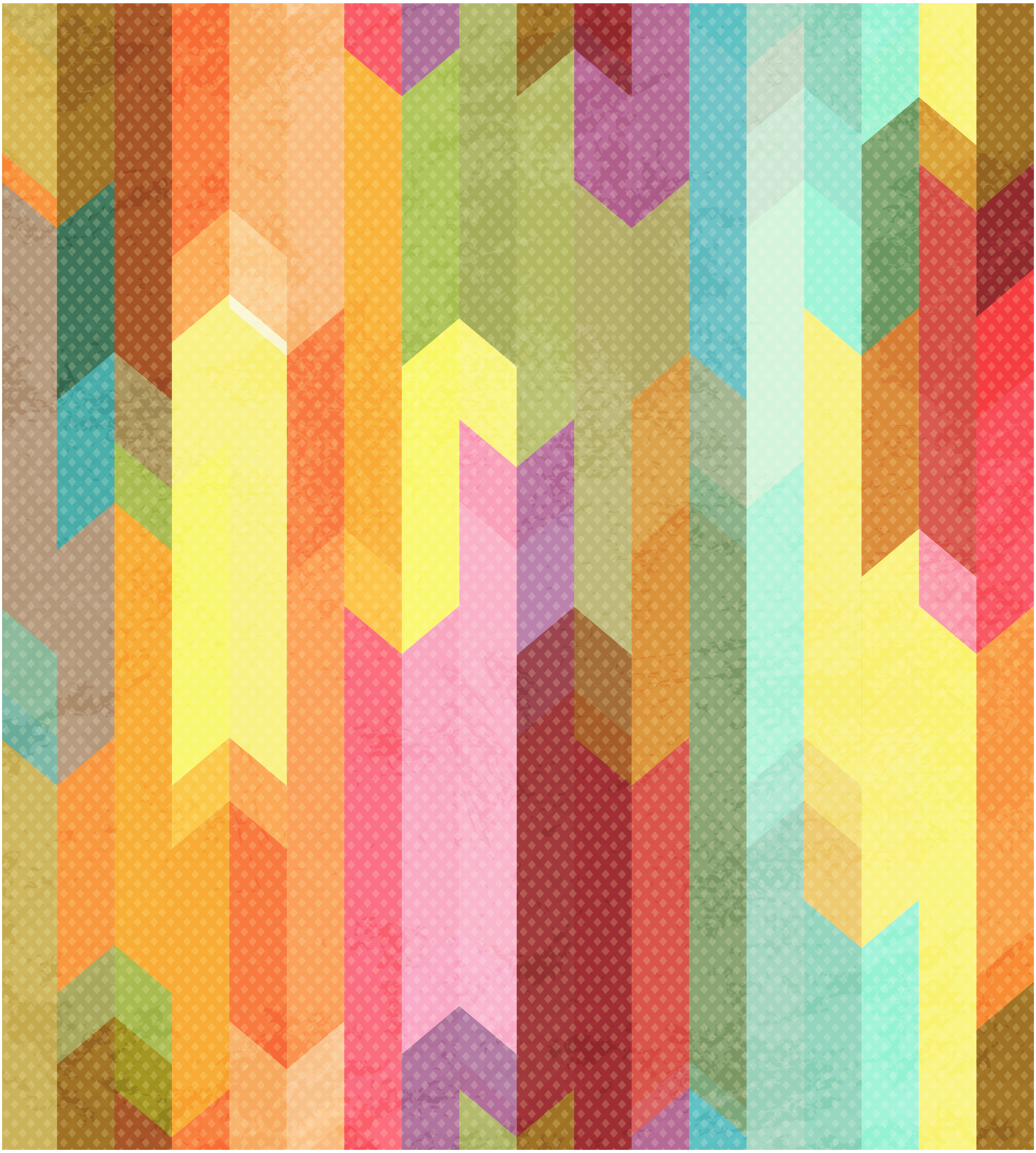
Value Added

Trustees of Your Trust

Associated Motor Finance Company PLC

Annual Report 2018/19



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Value Added

Associated Motor Finance has always followed a path of continuous transformation, becoming a company that drives itself to operate better, more efficiently and more responsibly. For over 56 years of stellar performance, we have added value into every single stage of our services; empowering lives and unleashing potential to be better than the best, with every passing year.

This report describes another promising year of operations, as your company continues to go boldly forward; dividing equity, multiplying opportunity and adding value in all that we undertake to do.

Company Profile

Associated Motor Finance (AMF) Company PLC is one of the oldest finance companies registered in Sri Lanka. Incorporated on 25th July 1962 under Companies Ordinance No. 51 of 1938, the Company was subsequently re-registered under the Companies Act No. 07 of 2007. AMF is a registered finance company with the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011 as well.

The principal activities of AMF include acceptance of public deposits, leasing and hire purchase, real estate trading, import and trading of private and commercial vehicles.

In an era where Sri Lanka espoused a closed economy model, the great visionary business leaders of AMF established a firm foundation by leveraging on the indigenous business opportunities. This exemplary leadership continued to take AMF to greater heights by successfully circumventing challenges and constraints such as the 30-year civil war which had a negative impact on Sri Lanka's economy. AMF with long years of success and considerable strength in the specialised area of financing acquired Arpico Finance; the second oldest finance company in Sri Lanka, with a highly diversified asset portfolio double its size.

Vision

To be renowned among all our stakeholders as a pre-eminent financial institution and maximise and sustain a rate of return well above the industry level on all investments made by our stakeholders.

Mission

To be the premier provider of superior financial solutions and innovations in leasing solutions to all our customer segments, through committed and quality services, and provide assistance to allow them the ability to realise their financial needs.

Customers

Our passion is to serve our niche markets to the best of our ability providing them with trusted and steadfast services that will allow them to fulfil their financial goals.

Deposit Holders

We are committed to provide our depositors the highest return for their investments, within the regulator's guidelines, whilst ensuring the security of their investments.

Our Core Values

Shareholders

We are committed to manage all aspects of our business affairs prudently to ensure the highest, sustainable returns on investments and thereby building shareholders' value at a rate above the industry level, upholding shareholders' confidence towards our operations.

Employees

To build a culture that promotes teamwork and empowers employees at all levels to take prudent initiatives and to make positive changes for the continuous improvement of the quality of our business operations.

Financial Highlights

	Company			Group		
	2018/19	2017/18	% Change	2018/19	2017/18	% Change
Result on Operation						
For the year ended Rs. Mn.						
Interest Income	1,422	1,434	-1%	5,411	4,429	22%
Interest expense	911	900	1%	3,157	2,576	23%
Net interest income	511	534	-4%	2,255	1,854	22%
Profit before income tax	36	43	-17%	161	98	64%
Income(tax) /Reversal on profits	98	13	649%	308	(60)	-618%
Profit after income tax	134	56	138%	469	39	1115%
Financial Position						
At the year end Rs. Mn.						
Total Asset	7,419	7,986	-7%	22,440	24,495	-8%
Lending portfolio	4,473	4,472	0%	17,754	19,893	-11%
Deposits from public	4,915	5,436	-6%	13,460	13,501	0%
Borrowings	1,090	1,160	-10%	6,543	8,148	-20%
Shareholders' funds	1,207	1,074	12%	1,959	1,505	30%
Market capitalisation	2,256	2,243	1%			
Information per Ordinary Share						
Earnings - basic (Rs.)	23.95	10.07	138%	79.68	6.72	1086%
Dividends (Rs.)	-	12.50	-100%			
Net asset Value (Rs.)	215.26	191.57	12%	332.61	254.02	31%
Market value at the end of the period (Rs.)	402.20	400.00	1%			
Price earnings (time)- ordinary shares						
Ratios						
Return on average assets (%)	0.47	0.58	-18%	0.68	0.47	46%
Return on average shareholder's funds (%)	3.17	4.02	-21%	9.28	6.39	45%
Net interest margin (%)	6.63	7.10	-7%	9.61	8.89	8%
Equity to assets (%)	16.27	13.45	21%	8.73	6.14	42%
Compliance Ratios						
Core capital to risk weighted assets (Tier I) (%)	14.98%	22.18	-32%	-	-	-
Total capital to risk weighted assets (Tier I & II) (%)	16.07%	1.83	778%	-	-	-
Liquid assets to total assets (%)	14.04	8.87	58%	-	-	-
Liquid assets to deposits (%)	21.84	26.78	-18%	-	-	-
NPL(%)	6.61	6.38	4%	-	-	-
NPL (net) (%)	0.93	(1.79)	-152%	-	-	-

ROA - Profit before tax as a percentage of average assets.

