd.)

Borrowing Costs

There were no capitalised 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. 249,169,191.04 (31.03.2022 - Rs. 129,950,706.44).

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:

| | 31.03.2023 | 31.03.2022 |
|---|--------------------|--------------------|
| | Rs. | Rs. |
| Cost and accumulated depreciation of the revalued assets | | |
| Land | 418,860,335 | 418,860,335 |
| Buildings | 130,043,817 | 130,043,817 |
| Accumulated depreciation on buildings | (355,637) | (8,550,044) |
| | 548,548,515 | 540,354,108 |

30. Property and Equipment(Contd.)

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

| Location | Extent | Cost Rs. | Valuation Rs. | Valuation date | Level of fair value | No of Buildings | Valuation technique | Significant unobservable input(s) |
|--------------------------|------------------|--------------------|--------------------|----------------|---------------------|-----------------|---|-----------------------------------|
| 1. No 146, Colombo 05 | 19.85 Perches | 88,774,926 | 353,000,000 | 28.01.2023 | Level 3 | 1 | Comparison Method : This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. | Price per Perch for Land |
| 2. No 146/34, Colombo 05 | 20.12 Perches | 223,982,049 | 298,000,000 | 28.01.2023 | Level 3 | 1 | | |
| 3. No 138, Colombo 05 | 10.60 Perches | 144,199,000 | 174,900,000 | 28.01.2023 | Level 3 | - | | |
| 4. Kandy | 11.35 Perches | 48,663,081 | 95,750,000 | 30.01.2023 | Level 3 | 1 | | |
| 5. Matara | 17.78 Perches | 42,795,044 | 58,660,000 | 02.02.2023 | Level 3 | 1 | | |
| | | 548,414,100 | 980,310,000 | | | | | |

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.

31. 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 amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised 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, amortisation and impairment

Computer Software

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

Amortisation 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:

NOTES TO THE FINANCIAL STATEMENTS

31. Intangible Assets (Contd.) Computer software-5 years

| | Balance as at 31.03.2021 | Additions during the year | Adjustment due to the 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 | 2,063,183 | (5,012,004) | 10,555,854 | 7,607,033 |
| | | | | |
| | Balance as at 31.03.2022 | Additions during the year | Disposals | Balance as at 31.03.2023 |
| | Rs. | Rs. | Rs. | Rs. |
| Cost | 57,897,735 | - | - | 57,897,735 |
| Accumulated amortization | 50,290,702 | 3,899,480 | - | 54,190,182 |
| Net carrying value | 7,607,033 | (3,899,480) | - | 3,707,554 |

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 utilised 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

32. Deferred Tax Asset / (Liability) - (Contd.)

■ 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 utilised.

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 utilised. Unrecognised 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised 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 utilised. Judgement 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.

Deferred tax assets/(Liability)-(Contd.)

| | 31.03.2023 | 31.03.2022 |
|--|-------------------|-------------------|
| | Rs. | Rs. |
| Deferred tax asset | 56,474,473 | 81,491,673 |
| | 56,474,473 | 81,491,673 |
| Deferred tax assets, and income tax relates to the followings | | |
| Balance at the beginning of the year | 81,491,673 | 336,074,043 |
| Adjustment due to the amalgamation | - | (135,451,115) |
| Originated/ (reversal) during the year - profit and loss | 38,167,341 | (119,131,256) |
| Originated/ (reversal) during the year - other comprehensive income | (63,184,540) | - |
| Balance at the end of the year | 56,474,473 | 81,491,673 |
| Deferred tax arising from | | |
| Accelerated depreciation for tax purpose | | |
| Property and equipment | (48,426,260) | (35,669,544) |
| Leased assets | (23,557,098) | (77,841,786) |
| Investment allowance | 109,939,445 | 177,264,892 |
| ROU asset & lease liability | 3,927,791 | 2,545,763 |
| Provision for impairment | 117,061,286 | 42,234,021 |
| Revaluation of investment property | (25,455,791) | (6,370,264) |
| Revaluation reserve on lands | (97,020,415) | (34,628,523) |
| Post employment retirement benefits | 20,002,379 | 13,667,422 |
| Financial assets - FVTPL & FVTOCI | 3,136 | 289,692 |
| | 56,474,473 | 81,491,673 |

32.1 As the standard rate of Income Tax has been increased to 30% from 24% with effect from 1 October 2022, the impact on the change in the tax rate on the recognized deferred tax asset amounts to Rs. 30,550,192

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 amortised cost using the EIR method. Amortised 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 amortisation 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 amortisation process.

| | 31.03.2023 | 31.03.2022 |
|---|-------------------|--------------------|
| | Rs. | Rs. |
| Bank overdrafts | 28,221,643 | 28,496,670 |
| Securitised borrowings and other banking facilities | - | 737,000,542 |
| Total | 28,221,643 | 765,497,212 |

34. Deposits from Customers - Financial Liabilities Measured at Amortised Cost

Deposits from customers include fixed deposits. Subsequent to initial recognition, these are measured at their amortised cost using the effective interest rate (EIR) method. Amortised 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 amortisation 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 amortisation process.

| | 31.03.2023 | 31.03.2022 |
|------------------|-----------------------|-----------------------|
| | Rs. | Rs. |
| Fixed deposits | 12,432,476,373 | 11,163,791,766 |
| Savings deposits | 10,346,381 | 9,390,728 |
| | 12,442,822,754 | 11,173,182,495 |

Contractual Maturity Analysis of Fixed Deposits

| | | |
|-----------------|-----------------------|-----------------------|
| Within one year | 7,270,766,314 | 8,301,779,784 |
| 1- 5 years | 5,170,803,310 | 2,860,797,418 |
| Over 5 years | - | 1,214,564 |
| | 12,432,476,373 | 11,163,791,766 |

NOTES TO THE FINANCIAL STATEMENTS

35. Trade and Other Payables

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised 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,

| | 31.03.2023 | 31.03.2022 |
|-----------------------------|--------------------|--------------------|
| | Rs. | Rs. |
| Trade payables (Note 35.1) | 200,639,795 | 161,393,684 |
| Other payables | 122,451,997 | 157,256,095 |
| Lease liability (Note 35.2) | 88,688,512 | 113,910,441 |
| | 411,780,303 | 432,560,220 |

35.1 Trade Payables

| | | |
|--------------------|--------------------|--------------------|
| Purchase creditors | 45,997,500 | 75,910,174 |
| Accrued expenses | 154,642,295 | 85,483,510 |
| | 200,639,795 | 161,393,684 |

35. Trade and Other Payables(CONTD.)

| | 31.03.2023 | 31.03.2022 |
|--|------------|------------|
| | Rs. | Rs. |

35.2 Lease liability

| | | |
|---------------------------------------|-------------------|--------------------|
| Balance at the beginning of the year | 113,910,441 | 113,910,441 |
| Additions | 13,910,163 | 78,961,098 |
| Accretion of interest | 12,927,686 | 9,588,401 |
| Prepayment adjustment for previous FY | - | 298,709 |
| Disposal | (7,340,883) | - |
| Payments | (44,718,894) | (28,763,182) |
| Balance at the end of the year | 88,688,512 | 113,910,441 |

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.

| Increase/ (decrease) in incremental borrowing rate | 2022/2023 | | 2021/2022 | |
|--|-----------|----------|-----------|----------|
| | 1bp Up | 1bp Down | 1bp Up | 1bp Down |
| Sensitivity effect on lease liability increase/ (reduction) in the liability | (13,625) | 13,630 | (21,134) | 21,140 |
| Sensitivity effect on interest expense increase/ (reduction) in profits for the year | 12,175 | (12,177) | 6,162 | (6,165) |

| | 31.03.2023 | | 31.03.2022 | |
|-----------------|--|---|--|---|
| | Contractual Maturity Analysis of Lease Liability | Undiscounted Maturity Analysis of Lease Liability | Contractual Maturity Analysis of Lease Liability | Undiscounted Maturity Analysis of Lease Liability |
| | Rs. | Rs. | Rs. | Rs. |
| Within one year | 33,835,110 | 40,925,411 | 33,864,812 | 41,577,666 |
| 1- 5 years | 54,853,401 | 66,348,181 | 80,045,629 | 99,308,891 |
| Over 5 years | - | - | - | - |
| | 88,688,512 | 107,273,591 | 113,910,441 | 140,886,557 |

36. Current Tax 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.

| | 31.03.2023 | 31.03.2022 |
|---------------------------------|--------------------|-------------------|
| | Rs. | Rs. |
| Opening balance | 32,995,738 | (51,337,331) |
| Adjustment due to amalgamation | - | (36,517,013) |
| Income tax expense for the year | 205,120,073 | 73,399,038 |
| Written off ESC | - | 47,451,045 |
| Payment of income tax | (99,160,880) | - |
| | 138,954,930 | 32,995,738 |

37. 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'.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefit'. However, under the Payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

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.

| | 31.03.2023 | 31.03.2022 |
|--|-------------------|-------------------|
| | Rs. | Rs. |
| Balance as at beginning of the year | 56,947,593 | 44,378,622 |
| Adjustment due to amalgamation | - | 9,225,895 |
| Amount recognised in Statement of Profit or Loss | 15,292,727 | 9,001,333 |
| Actuarial (gain) / loss | (1,686,974) | 1,371,917 |
| Benefits paid | (3,878,750) | (7,030,174) |
| Balance as at the end of the year | 66,674,596 | 56,947,593 |

NOTES TO THE FINANCIAL STATEMENTS

37. Retirement Benefit Obligations (Contd.)

Amount recognised in Statement of Profit or Loss

| | | |
|--|-------------------|------------------|
| Current service cost | 8,371,296 | 5,541,336 |
| Net interest on the net retirement benefit liability | 6,921,431 | 3,459,997 |
| | 15,292,727 | 9,001,333 |

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'

| Actuarial assumptions | 31.03.2023 | 31.03.2022 |
|------------------------------|------------|------------|
| Discount rate | 16.0% | 14.7% |
| Future salary increment rate | 7.5% | 5% |
| 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.