ROE - Profit Before taxes a percentage of average equity.

NIM - The ratio of interest income less interest expenses to average assets.

Non-Financial Highlights

2,255

Deposit Customers

40,007

Lending Customers

393

Shareholder Base

86.28

Deposit Renewal Ratio

163

Total Employees

Chairman's Review

It has been another excellent year, in which the Group continued to stride ahead, embodying "what defines us"; blazing new trails with a vision, boldness and agility with a strong track record of consistent performance over the past 56 years, whilst creating new avenues to expand and grow.

Dear Shareholders,

I take pleasure in welcoming you to the Annual General Meeting of Associated Motor Finance Company (AMF) and presenting to you the Annual Report and audited Financial Statements for the year ending 31st March 2019. It has been another excellent year, in which the Group continued to stride ahead, embodying "what defines us"; blazing new trails with a vision, boldness and agility with a strong track record of consistent performance over the past 56 years, whilst creating new avenues to expand and grow.

OPERATING ENVIRONMENT

The Sri Lankan economy grew at a moderate pace of 3.2% in 2018, in real terms, compared to 3.4% in 2017, in the midst of headwinds from a challenging domestic and external environment. Nevertheless, favourable weather conditions that prevailed in major cultivation areas enabled a strong recovery in Agricultural activities resulting in an increased paddy harvest during the year.

Service activities contributed the highest to the economy in 2018, led by the growth in financial services, wholesale and retail trade activities which were also supported by the spillover effects of the rebound in agricultural activities. In contrast, the Industry activities slowed down, dampening economic growth owing to the setback in construction and mining activities and the moderate growth in manufacturing activities.

The sectorial performance moderated during the year in terms of credit growth, profitability and non-performing loans. Nevertheless, the overall sector was able to maintain capital at a healthy level along with adequate liquidity buffers above the regulatory minimum levels.

The sector also exhibited a shift in the funding mix as increased assets were mainly funded through borrowings. Hence, the deposits witnessed only a marginal growth in contrast to the high growth recorded during the previous year.

The increase of total assets in the industry slowed down from 11.8% in 2017 to 5.6% (Rs. 76.3 Bn) during the year reaching Rs.1,431.3 Bn. This was mainly owing to the slowing down of lending activities in response to fiscal and macro prudential policy measures taken to curtail the importation of motor vehicles and lending towards vehicles due to the slowdown in the overall economic activities. The growth in deposits also witnessed a slow down of 4.4% compared to the 29.4% growth rate recorded in 2017 mainly due to the declining trend in deposit interest rates. Besides, the sector showed increased reliance on bank borrowings over deposits due to flexibility that led to a reduction in fund mobilisation through deposits. Borrowings recorded a growth of 17.1% in 2018, shifting from the negative growth recorded in the previous year.

BUILDING A SUSTAINABLE ORGANISATION

With a trustworthy corporate legacy which spans over five decades, AMF has carved a niche for itself in the industry it serves. It is our insight forged by expertise, coupled with our unique business model that enabled us to build a financial institution of strong repute. The company has at all-times remained committed to integrity, in compliance with the regulatory frameworks set there in. This has become the ethos of Associated Motor Finance and is practiced at all levels of the organisation. Our committed and highly competent employees continue to strive daily in up keeping these values while achieving the company's mission. The strategic investment in Arpico Finance Company (AFC) was indeed a timely decision, which enabled the company to grow in a sustainable manner as a consolidated entity. Whilst we unrelentingly continued to be a key two-wheeler financier in the country, we successfully diversified our portfolio through our strategic investment to corporate loans, Islamic finance loans, micro finance loans, four-wheeler leasing and personal loans during the year.

PERFORMANCE

In this economic backdrop, the Board and I are confident that your company has performed significantly well during the year under review. I am pleased to report that Associated Motor Finance has maintained steady growth trajectories across all major financial indicators even surpassing industry growth rates in some areas. We have also met many of the strategic and operational level targets set for the year under review. The company was able to record a profit after tax (PAT) of Rs. 134 Mn at company level and a consolidated group PAT of Rs. 469 Mn. However the company's asset base indicated a dip of 7.11%.

Chairman's Review

Our organisation will continue to be underpinned by high standards of corporate governance and a strong risk management framework that provides stability, prudence and effective oversight. Additionally, we remain well positioned for sustainable long-term growth with a prudent strategy, a unique business model and an extraordinary team with a relentless commitment to excellence to execute it.

AMF pursues ethical and transparent business operation, embedding these concepts in our strategies and business operations. In order to achieve a strong corporate governance regime, the company complies with the Central Bank of Sri Lanka Regulations, CA Sri Lanka and SEC joint Code of Best Practice on Corporate Governance and the Continuing Listing Requirements of the Colombo Stock Exchange. We believe in high levels of compliance, to afore set policies and regulations.

LOOKING FORWARD TO 2019 AND BEYOND

As we conclude a well-planned year, it is prudent to reflect on our learnings, and plan for the future. The year ahead will definitely prove to be eventful, given the challenges expected in the economic and political environments. Going forward, the focus will be on Optimisation. Putting all the resources and investments to its best use, the company envisages increasing its market share, and leveraging its service delivery network to enhance customer convenience and accessibility. With the completion of the legal merger of AMF with AFC the company and the group are ready to taken on new challenges. The diversification of the existing portfolio though this merger will indeed solidify the market position, while opening new avenues.

Our organisation will continue to be underpinned by high standards of corporate governance and a strong risk management framework that provides stability, prudence and effective oversight. Additionally, we remain well positioned for sustainable long-term growth with a prudent strategy, a unique business model and an extraordinary team with a relentless commitment to excellence to execute it.

EXPRESSING APPRECIATION

As we look towards an exciting year ahead, I would like to thank all those who contributed to our growth in the financial year 2018/19. I would like to express my sincere gratitude for the support and guidance extended to us by the Governor of the Central Bank of Sri Lanka and the Director and the officials of the Department of Supervision of Non-Bank Financial Institutions.

My deep appreciation is extended to the Managing Director and Executive Directors for their inspired leadership. The management committee and staff who are indispensible to our success as they are the ones executing our strategies and I fully acknowledge the contributions of each and every employee of AMF. My sincere appreciation is extended to our customers and depositors for their valued patronage and loyalty and our shareholders for the steadfast support extended to us at all times. I look forward to strong teamwork from the AMF Team, to make our collective vision a reality in 2019 as well.

Dr. L. Rohan Karunaratne
Chairman

28th June 2019

Managing Director's/ Chief Executive Officer's Review

Managing Director's/ Chief Executive Officer's Review

Our commitment to our stakeholders is unconditional and everything we do is centered on increasing the value we deliver to them. In the year under review we took some big strides to strategically invest our capital to strengthen our capacity to generate sustainable value for all our stakeholders.