37. Retirement Benefit Obligations (Contd.)

| | Effect on RBO – Increase/ (reduction) in the liability |
|---------------------------------|---|
| | Rs. |
| 1% Increase in discount rate | (2,552,106) |
| 1% decrease in discount rate | 2,752,867 |
| 1% Increase in salary increment | 3,256,644 |
| 1% decrease in salary increment | (3,053,563) |

Information about Maturity Profile of the Defined Benefit Obligation as at 31 March 2023;

| | |
|---------------------------|-------------------|
| Within the next 12 months | 13,224,028 |
| Between 1-2years | 15,542,786 |
| Between 2-5 years | 16,745,150 |
| Between 5-10 years | 17,800,949 |
| Beyond 10 years | 3,361,683 |
| Total | 66,674,596 |

Weighted Average duration of Defined Benefit Obligation is 4.59 years.

| | 2022/2023 | | 2021/2022 | |
|---------------------------------------|----------------------|----------------------------------|----------------------|----------------------------------|
| 38. Stated Capital | No. of shares | Value of the shares - Rs. | No. of shares | Value of the shares - Rs. |
| Ordinary shares | | | | |
| Issued and fully paid-ordinary shares | 113,327,268 | 111,094,976 | 113,327,268 | 611,273,941 |

Reconciliation:

| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| At the beginning of the year | 113,327,268 | 611,273,941 | 5,608,355 | 56,086,280 |
| New ordinary shares issued at the amalgamation | - | - | 337,829 | 55,008,696 |
| Ordinary shares issue - Rights Issue | - | - | 3,497,755 | 500,178,965 |
| | 113,327,268 | 611,273,941 | 9,443,939 | 611,273,941 |
| Ordinary shares on share split | - | - | 103,883,329 | - |
| At the end of the year | 113,327,268 | 611,273,941 | 113,327,268 | 611,273,941 |

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.

39. Retained Earnings

| | 31.03.2023 | 31.03.2022 |
|--|----------------------|----------------------|
| | Rs. | Rs. |
| Balance at the beginning of the year | 1,938,812,636 | 1,082,284,161 |
| Adjustment due to amalgamation | - | 605,922,465 |
| Profit / (loss) for the period | 200,463,038 | 299,468,958 |
| Other comprehensive income/ (expense) for the period | 1,180,882 | (1,042,657) |
| (-) Transfers to reserve funds | (121,811,807) | (47,820,292) |
| Balance at the end of the year | 2,018,644,749 | 1,938,812,636 |

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.

40. Other Reserves

| | Capital Reserve | General Reserve | Statutory Reserve Fund | Fair Value Reserve | Regulatory Loss Allowance Reserve | Revaluation Reserve |
|------------------------------------|-------------------|------------------|------------------------|--------------------|-----------------------------------|---------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Balance as at 31 March 2022 | 32,864,774 | 1,029,052 | 103,587,155 | 11,865,508 | - | - |
| Transfers during the year | - | - | 10,023,152 | 1,722,521 | 111,788,655 | 31,982,185 |
| Balance as at 31 March 2023 | 32,864,774 | 1,029,052 | 113,610,307 | 13,588,029 | 111,788,655 | 31,982,185 |

'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.

'Regulatory Loss allowance Reserve' was created as at 31 March 2023 in accordance with the Finance Business Act Direction No.1 of 2020 issued by Central Bank of Sri Lanka.

41. 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 2023 (31 March 2022 - 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 30.05.2017 , 25.05.2018 and 29.07.2020 the Company has to make an additional tax payment for the years of assessment 2014/2015,2015/2016 and 2017/2018 amounting to Rs. 28,402,545, Rs.49,127,057 and 5,324,443 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.

42. 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.

43. Related Party Disclosure

43.1 Parent and Ultimate Controlling Party

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

43.2 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.

43. Related Party Disclosure(Contd.)

43.2 Transactions with Key Management Personnel (KMP) and their Family Members(Contd.)

Transactions with Key Management personnel and their Close Family Members

Remuneration to Key Management Personnel

| | 2022/2023 | 2021/2022 |
|---|-------------|-------------|
| | Rs. | Rs. |
| Remunerations to Board of Directors | | |
| Short term employees benefits | 127,963,775 | 113,851,344 |
| Director fee | 18,000,000 | 18,000,000 |
| Remuneration to Corporate Management | | |
| Short term employees benefits | 44,801,150 | 32,319,077 |
| Share Transactions with Key Management Personnel | | |
| No. of ordinary shares held | 48,929,736 | 48,929,736 |

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 | |
|---|---|-------------|---|------------|-------------|-------------|
| | 2022/2023 | 2021/2022 | 2022/2023 | 2021/2022 | 2022/2023 | 2021/2022 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Items in Statement of Profit or Loss | | | | | | |
| Interest income | - | - | - | - | - | - |
| Interest expense | 29,415,255 | 19,416,579 | 3,148,507 | 730,592 | 32,563,761 | 20,147,171 |
| Rent expense | 15,049,575 | 14,520,750 | - | - | 15,049,575 | 14,520,750 |
| Items in Statement of Financial Position | | | | | | |
| Assets - Loans and receivables | - | - | - | - | - | - |
| Liabilities - Dues to customers | 123,000,440 | 122,382,698 | 9,513,369 | 20,229,355 | 132,513,808 | 142,612,053 |

NOTES TO THE FINANCIAL STATEMENTS

43. Related Party Disclosure(Contd.)

43.3. 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 the year | Aggregate value of RPTs as a % of Net income |
|--|------------------|---------------------------|---|--|
| Poltech (Ceylon) Company Ltd | Common directors | Rent payments | 20,796,675 | 0.5% |
| | | Fixed deposit | 30,028,146 | - |
| | | Interest expense | 4,170,306 | 0.10% |
| | | FD against loan | - | - |
| Imperial Import & Export Company (Pvt) Ltd | Common directors | Fixed deposit | 1,975,101 | - |
| | | Interest expense | 311,328 | 0.01% |

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 categorised 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 2023, 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

| | 31.03.2023 | | 31.03.2022 | |
|--|-----------------------|--------------------|-----------------------|----------------------|
| | Amortized cost | Net exposure | Amortized cost | Net exposure |
| | Rs. | Rs. | Rs. | Rs. |
| Cash at banks (clean) | 161,388,335 | 161,388,335 | 504,107,920 | 504,577,323 |
| Treasury bills, Securities bought under repurchase agreements & term deposit | 3,893,786,671 | - | 4,009,763,997 | - |
| Loan and receivable - fixed deposit | 429,198,984 | - | 270,249,094 | - |
| Lease and loan receivable - others | 26,251,455 | 26,251,455 | 14,260,378 | 14,260,378 |
| Lease and loan receivable - properties | 65,342,225 | - | 110,628,277 | - |
| Lease and loan receivable - vehicles | 10,917,343,205 | 365,089,808 | 9,303,428,791 | 538,701,478 |
| | 15,493,310,876 | 552,729,599 | 14,212,438,457 | 1,057,539,179 |

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.

44.2.2 Credit quality by class of financial assets (Contd.)

| | Neither past dues nor impairments* | Past dues and impairments | Individually impaired | Total |
|--------------------------------------|------------------------------------|---------------------------|-----------------------|-----------------------|
| As at 31.3.2023 | Rs. | Rs. | Rs. | Rs. |
| Financial assets | | | | |
| Cash and bank balances | 161,388,335 | - | - | 161,388,335 |
| Financial assets - amortised cost | 3,893,786,671 | - | - | 3,893,786,671 |
| Financial assets - measured at FVPL | 20,642,164 | - | - | 20,642,164 |
| Loans and receivables | 200,521,839 | 362,093,689 | 263,891,408 | 826,506,936 |
| Lease receivables from customers | 6,434,121,576 | 2,198,184,241 | 650,365,664 | 9,282,671,481 |
| Financial assets - measured at FVOCI | 35,810,964 | - | - | 35,810,964 |
| | 10,746,271,549 | 2,560,277,930 | 914,257,072 | 14,220,806,551 |

*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.

| Gross loan | < 3 months | > 3 & <= 6 | > 6 & <=12 | >12 | Total |
|--------------------------|---------------|---------------|-------------|---------------|----------------|
| As at 31.03.2023 | | | | | |
| Loans and advances | 721,507,228 | 35,130,328 | 70,476,136 | 273,482,896 | 1,100,596,588 |
| Finance lease receivable | 7,487,874,900 | 1,343,362,723 | 715,749,518 | 790,552,140 | 10,337,539,281 |
| 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 |

44.2.3 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

| | 31.03.2023 | | 31.03.2022 | |
|------------------------|-----------------------|-------------|----------------------|-------------|
| | Rs. | % | Rs. | % |
| Top 20 | 445,100,154 | 3.89% | 363,278,257 | 3.75% |
| Balance portfolio | 10,993,035,715 | 96.11% | 9,335,288,284 | 96.25% |
| Total portfolio | 11,438,135,869 | 100% | 9,698,566,540 | 100% |

Geographical Analysis of the lending portfolio

| | 31.03.2023 | | 31.03.2022 | |
|------------------------|-----------------------|-------------|----------------------|-------------|
| | Rs. | % | Rs. | % |
| Province | | | | |
| Western Province | 5,413,038,553 | 47.32% | 4,922,392,094 | 50.75% |
| North Western | 1,763,288,638 | 15.42% | 1,258,459,183 | 12.98% |
| Southern Province | 1,495,693,026 | 13.08% | 1,132,209,859 | 11.67% |
| Central Province | 1,014,263,119 | 8.87% | 835,397,907 | 8.61% |
| North Central Province | 724,873,612 | 6.34% | 641,775,803 | 6.62% |
| Sabaragamuwa Province | 445,094,777 | 3.89% | 367,459,272 | 3.79% |
| Uva Province | 374,558,956 | 3.27% | 321,293,265 | 3.31% |
| Northern Province | 162,422,393 | 1.42% | 167,778,616 | 1.73% |
| Eastern Province | 44,902,796 | 0.39% | 51,800,541 | 0.53% |
| Total portfolio | 11,438,135,870 | 100% | 9,698,566,540 | 100% |