Dear Stakeholder,

The guiding principles that were established when Associated Motor Finance was founded in 1962 have allowed us to achieve steady, solid growth, year after year, with 2018/19 being no exception. AMF is reporting record results, which we believe is testifying to our unequivocal commitment to stay invested in our business

Despite the economic slowdown and persistent instability in the political and macroeconomic environment, our company was able to remain positive and resilient. Due to the slowed recovery and the SLFRS 9 stringent provisioning requirements and new Debt Repayment Levy (DRL) of 7% on value addition, negatively affected the profitability of the company. With all these facts, the company was able to record a profit of Rs. 134 Mn for the FY 2018/19.

Quite frankly what we find most rewarding is the fact that we have been able to deliver this exceptional performance despite negative headwinds emanating from our immediate operating environment.

OPERATING ENVIRONMENT

Saying that the year 2018 was one of the toughest in recent times is stating the obvious. Sri Lanka's GDP growth slowed to 3.2% as weather-related disruptions in the previous year continued to bear down on the country's core agriculture sector, while weakening global demand led to a gradual slowing of export growth. Meanwhile the constitutional crisis that erupted in October proved to be a severe blow for the country's tourism industry. As investor confidence weakened in the immediate aftermath of these events, three major international rating agencies downgraded the country's sovereign rating in November 2018, making it increasingly difficult to source overseas funding. Given the mounting uncertainty the International Monetary Fund program was also suspended, though the Government has since opened talks to review the three-year $1.5 Bn bail-out which began in 2016.

Paradoxically the NBFI sector maintained a steady growth trajectory throughout 2018, albeit at a slightly slower pace than in the previous year. The sector-wide asset base increased despite tight regulatory controls that brought pressure on the core vehicle financing model, which we believe signals that the sector is gradually easing away from its overdependence on vehicle financing and moving towards other viable lending activities.

On the downside the sector experienced some notable stress caused by rising NPLs, bought on by the spillover effects of adverse weather conditions as well as the general economic slowdown.

CREATING STAKEHOLDER VALUE

Although the year under review was indeed not as expected, we are in fact on a stronger footing than a year ago, we are nonetheless acutely aware that sustaining our position in the long-term will largely depend on how agile and innovative we are as a company. Further, given the ever-changing needs of the customer, it is imperative that we align strategies and develop the requested behavioural shifts to achieve the desired customer outcomes. Stemming from this, we took what we believe is a quantum leap to ensure that we are well-positioned to stay aligned in a changing world.

To our depositors we continued to meet our commitments and deployed our resources to deliver the highest possible returns over the long term, as evidenced by the 1% YoY increase in interest payment during the year. Our deposit renewal ratio stood at a commendable 86.28%.

Our commitment to our stakeholders is unconditional and everything we do is centered on increasing the value we deliver to them. In the year under review we took some big strides to strategically invest our capital to strengthen our capacity to generate sustainable value for all our stakeholders. The way we see it, supporting our customers' ambitions is a key part of AMF's role in society.

Our aim is to build strong supplier relationships that enable us to grow together. The mutually beneficial relationships with our suppliers which extend beyond mere commercial association support the growth of our business We also make a significant contribution to our nation's development, by looking after the senior citizens and uplifting the quality of life of rural communities. The two wheeler finance caters to masses, whilst majority of our clients are involved in micro and SME businesses. In addition to contributing to the development of transport facilities in rural communities, we continued to serve those who have no access to formal banking services.

INVESTED IN THE FUTURE

It goes without saying that our people are our most valuable asset. Therefore investing in their growth and development as well as their safety and wellbeing is not just a priority but rather one of our fundamental principles. In the year under review we focused on further enhancing the AMF employee value proposition with special emphasis on strengthening employee engagement and improving our performance management processes in alignment with globally-accepted best practices, as well as increasing our investment in training and development activities.

While it is unlikely that as a financial institution our business activities will have Any significant impact on the environment, we nonetheless remain fully committed to being an exemplary environmental steward based on the premise that combating climate change is a joint effort that requires the co-operation of all individuals and corporates regardless of their own impact.

As we turn our attention toward the future, we are well aware of the role technology will continue to play in this fast-changing world in which we live and work. Even now technological advancements are fast evolving and influencing every aspect of our lives. In this context, we will look to make significant improvements to our operations and strengthen our core competencies through ongoing refinements to our system architecture and core platform as well as through major investments in mobile app-based smart solutions.

Going forward, we will continue to grow the two-wheeler market building on our expertise, diversify our portfolio, expand our geographical footprint and achieve greater operational efficiencies through the merged entity.

APPRECIATION

As we conclude our review, we wish to express our sincere gratitude to our management team and staff members for their hard work and ongoing dedication to excellence. We express our appreciation to the Chairman and Directors for their counsel and professionalism in helping to position our organisation for its long-term success. We are thankful to the Governor of the Central Bank of Sri Lanka, Director and officials of the Department of Supervision of Non-Bank Financial Institutions for their continued support. Thank you to our loyal customers, depositors and shareholders for your continued loyalty and confidence in us.

Finally, I would like to thank the shareholders and all other stakeholders for their longstanding trust and confidence in the Company and invite you to remain invested our future journey as well.

J.P.I. Nalatha Dayawansa
Managing Director

T.M.A. Sallay
Chief Executive Officer

Board of Directors

(from left to right)

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

Mr. J.P.I. Nalatha Dayawansa
Managing Director

Dr. L. Rohan Karunaratne
Chairman/Independent Non-Executive Director

Mrs. A.S. Dayawansa
Executive Director

Mr. L.C.W. Edirisooriya
Independent Non-Executive Director

Mr. J.P.I. Shanil Dayawansa
Executive Director

Board of Directors

Dr. Rohan Karunaratne

Chairman - Independent Non-Executive Director

Dr. Karunaratne is a qualified Civil Engineer and a Ph.D. holder in Construction Management and Business Management. He possesses an MBA in Business Administration and also a Bachelor of Engineering. In addition to the aforementioned academic qualifications, he has the following professional qualifications in relation to his field of civil engineering: Diploma in Civil Engineering (India), T.Eng. (C.E.I.) MSE (London), Graduate of the Society of Engineers (London). Member of the Institute of Engineers and Technicians (London), Member of the Engineers Registration Board (London). Fellow of the International Institute of Management and Fellow of the Ceylon Institute of Builders.

He has been appointed as the Chairman of the Board of Associated Motor Finance Company PLC since May 2011. He has over 32 years of post-qualification experience in Civil Engineering, Building Construction, Engineering Consultancy, Construction Training, Lecturer in Civil Construction, Designing and Planning. He is currently the Chairman of Arpico Finance Company PLC and holds numerous key positions in the following institutions and professional bodies:

President :
Ceylon Institute of Builders

Chairman :
Human Resource Development (Pvt) Ltd.
A.K.K. Engineers (Pvt) Ltd.
Master Builders Int. (Pvt) Ltd.
Hybrid Airports (Pvt) Ltd.
Pinthaliya Resorts and Spa

Deputy Chairman :
International Institute of Management

Non-Executive Director :
Hatton National Bank PLC

Mr. L.C.W. Edirisooriya

Independent Non-Executive Director

Mr. L.C.W. Edirisooriya is a practicing Chartered Accountant under the name of Edirisooriya & Co. He is a Bachelor of Commerce Special Degree holder at the University of Sri Jayewardenepura, a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of Certified Management Accountants of Sri Lanka. He is having over 29 years of professional working experience in auditing, financial management, fund management, consultancy work and company secretarial work at public listed companies, corporations, banks and various other institutions.

He functioned at the Paddy Marketing Board, State Plantations Corporation, Shipping Corporation and Sri Lanka Ports Authority in different senior executive positions handling and supervising accounting, auditing and management. He is a Senior Lecturer in Accountancy in various institutions including CA Sri Lanka.