NOTES TO THE FINANCIAL STATEMENTS

44.2.3 Concentration of credit risk (Contd.)

Sector wise concentration of the lending portfolio

| | 31.03.2023 | | 31.03.2022 | |
|------------------------|-----------------------|-------------|----------------------|-------------|
| | Rs. | % | Rs. | % |
| Province | | | | |
| Services | 2,204,770,762 | 19.28% | 4,287,107,647 | 44.20% |
| Agriculture | 1,362,380,339 | 11.91% | 1,332,838,470 | 13.74% |
| Trade | 1,359,780,135 | 11.89% | 1,251,788,790 | 12.91% |
| Others | 4,746,840,488 | 41.50% | 1,097,535,046 | 11.32% |
| Transport | 216,589,549 | 1.89% | 1,081,283,158 | 11.15% |
| Industry | 786,478,630 | 6.88% | 469,441,057 | 4.84% |
| Construction | 299,396,876 | 2.62% | 133,416,337 | 1.38% |
| Tourism | 461,899,090 | 4.04% | 45,142,096 | 0.47% |
| Total portfolio | 11,438,135,869 | 100% | 9,698,552,601 | 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 analyses 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 summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2023:

| | 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 | 27,984,414 | 133,403,921 | | | | 161,388,335 |
| Financial assets - amortised cost | 418,011,868 | 1,488,674,567 | 1,930,131,326 | 51,831,610 | 5,137,300 | 3,893,786,671 |
| Financial assets - measured at FVPL | - | - | - | - | 20,642,164 | 20,642,164 |
| Loans and receivables (gross) | 295,161,583 | 170,126,131 | 201,802,505 | 419,054,826 | 14,451,544 | 1,100,596,588 |
| Lease rentals receivables (gross) | 15,602,425 | 114,505,122 | 3,294,957,353 | 6,912,474,382 | | 10,337,539,281 |
| Financial assets - measured at FVOCI | - | - | - | - | 35,810,964 | 35,810,964 |
| Total Interest earning assets | 756,760,290 | 1,906,709,740 | 5,426,891,184 | 7,383,360,818 | 76,041,971 | 15,549,764,003 |

Non Interest earning assets

| | | | | | | |
|--|--------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Property, equipment and right of use of assets | - | - | - | - | 1,146,971,047 | 1,146,971,047 |
| Intangible assets | - | - | - | - | 3,707,554 | 3,707,554 |
| Goodwill | - | - | - | 385,244,360 | - | 385,244,360 |
| Other assets | 89,998 | 39,971,673 | 28,666,030 | 5,748,272 | 20,451,068 | 94,927,042 |
| Deferred tax assets | - | - | 56,474,473 | - | - | 56,474,473 |
| Inventories | - | 526,223 | 1,578,669 | - | - | 2,104,892 |
| Investment properties | - | - | - | 113,000,000 | - | 113,000,000 |
| Total non-interest earning assets | 89,998 | 40,497,896 | 86,719,173 | 503,992,632 | 1,171,129,669 | 1,802,429,369 |
| Total Assets | 756,850,288 | 1,947,207,636 | 5,513,610,356 | 7,887,353,450 | 1,247,171,641 | 17,352,193,372 |
| Percentage | 4% | 11% | 32% | 45% | 7% | 100% |

44.3.1 Analysis of financial assets and liabilities by remaining contractual maturities

Interest bearing liabilities

| | | | | | | |
|---|--------------------|----------------------|----------------------|----------------------|----------|-----------------------|
| Dues to banks | 28,221,643 | - | - | - | - | 28,221,643 |
| Dues to customers | 235,172,286 | 4,032,734,841 | 3,002,859,187 | 5,170,803,310 | - | 12,441,569,624 |
| Other financial liabilities | 1,484,052 | 199,155,743 | - | - | - | 200,639,795 |
| Total interest bearing liabilities | 264,877,981 | 4,231,890,584 | 3,002,859,187 | 5,170,803,310 | - | 12,670,431,062 |

Non Interest bearing liabilities

| | | | | | | |
|---|--------------------|----------------------|----------------------|----------------------|--------------------|-----------------------|
| Retirement benefit obligations | - | - | - | - | 66,674,596 | 66,674,596 |
| Current tax liability | - | 138,954,930 | - | - | - | 138,954,930 |
| Other liabilities | 2,081,595 | 80,428,244 | 26,919,049 | 52,342,794 | 49,368,826 | 211,140,508 |
| Total non-interest bearing liabilities | 2,081,595 | 219,383,174 | 26,919,049 | 52,342,794 | 116,043,422 | 416,770,035 |
| Total liabilities | 266,959,576 | 4,451,273,758 | 3,029,778,236 | 5,223,146,104 | 116,043,422 | 13,087,201,097 |
| | 2% | 34% | 23% | 40% | 0.89% | 100% |

44.3.2 Liquidity reserves

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

| | 31.03.2023 | | 31.03.2022 | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | Rs. | Rs. | Rs. | Rs. |
| Cash in hand | 27,831,237 | 27,831,237 | 19,538,275 | 19,538,275 |
| Balances with banks | 133,557,098 | 133,557,098 | 484,569,644 | 484,569,644 |
| Repo /Tb investments - less than 3 months | 1,627,338,675 | 1,772,378,451 | 3,515,561,859 | 4,345,529,252 |
| Repo/TB investments - more than 3 months | 1,329,551,843 | 1,334,157,092 | - | - |
| Investments in fixed deposits | 108,635,421 | 108,635,421 | 265,900,257 | 265,900,257 |
| | 3,226,914,275 | 3,376,559,299 | 4,285,570,036 | 5,115,537,429 |

NOTES TO THE FINANCIAL STATEMENTS

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 2023 to a reasonable possible change in interest rates, with all other variable constant.

| | 31.03.2023 | 31.03.2022 |
|-------------|------------|-------------|
| | Rs. | Rs. |
| Assets | - | - |
| Liabilities | - | 227,884,680 |

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

| | | |
|-------|---|-----------|
| +0.5% | - | 392,109 |
| -0.5% | - | (392,109) |

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 response 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%.

| | 2022/2023 | | | 2021/2022 | | |
|---|----------------|-------------------|----------------------------|----------------|-------------------|----------------------------|
| 1% increase/ decrease in equity market prices | Carrying value | Profit before tax | Other comprehensive income | Carrying Value | Profit before tax | Other comprehensive income |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Financial assets - measured at FVPL | 206,422 | 206,422 | - | 202,928 | - | - |
| Financial assets - measured at FVOCI | 358,110 | - | 358,110 | 336,769 | - | 336,769 |

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 12.5% and a Core Capital Ratio (Tier 1) of 8.5% from 01 July 2022 onwards 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 with effect from 1 January 2021.

As of 31 March 2023, the Minimum core capital of the company is Rs. 2.7 Bn, and the Company's T1 and T2 ratios are 16.26% and 17.24% respectively. Accordingly, the company has met the minimum core capital requirement with Tier 1 & 2 ratios as of 31 March 2023.

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 behaviour 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.

FIVE YEAR SUMMARY

| | 31.03.2019 | 31.03.2020 | 31.03.2021 | 31.03.2022 | 31.03.2023 |
|--|------------------|------------------|------------------|-------------------|-------------------|
| | Rs 000 | Rs 000 | Rs 000 | Rs 000 | Rs 000 |
| Balance Sheet | | | | | |
| Cash and cash equivalents | 89,053 | 260,351 | 343,840 | 504,108 | 161,388 |
| Placement with banks and other financial institutions | 1,041,844 | 815,840 | 1,443,658 | 4,009,764 | 3,893,787 |
| Financial assets - measured at fair value through profit or loss | - | 155,783 | - | 20,293 | 20,642 |
| Financial assets - measured at fair value through other comprehensive income | 1,166 | 1,166 | 1,166 | 33,677 | 35,811 |
| Financial assets at amortized cost / loans and receivables | 4,472,890 | 4,615,510 | 2,916,037 | 8,777,307 | 10,109,178 |
| Other assets | 116,908 | 122,056 | 114,060 | 108,751 | 94,927 |
| Inventories | 137,534 | 54,543 | 10,500 | 22,328 | 2,105 |
| Deferred tax assets | 321,306 | 332,790 | 336,074 | 81,492 | 56,474 |
| Investment properties | - | 85,000 | 88,850 | 91,850 | 113,000 |
| Intangible assets | 2,985 | 2,306 | 2,063 | 7,607 | 3,708 |
| Property and equipment | 74,728 | 108,400 | 75,568 | 1,118,195 | 1,146,971 |
| Investment in subsidiary company | 1,160,388 | 1,160,390 | 1,160,388 | - | - |
| Goodwill | - | - | - | 385,244 | 385,244 |
| Total Assets | 7,418,801 | 7,714,135 | 6,492,205 | 15,160,616 | 16,023,236 |
| Deposits from customers | 4,914,785 | 4,622,186 | 4,058,791 | 11,173,182 | 12,442,823 |
| Dues to banks and other borrowings | 1,089,792 | 1,406,286 | 1,055,619 | 765,497 | 28,222 |
| Other liabilities | 170,825 | 412,929 | 104,407 | 432,560 | 411,780 |
| Current tax liability | - | - | - | 32,996 | 138,955 |
| Retirement benefit obligations | 36,121 | 40,411 | 44,379 | 56,948 | 66,675 |
| Total Liabilities | 6,211,524 | 6,481,814 | 5,263,195 | 12,461,183 | 13,088,454 |
| Equity | | | | | |
| Stated capital | 56,086 | 56,086 | 56,086 | 611,274 | 611,274 |
| Other reserves | 89,474 | 90,639 | 90,639 | 149,346 | 304,863 |
| Retained earnings | 1,061,717 | 1,085,595 | 1,082,284 | 1,938,813 | 2,018,645 |
| Total equity | 1,207,277 | 1,232,321 | 1,229,010 | 2,699,433 | 2,934,782 |
| Total liabilities and shareholders' funds | 7,418,801 | 7,714,135 | 6,492,205 | 15,160,616 | 16,023,236 |
| Income Statement | | | | | |
| Gross Income | 1,538,366 | 1,460,241 | 1,158,899 | 2,580,780 | 3,986,499 |
| Interest Income | 1,422,416 | 1,339,103 | 1,106,814 | 2,467,760 | 3,880,860 |
| Interest expense | (911,496) | (872,492) | (696,195) | (1,519,247) | (2,187,631) |
| Net interest income | 510,920 | 466,611 | 410,619 | 948,513 | 1,693,230 |
| Other Operating Income | 115,950 | 121,138 | 52,085 | 113,020 | 105,638 |
| Operating expenditure | (361,010) | (391,508) | (390,330) | (894,197) | (877,553) |
| Profit before income tax | 36,218 | 11,819 | (9,417) | 492,329 | 367,416 |
| Income tax (expense) / reversals | 98,083 | 11,484 | 3,284 | (192,860) | (166,953) |
| Net Profit | 134,301 | 23,304 | (6,132) | 299,469 | 200,463 |