Mr. K.D.U.S. Nanayakkara

Independent Non-Executive Director

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 of the Chartered Institute of Management Accountants, UK.

Mr. Nanayakkara commenced his career at Linea Intimo, a fully-owned subsidiary of the MAS Holdings in 1999 and moved up the rank to become the CFO of MAS Active division in 2014, where he served in this capacity till the end of 2017. He is currently 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 and manufacturing subsidiaries in India and Jordan. Under his leadership a feasibility study was conducted to set up a manufacturing facility in the Northern Province which became a reality in 2012. Currently holds responsibility in setting up MAS operations in the Western Hemisphere. Additionally, the Finance Team of MAS Active won the prestigious CIMA Case Study Award in 2012 under his leadership. This case study was based on the successful transformation that took place after the implementation of the Lean Enterprise in a service function. He was appointed as a Board Director of MAS Legato (Pvt) Ltd., MAS's shared services operation with effect from 1st January 2017.

Mr. J.P.I. Nalatha Dayawansa

Managing Director

Mr. J.P.I. 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 a 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 Diploma holder prime movers from UK.

He is also the holder of a Diploma in Economic and Management from the London School of Economics and Management in UK. He 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 the Mr. J.P.I. Piyadasa in 1995: he succeeded as the Chairman and Managing Director of the Company. He has over 34 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 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 UK. He has been appointed as an Executive Director of Arpico Finance Company PLC since December 2014.

Mr. Shanil Dayawansa

Executive Director

Mr. J.P.I. Shanil Dayawansa holds a Degree in Accounting and Management (BA) from the University of Essex (UK) and 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 has been the recent inclusion to the Board to bring youthfulness to the Board of Associated Motor Finance Company PLC, with a view to strengthen it further, with the financial and accounting aspects and to improve the corporate governance of the Company.

He has been appointed as an Executive Director of Arpico Finance Company PLC, since December 2014, subsequently he was appointed as the Managing Director of Arpico Finance Company PLC since June 2015.

Mrs. A.S. Dayawansa

Executive Director

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 company engaged in garment exports and also at Imperial Import & Export Company (Pvt) Ltd., a company engaged in importing and trading of used motor vehicles from UK. She is also the Managing Partner of Ayathi, a dress boutique, which caters exclusively to the high end market. She has over 20 years of experience in sectors such as Finance, Garments, Imports and Exports.

Management Team

T.M.A. Sallay

Chief Executive Officer

Mr. Sallay He is a holder of a Master's in Business Administration from the Asia University of Malaysia. He is a fully-qualified Member of the Institute of Certified Management Accountants of Australia and is currently reading for strategic case study at the Chartered Institute of Management Accountants of the UK

Mr. Sallay is a financial professional with over 33 years of extensive and diverse work experience in the fields of Finance, Auditing, Marketing, Credit and Recoveries, Project Management and Event Management. He has held many positions, both strategic and operational, in many organisations and has wide exposures in diverse sectors such as Finance, Hospitality, Healthcare, International Event Organisation, Communications and Trading and Manufacturing.

Mr. Sallay joined Associated Motor Finance Company Ltd., 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 has been appointed as an Executive Director of Arpico Finance Company PLC since December 2014. His past work experience has seen him focus on his core strengths in the realm of finance, through over 22 years of service with several established financial institutions.

G.S. Shantha Gunasekara

Senior Manager Marketing

(Leasing and Hire Purchase)

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 27 years of experience in the finance industry, 16 years of which have been spent in managerial positions.

Mr. P.A. Nilan Perera

Senior Manager

Operations and IT

Mr. Perera is a part qualified member of the Accounting Technicians of Sri Lanka and is a registered student of the Institute of Certified Management Accountants of Sri Lanka. He is also reading for his Bachelor's Degree in Information Technology through an external degree course offered through the University of Colombo. He has over 26 years of experience in the field of accountancy of which, 12 years have been spent in managerial positions.

Mr. Vajira Panditharathne

Senior Manager

Recoveries

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 16 years of experience in the finance industry and 10 years in the field of Mass Media Communications. Of this period, 8 years were spent in managerial positions

K.I.S. Grero

Manager

Sales (Vehicles)

Mr. Grero counts 23 years of experience in the field of Sales and Marketing in sectors such as Travel, Tourism and Finance, of which 15 years were spent in managerial positions.

Multiplying Opportunity

Management Discussion and Analysis

Multiplying Opportunity

Operating Environment

GLOBAL ECONOMY

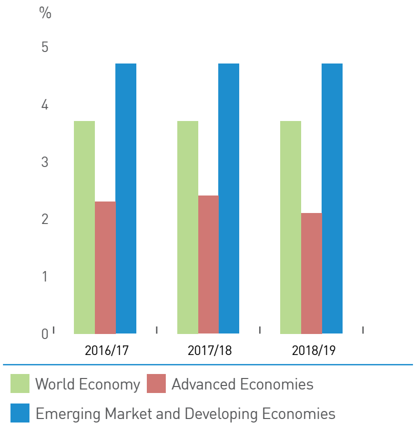
Despite losing some of the strong momentum registered in the second half of 2017, global economic growth in 2018 remained steady at 3.7%, in line with last year's growth rate. Growth became less synchronized as a number of advanced economies saw a more moderate growth compared to last year, while emerging markets and developing markets continued to grow at the same pace. The EU region and UK in particular witnessed a moderation of growth due to political uncertainty and slower export growth. Global growth however continued to be supported by robust growth in the US economy which benefited from sizable fiscal stimulus as well as growth in emerging markets and developing economies, which continued to benefit from domestic demand led growth and higher commodity prices. Global trade too saw some levelling off, growing by 3.9% in 2018 compared to the growth of 4.7% in 2017. Escalating trade tensions, particularly between the US and its main trading partners as well as tighter credit market conditions in major economies contributed to this slow down.

Global inflation accelerated in 2018, due to rising commodity prices including rising oil prices during the year. Tightening of monetary policy across the global economy continued against a backdrop of strengthening economic activity and labour markets as well as rising inflationary pressures in key advanced economies. The Federal Reserve raised the target range for the Federal funds rate on three occasions during the first nine months of 2018 while The Bank of England raised its Bank Rate by 25 basis points in August 2018. The European Central Bank (ECB) while maintaining an accommodative policy stance, announced the winding down of its net asset purchases commencing October 2018. Central banks of most emerging markets also tightened monetary policy to counter reversal of capital flows and pressure on exchange rates.

OUTLOOK

The spillover effects of the tightening monetary policy stance adopted by key advanced economies are likely to be felt in 2019 and 2020, with advanced economies seeing some slowing down of growth which may impact emerging and developing economies as well. Meanwhile escalating trade tensions between the US and key trading partners is also likely to have a negative impact on growth prospects of the global economy.

Economic Growth



Source: International Monetary Fund – April 2018 Update.

SRI LANKAN ECONOMY

Sri Lanka's growth prospects for the year were marred by several key challenges. The poor performance of vital sectors such as agriculture, construction and imports as well as weak domestic consumption saw GDP growth declined to 3.2% in 2018 from 3.4% in the previous year. The external sector too remained under stress as imports continued to outpace exports. Export earnings improved only by 4.7% in 2018, in contrast to the 10.7% growth in import expenditure and despite an increase in tourism earnings the trade deficit widened to Rs. 10,343 Mn in 2018, swelling by 7.5% from 2017. During the year, the Central Bank of Sri Lanka allowed for greater exchange rate flexibility while strengthening reserve buffers to ensure resilience against external shocks. However, a culmination of factors including the widening trade deficit, higher investment outflows and also tightening US market conditions resulted in the Sri Lankan Rupee depreciating by an unprecedented 16% against the US Dollar during 2018, compared to only 2% depreciation reported in 2017. The trade deficit as a percentage of GDP widened to 11.6% in 2018 from 10.9% in 2017.