| | 31.03.2019 | 31.03.2020 | 31.03.2021 | 31.03.2022 | 31.03.2023 |
|--|------------|------------|------------|------------|------------|
| Ratios | | | | | |
| Earning per Share (Rs) | 23.95 | 4.16 | (1.09) | 2.86 | 1.77 |
| Net Asset Per Share (Rs) | 215.26 | 219.73 | 219.14 | 23.82 | 25.90 |
| Return on Average Shareholder's fund (%) | 11.77 | 1.91 | (0.50) | 15.25 | 7.12 |
| Return on Average Assets (%) | 0.48 | 0.16 | (0.13) | 4.55 | 2.36 |
| Total Assets to Shareholder's funds (Time) | 6.15 | 6.26 | 5.28 | 5.62 | 5.46 |
| Net interest Margin (%) | 6.83 | 6.17 | 5.78 | 8.76 | 10.86 |
| Growth in Gross Income (%) | (3.64) | (5.08) | (20.64) | 122.69 | 54.47 |
| Growth in interest Income (%) | (0.83) | (5.86) | (17.35) | 122.96 | 57.26 |
| Growth in interest Expense (%) | 1.24 | (4.28) | (20.21) | 118.22 | 43.99 |
| Growth in net interest Income (%) | (4.32) | (8.67) | (12.00) | 131.00 | 78.51 |
| Growth in profit before Taxes (%) | (16.52) | (67.37) | (179.67) | 5,328.34 | (25.37) |
| Growth in Net Profit after Taxes (%) | 137.76 | (82.65) | (126.31) | 4,983.46 | (33.06) |
| Growth in Total Assets (%) | (1.51) | 3.98 | (15.84) | 133.52 | 5.69 |
| Growth in Total Advance (%) | 0.03 | 3.19 | (36.82) | 201.00 | 15.17 |
| Growth in Shareholder's Funds (%) | 12.37 | 2.07 | (0.27) | 119.64 | 8.72 |

SHARE INFORMATION

A) Analysis of Shareholders According to the Number of Shares as at 31st March 2023

| Shareholdings | Resident | | | Non-Resident | | | Total | | |
|----------------------------|----------------------|---------------|-------|----------------------|---------------|------|----------------------|---------------|--------|
| | No. of Share holders | No. of Shares | % | No. of Share holders | No. of Shares | % | No. of Share holders | No. of Shares | % |
| 1 - 1,000 shares | 924 | 264,340 | 0.23 | 5 | 668 | 0 | 929 | 265,008 | 0.23 |
| 1,001 - 10,000 shares | 742 | 2,902,570 | 2.56 | 1 | 4,104 | 0 | 743 | 2,906,674 | 2.56 |
| 10,001 - 100,000 shares | 328 | 10,282,903 | 9.07 | 2 | 80,256 | 0.07 | 330 | 10,363,159 | 9.14 |
| 100,001 - 1,000,000 shares | 38 | 9,826,035 | 8.67 | 1 | 911,537 | 0.8 | 39 | 10,737,572 | 9.47 |
| Over 1,000,000 shares | 10 | 89,054,855 | 78.58 | 0 | - | 0 | 10 | 89,054,855 | 78.58 |
| Total | 2,042 | 112,330,703 | 99.13 | 9 | 996,565 | 0.87 | 2,051 | 113,327,268 | 100.00 |

B) Categories of Shareholders

| | No. of Shareholders | No. of Shares |
|---------------|---------------------|---------------|
| Individual | 1,952 | 77,950,728 |
| Institutional | 99 | 35,376,540 |