Meanwhile political instability in October 2018 led all three major Credit Rating agencies, Standard & Poor's, Moody's Investors Service and Fitch Ratings to downgrade the country rating with effect from November 2018. On the back of weaker economic growth and increased regulatory controls affecting the sector's core vehicle-financing segment, the NBFI sector reported subdued growth in 2018.

While the sector-wide lending model still remained highly skewed towards leasing and hire purchase activities, a notable drop in lending was observed in 2018 as strict macro-prudential policy measures taken by the authorities to curb imports and stringent rules on vehicle financing continued to dampen the appetite for credit. Consequently the sector-wide asset base grew by only 5.6% in 2018 compared to 11.8% in the previous year.

Non Performing Advances (NPA) across the industry was on the rise with the target customer base under pressure due to the economic slowdown. Consequently the end-December NPA ratio climbed to 7.7%

from 5.9% recorded at the end of 2017. Affected by higher provisioning charges resulting from the increase in NPA's as well as the adoption of the Sri Lanka Financial Reporting Standard 09, which recognises impairment at an early stage, industry-wide profitability declined. The Debt Repayment Levy introduced by the government in October 2018 put a further squeeze on the sector's already stressed bottom line, which saw post-tax profits declined by 17.2% year on year to reach only Rs. 21.4Bn in 2018. The impacts of the Easter terrorist attack in April 2019 will pose further challenges on recoveries and collections.

The sector posted a profit after tax of Rs. 21.4 Bn, a decline of 17.2% compared to the previous year. The decline was attributed to several factors, key among them lower Net Interest Margins (NII) and higher provisioning costs.

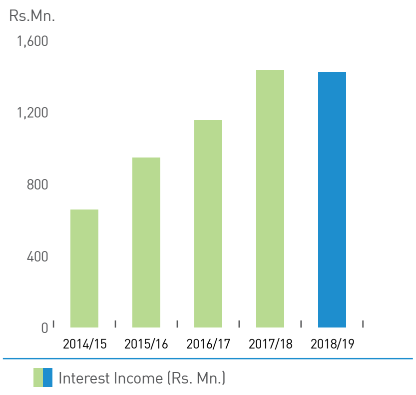
Financial Review

INTEREST INCOME

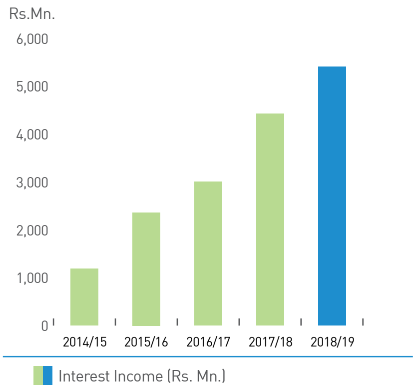
Consolidated Interest income increased by 22% from Rs. 4.6 Bn to Rs. 5.4 Bn in the FY 2018/19.

The company interest Income decreased by 1%% compared to the previous year from Rs. 1,434 Mn to Rs. 1422 Mn.

Growth in Interest Income- Company



Growth in Interest Income- Group



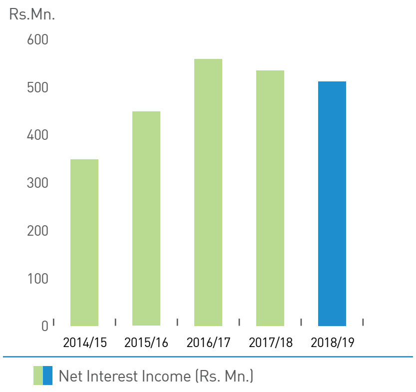
NET INTEREST INCOME (NIM)

Net interest income of the group increased by 22% YOY to Rs.2,254 Mn in FY2018/19 compared to Rs. 1,854 Mn in FY 2017/18.

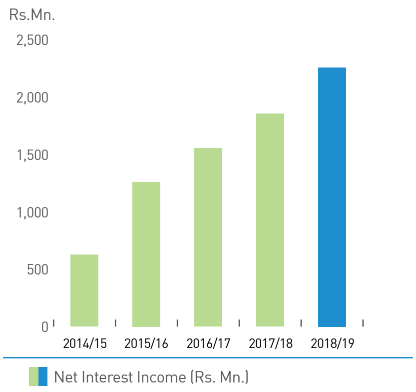
The company NIM of Rs. 510 Mn has decreased by 4% compared to Rs. 533Mn., in the previous financial year.

The Management policies enabled the group to uphold a good balance between the lending and borrowing rates resulting Net interest Margin (NIM) of 9.6%.

Growth in Net Interest Income - Company



Growth in Net Interest Income- Group



OTHER OPERATING INCOME

Other operating income encompasses of the company mainly profit on sale of Motor vehicle and fees received from insurance, disposal gain on PPE, Dividend etc.

OPERATING EXPENSES

Total operating expenses of the group for the year under review increased by 18% largely due to the Company's expansion plans which resulted in an increase in expenses related to personnel costs ,office premises, , arising from the expansion of business operations and promotional activities undertaken during the year.

The personal expenses continued to account for the largest share of overhead expenses during the year under review comprising 61% of the total operating expenses. Which was increased by 29% from Rs. 170 Mn to Rs. 220 Mn compared with the previous year due to increments and bonus payments and increases in company No. of staff.

The company administration and other operating expenses has increased only 1% from Rs. 112 Mn YOY of 2017/18 compared to Rs. 114 Mn in the FY 2018/19.

PROFITABILITY

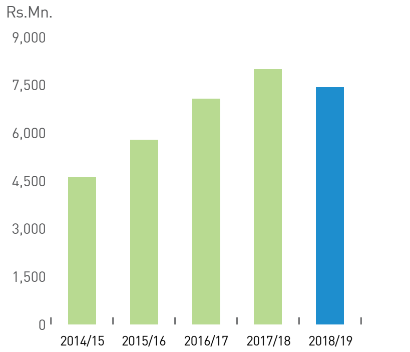
Consolidated profit before tax for the year increased by 64% YOY to Rs. 98Mn compared from Rs. 160 Mn in the previous financial year .

Company's net profit for the year increased to Rs.134 Mn compared from Rs. 56 Mn in the previous financial year.

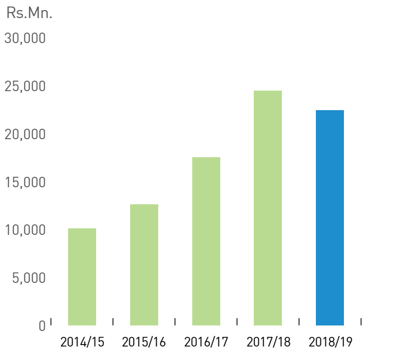
TOTAL ASSETS

Consolidated total assets of Rs. 22Bn as at the end of the financial year under review compared to Rs. 24 Bn in the end of the previous financial year.

Total Assets - Company



Total Assets - Group



FUNDING

Group Funding mainly through the public deposits. The Deposit base stood at the same level compared to last year which is 13.5Bn as at 31st March 2019.

There was a decrease in other borrowing in the Group of 20% YOY to Rs. 6.5 Bn in FY 2018/19 compared to Rs. 8.1 Bn in the previous financial year.

The company also decreased 10% of deposits Rs. 4.9 Bn to Rs. 5.4 Bn in 2018/19 and 2017/18 respectively. Borrowing has decreased to 6% to 1 Bn in 2018/19 from Rs. 1.1 Bn in 2017/18.

SHAREHOLDER'S FUND

The consolidated total shareholders' fund as at the Balance Sheet date was Rs. 1,958 Mn, an increase of 30% compared to Rs. 1,504 as at the end of the previous financial year.

The total shareholders' fund of the company as at the Balance Sheet date was Rs. 1,207 Mn, an increase of 11% compared to Rs. 1,074 as at the end of the previous financial year.

Stakeholder Capital

Stakeholders are the individuals, groups and entities that are affected by the products, services and operations of the Company or whose actions, decisions or attitudes affect the strategy, objectives and operations of the Company. AMF aims to build lasting relationships that add value to both parties, with its stakeholders. AMF has in place a rigorous process to identify its significant stakeholders. Through its process of engagement with the stakeholders, AMF is able to identify and understand their aspirations, concerns and also find ways and means of adding value to the stakeholder relationships in order to build lasting relationships. A process of continuous dialogue and engagement enables AMF to comprehend the aspirations and intents of its stakeholders and take them into consideration in formulating its business strategies, adding value to the relationships. The process of value addition works in directions, giving value to stakeholders and deriving value from the stakeholders.

In order to attain sustainability in economic, environmental and social aspects, it is imperative that we engage meaningfully with our stakeholders. As such, our stakeholder engagement process, is an organised mechanism so that we could identify all stakeholder groups, and engage with them effectively in order to address their concerns. Through a process of scanning the business environment, the parties who are impacted by our business operations are identified, who are then grouped according to similarities in order to identify broad stakeholder groups. Stakeholder engagement takes place, addressing their concerns in the best possible way so as to provide them a superior service and at the same time, ensuring the optimal performance of the company.

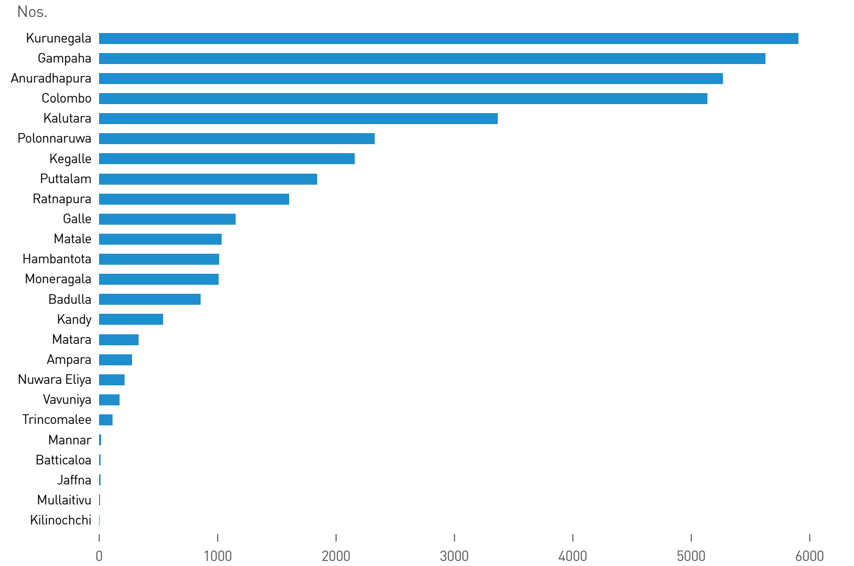
Customer Capital

Our customers remain at the heart of our business and are an integral stakeholder of the Organisation. We continually work hard to earn our customer's loyalty and deliver increased value to them. Therefore, our focus is on extending a great customer experience, building strong customer relationships, investing in service enhancements and offering attractive products and services to cater to their diverse needs.

Through these efforts, the year closed with a total count of 15,076 contracts being signed off during the year. By offering a range of products including finance leases, hire purchase facilities, fixed deposits and secured loans against fixed deposits, we support our customers to progress in life. We also enable customers to make informed decisions by providing adequate information and clear explanations about our products and services. Upholding customers' right to privacy and securing their personal data also remains important priorities for us.

The highest number of customer contracts was generated from the Kurunegala District, followed by the Gampaha District.

District-wise Analysis as at 31st March 2019



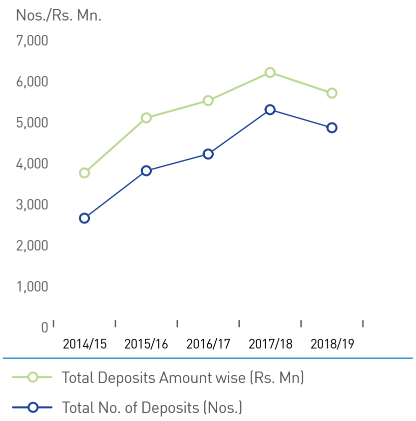
DEPOSITS

Deposits are our primary source of funding and accounted for 79% of the total liabilities as at the end of the financial year under review. Valuing the loyalty and trust of our depositors, we strive to offer the highest return for their investments within the regulatory guidelines.

We have consistently maintained a high renewal ratio, reflecting the strong customer loyalty in our Organisation and the customer satisfaction in the premium service standards extended by us. The average renewal ratio based on the number of deposits was maintained at 86.28% in 2018/19.

DEPOSIT BASE

Deposit Base



MARKETING COMMUNICATION

Our strong brand is one of our most important business assets. We continually strive to strengthen our brand through marketing communications. Our primary mode of marketing communication is through paper advertisements. We communicate in all three languages – Sinhala, Tamil and English, and the main language of communication remains Sinhala. We also ensure all relevant information is disseminated clearly, accurately and in a timely manner to all our customers.

CUSTOMER REACH

All our operations are carried out through our head office in Colombo and through the Melsiripura office in Kurunegala District.

Investor Capital

The required capital for expansion and growth of our business is provided by investors. Therefore, we continually strive to achieve sustainable growth and deliver increased returns to our investors. As at the end of the financial year 2019, our total shareholder base amounted to 393 of which 95% were individuals and 5% were institutions.

SHAREHOLDER FUND

At company level, shareholder funds increased by 12% YoY to Rs. 1,207Mn., as at 31 March 2019 compared to previous financial year. At Group level, shareholder's funds swelled by 30% to Rs. 1,959 Mn., in the year under review. The return on average shareholders' funds for the year under review declined by 21% YoY to 3.17 in 2018/19, whilst at Group level the ratio increased by 45% to 9.28

MARKET CAPITALIZATION AND SHARE PRICE MOVEMENT

At the end of the current financial year, market capitalisation of AMF increased by 1% YoY to Rs. 2.256 Bn, compared to Rs. 2.243 Bn., in 2017/18. The share price of AMF recorded a high of Rs. 750 and a low of Rs. 350 during the FY 2018/19. The year-end share price was Rs. 441.

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

For the year ended 31 March 2019, the ROA and ROE of our company stood at 0.47 % and 3.17% respectively. At consolidated level ROA and ROE were 0.68% and 9.28% respectively.

EARNINGS PER SHARE (EPS) AND PRICE EARNINGS RATIO

Company's earnings attributable to ordinary shareholders increased to Rs. 23.95 compared to Rs. 10.07 as at end March 2018. At Group level EPS increased by 1086% YoY to Rs. 79.68 in 2018/19 from Rs. 6.72 in the previous financial year. The Price Earnings Ratio decreased from 39.72 times to 16.8 times in the year under review, reflecting a decline of 58% at Company level.

NET ASSET VALUE (NAV)

The NAV per share of the Company declined from Rs. 191.57 at the beginning of the financial year to Rs. 215.26 as at the end of the FY in review, reflecting an YoY decrease of 12%.

Employee Capital

Our employees are critical to our service delivery. Our agility and our ability to rise to any challenge and come up with solutions has 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 organised.

Therefore, we always strive to nurture a winning team, who are passionate for excellence and make a noteworthy contribution to the progress of our Organisation. By creating a conducive work environment we enable every employee to realize their personal as well as professional goals. Further, we invest in training and development to hone the skills and competencies of our employees to progressively reach a higher level of performance and attain their fullest potential. This also helps to continually improve the quality of our service delivery.