c) Twenty Largest holders of Shares as at 31st March

| 31-Mar-23 | | | 31-Mar-22 | | |
|---|---------------|-------|--|---------------|-------|
| | No. of Shares | % | | No. of Shares | % |
| Mr. John Paulu Irugalbandarage Nalatha Dayawansa | 45,273,864 | 39.95 | Mr. John Paulu Irugalbandarage Nalatha Dayawansa | 45,273,864 | 39.95 |
| Imperial Import & Export Co. (Pvt) Ltd | 29,067,696 | 25.65 | Imperial Import & Export Co. (Pvt) Ltd | 29,067,696 | 25.65 |
| Mr. John Paulu Irugalbandarage Nelaka Dayawansa | 2,478,795 | 2.19 | Mr. John Paulu Irugalbandarage Nelaka Dayawansa | 2,478,795 | 2.19 |
| Mr. John Paulu Irugalbandarage Nadishka Dayawansa | 2,001,312 | 1.77 | Mr. John Paulu Irugalbandarage Nadishka Dayawansa | 2,001,312 | 1.77 |
| Mrs. Ayanthi Shammalka Dayawansa | 1,884,144 | 1.66 | Mrs. Ayanthi Shammalka Dayawansa | 1,884,144 | 1.66 |
| Mr. Akurana Wattage Prajith Perera | 1,783,056 | 1.57 | Mr. Akurana Wattage Prajith Perera | 1,783,056 | 1.57 |
| Mr. John Paulu Irugalbandarage Shanil Dayawansa | 1,762,212 | 1.55 | Mr. John Paulu Irugalbandarage Shanil Dayawansa | 1,762,212 | 1.55 |
| Miss. Akuranawattage Shiyonika Perera | 1,715,292 | 1.51 | Miss. Akuranawattage Shiyonika Perera | 1,715,292 | 1.51 |
| People'S Leasing & Finance Plc/K.L.Udayananda | 1,636,076 | 1.44 | People's Leasing & Finance PLC/K.L.Udayananda | 1,626,076 | 1.43 |
| Mrs. Ayoma Shyamali Perera | 1,452,408 | 1.28 | People's Leasing & Finance PLC/Mr.A.A.A.Noorudin | 1,470,724 | 1.3 |
| Mr. Jesudasan Pereembarajah Paul | 911,537 | 0.8 | Mrs. Ayoma Shyamali Perera | 1,452,408 | 1.28 |
| Mutiara Holdings (Private) LTD | 650,379 | 0.57 | Mr. Paul Jesudasan Pereembarajah | 673,609 | 0.59 |
| Kottawa Industries & Tours Ltd. | 618,720 | 0.55 | Seylan Bank PLC/Karagoda Loku Gamage Udayananda | 667,644 | 0.59 |
| Seylan bank PLC/Karagoda Loku Gamage Udayananda | 580,273 | 0.51 | Kottawa Industries & Tours Ltd. | 618,720 | 0.55 |
| Miss Nishma Ruhi Fonseka | 550,000 | 0.49 | Mrs. Malini Arudpragasam /Anuk Mahendran Arudpragasam | 474,855 | 0.42 |
| Mr. Gnanasambanthan Rajendren | 523,373 | 0.46 | Hatton National Bank PLC/Ramaraj Kuhan | 448,195 | 0.4 |
| Mr. Amarakoon Mudiyanseleage Weerasinghe | 500,000 | 0.44 | Mr. Ginige Cyril Walter. De Silva(Deceased) | 435,936 | 0.38 |
| Mrs. Malini Arudpragasam | 474,855 | 0.42 | Seylan Bank Plc/Shermal Hemaka Jayasuriya | 400,000 | 0.35 |
| Hatton National Bank PLC/Ramaraj Kuhan | 444,770 | 0.39 | Miss Nishma Ruhi Fonseka | 356,000 | 0.31 |
| Mr. Ginige Cyril Walter De Silva(deceased) | 435,936 | 0.38 | Mrs. John Paulu Irugalbandarage Pushparani Karunaratne | 250,000 | 0.22 |

D) Market Value Per Share for the Year Ended

| | 31-Mar-23 | 31-Mar-22 |
|-------------------|-----------|-----------|
| | Rs. | Rs. |
| Highest | 11.30 | 745 |
| Lowest | 6.20 | 8.20 |
| Last Traded price | 8.20 | 8.50 |

| E) Directors Shareholding as at 31st March | 31-Mar-23 | 31-Mar-22 |
|---|----------------------|----------------------|
| | No. of Shares | No. of Shares |
| Mr. J.P.I.N. Dayawansa | 45,273,864 | 45,273,864 |
| Mrs. A.S. Dayawansa | 1,884,144 | 1,884,144 |
| Mr. J.P.I.S. Dayawansa | 1,762,212 | 1,762,212 |
| Mr. T.M.A. Sallay | 6,204 | 6,204 |
| Mr. P.S. Goonewardene | 912 | 912 |
| Mr. N.M. Pieris | 2,400 | 2,400 |
| Mr. K.D.U.S. Nanayakkara | - | - |
| Mr. T.G. Kandamby | - | - |
| Mr. Ranil Wijegunawardena | - | - |

F) Public Holding

| | 31-Mar-23 | 31-Mar-22 |
|--|----------------------|----------------------|
| Name | No. of Shares | No. of Shares |
| No of Share Holders | 2,042 | 2,126 |
| No of Shares | 35,280,024 | 35,253,444 |
| % of Public Holding | 31.13% | 31.11% |
| Float Adjusted Market Capitalization(Rs.) | 289,285,984 | 299,648,063 |

The Float adjusted Market Capitalization as of 31 March 2023 - LKR 289,285,984/- .The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.14.1.(i) (b), of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

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 on Wednesday, 27th September 2023 at 10.00 a.m. 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 2023, together with the Report of the Auditors thereon.
- 2) To authorize Directors to determine donations for the financial year ending 31st March 2024 up to the date of next Annual General Meeting.
- 3) To re- elect Mr. Peter Suren Goonewardene 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
Company Secretaries
3rd Floor, No 9-1/2,
School Lane, Kollupitiya,
Colombo 03

15th August 2023

NOTES

1). The Annual General Meeting of Associated Motor Finance Company PLC will be a virtual meeting held by participants 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 at the meeting on Wednesday, 27th September 2023 at 10.00 a.m.

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 10.00 a.m. on Monday, 25th September 2023 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 2023 will be available for perusal on the Company website www.amf.lk and the Colombo Stock Exchange website on www.cse.lk.

| | |
|----------|--|
| Folio No | |
|----------|--|

(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" on 27th September 2023 at 10.00 a.m. 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 2023, 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 2024 up to the date of next Annual General Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3) To re- elect Mr. Peter Suren Goonewardene 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-Three.

.....
 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 10.00 a.m. on Monday, 25th September 2023 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:

CORPORATE INFORMATION

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 PLC
Hatton National Bank PLC
Seylan Bank PLc
People's Bank
Union Bank of Colombo PLC
Pan Asia Banking Corporation 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