Our values are embedded in the standards, policies and guidance which we set out to help employees perform. These values are reinforced through regular internal communications. Further, as an equal opportunity employer, we do not discriminate employees based on gender, race, religion or caste. We pay a uniform remuneration for work of equal value irrespective of gender.

We also promote a healthy work-life balance through a range of initiatives to help support our employees. During the year, we have been fully compliant with all relevant national regulations concerning our employees and their interests.

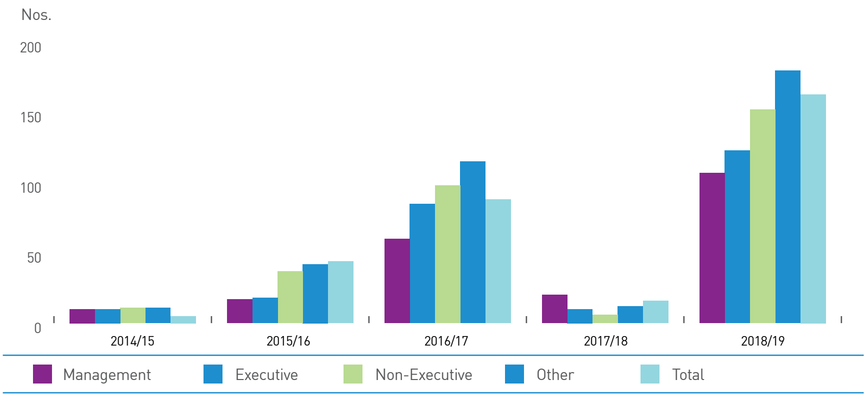
RECRUITMENT AND RETENTION

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 organisation. Guided by our recruitment policy, competent professionals are recruited who meet the high performance standards of our Organisation. We give priority to internal candidates to fill vacancies which open up in the Company. External recruitments are made if the vacancies cannot be filled by internal candidates or if specialised 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.

Over the years, our Organisation has progressed steadily driven by well-informed and target-oriented employees who are responsive to the needs of their colleagues, customers and the changes in the environment.

During the year, we recruited 57 employees of whom 35% were females. The total staff strength of the organisation increased to 163 employees as at the end of the financial year 2018/19.

Employees based on Hierarchy



Employee Capital

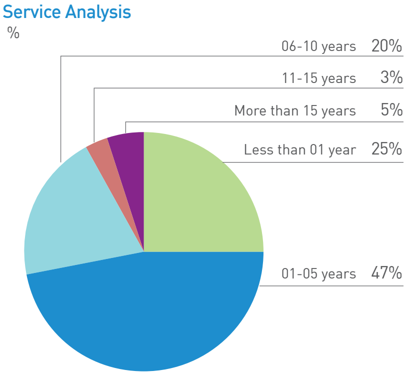
TRAINING AND DEVELOPMENT

Through continuous development, we strive to build a competent workforce equipped to serve customers with care and professionalism. Hence, our training and development function is designed to equip employees to achieve the desired level of competencies to ensure achievement of Company objectives. Through continuous training and development, career progression and impartial reward and remuneration schemes, we motivate and develop our human capital to reach their highest potential. Additionally, on-the-job training and internally developed training programmes are conducted by our own resource personnel to train our employees.

EMPLOYEE RETENTION

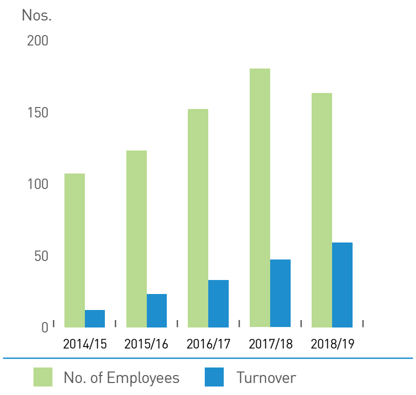
Following a non-discriminative culture, through remuneration and benefits, training and development, high levels of employee engagement and numerous other factors, we strive to increase employee retention in our organisation.

Service Analysis



EMPLOYEE TURNOVER

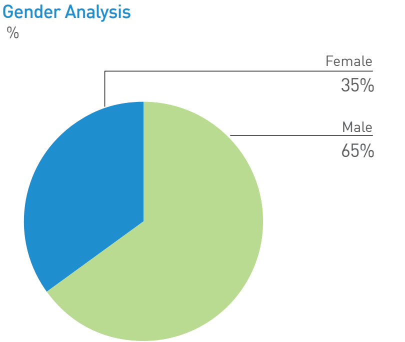
Employee Turnover



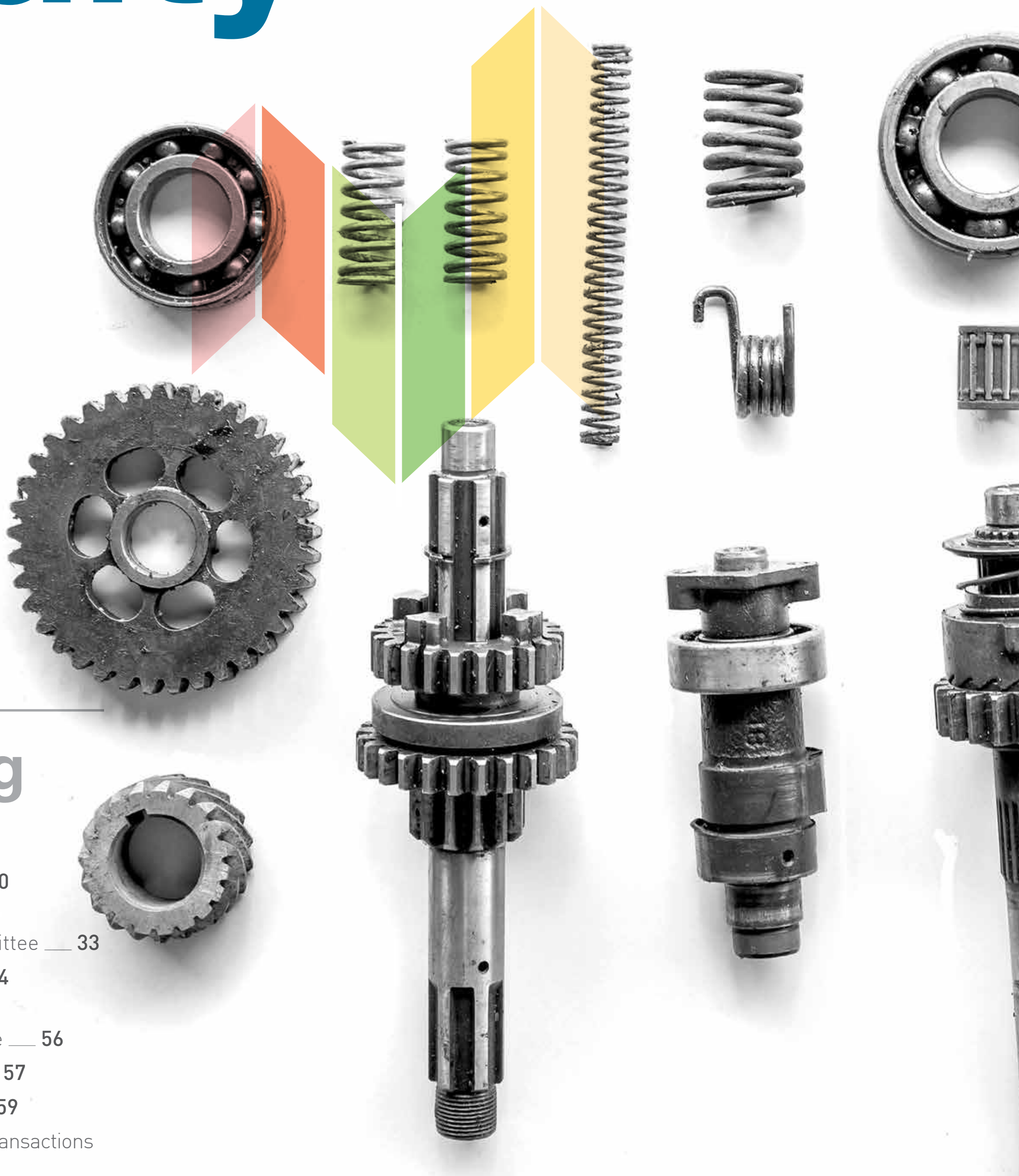
EMPLOYEE DIVERSITY

Employee diversity is essential for the stability and enrichment of human capital. Therefore, we nurture a workforce diverse in terms of gender, age, religion, service period, educational background and ethnicity. Our culture not only acknowledges but respects these differences by embracing and recognising their value. We foster camaraderie through a range of cross departmental activities enabling employees to work alongside each other creating strong teams, which add increased value to our organisation.

Gender Analysis



Di/vi/di/ng Equity



Stewardship

Di/vi/di/ng Equity

Managing Risk at AMF

OVERVIEW

Risk Management is the process of identifying, assessing, quantifying, controlling and mitigating the risks that an organisation faces. Risk management is a rapidly developing discipline which every financial institution adopts and implements and it is an ongoing dynamic and evolving process. The aim of good risk management is to safeguard stakeholder interests whilst managing risk and return theories.

The prime objective of AMF's risk management framework is to mitigate the Credit, Market and Operational Risks relating to all business activities that the company is engaged in to ensure that the impact of identified risks is within the risk appetite and risk tolerance levels of the company.

RISK MANAGEMENT PROCESS

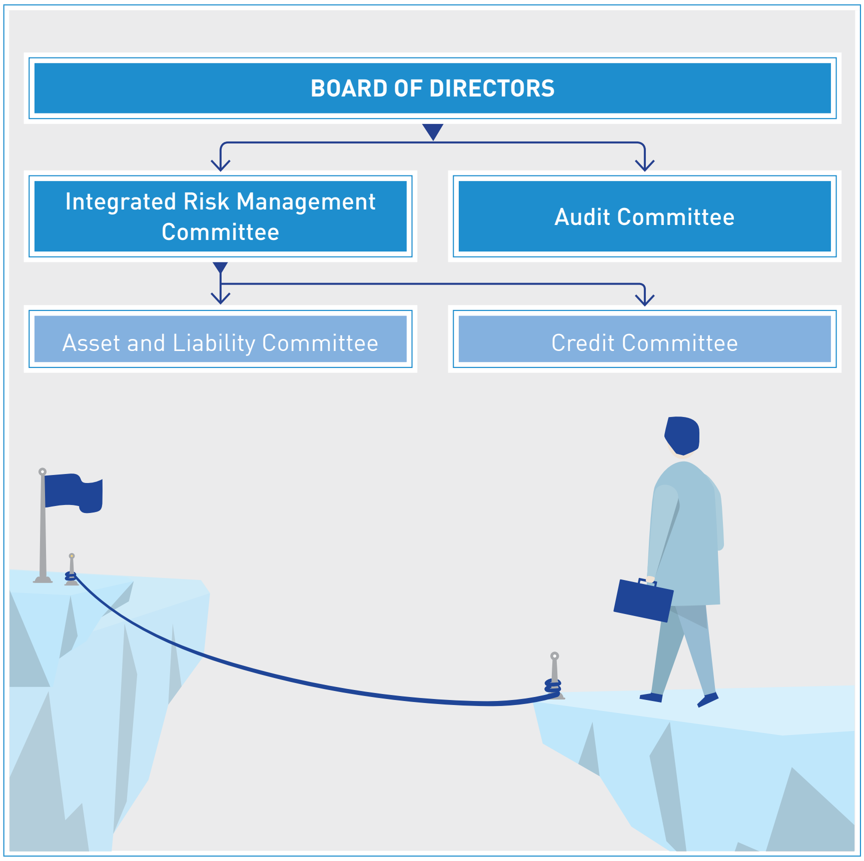
Risk management process implemented by AMF has two main elements, risk assessment and risk control and is overseen by the Integrated Risk Management Committee.

Risk Assessment

The first step under risk assessment is identifying main risks under each department as the risks are specific to each department. A separate Risk Register, maintained at each department, allows the company to identify the main areas that need attention so as to mitigate any future losses as well as opportunities to gain through identifying new control mechanisms. These risks are then analyzed and prioritized based on their likelihood and impact.

Risk Control

The Integrated Risk Management Committee develops strategies to reduce the likelihood or the loss impact of risks identified under risk assessment. Then the Committee ensures the proper implementation of the developed strategies and evaluates the overall effectiveness of the strategies.



Integrated Risk Management Committee

The core duty of this committee is to review and assess the quality, integrity and effectiveness of the Risk Management Process and ensure that the risk policies and strategies are effectively managed. The committee members are appointed by the Board of Directors.

The risk related framework is mainly carried out with the aid of the Credit Committee and the Asset and Liability Committee (ALCO). These Committees monitor identified risks on a continuous basis and assume responsibility for the effective implementation of strategies related to Risk Management.

These Committees shall,

- Oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes.
- Review issues raised by Internal Audit that impact the risk management framework.
- Ensure that the company is taking appropriate measures to achieve a prudent balance between risk and reward in both ongoing and new business activities.
- Monitor external development relating to the practice of Corporate Accountability and the reporting of specifically associated risk, including emerging and prospective impacts.
- Perform other activities related to risk management as requested by the Board of Directors or to address issues related to any significant subject within its term of reference

No.	Risk Exposure	Description	Level of Risk	Company Objectives	Risk Minimisation Strategies
01.	Credit Risk	Credit risk can be defined as borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorised into three types - default, concentration and settlement risk.	High	• Minimising risks associated with debtor defaults. • Working towards obtaining collaterals from defaulters with long standing balances.	• The 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 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 through call centers on a daily basis.
02.	Market Risk	Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, currency risk and other price risk such as equity price risk.	High	• Minimising adverse effects of interest rate volatility and currency denominated borrowings. • Ensuring cost of borrowing is at the optimum level.	• Maintaining a mix of funding options. • Maintaining high levels of lending rates resulting in higher net interest margins.

Managing Risk at AMF

No.	Risk Exposure	Description	Level of Risk	Company Objectives	Risk Minimisation Strategies
03.	Business Risk	Business risk is the possibility a company will have lower than anticipated profits and it is influenced by numerous factors, including sales volume, competition, the overall economic climate and government regulations.	High	➲ Maximising the market share and maintain leadership in the industry.	➲ Planning procedures to enhance the business operations and increase the market share throughout the country. ➲ Ensuring speedy delivery of high quality service in the eyes of the customer. ➲ Carrying out market analysis whenever necessary in order to identify key areas to be focused. ➲ Planning to introduce new strategies to build up strong relationships with dealers.
04.	Liquidity Risk	Liquidity risk arises when the Company, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due or can only do so at materially disadvantageous terms.	Medium	➲ Ensuring proper management of liquidity position in the company. ➲ Capitalising on opportunities to raise funds at the lowest possible cost. ➲ Maximum utilization of the concessionary funding available to Financial Sector.	➲ Ensure that the short term and medium term liquidity is managed acceptable levels. ➲ Funding of long term assets through Equity and Long Term Loans ➲ Ensure availability and effective utilization of short term facilities where necessary.
05.	Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes information and legal risk as well.	Medium	➲ Identifying and minimizing risk associated with processes and systems of the company.	➲ Ensuring effectiveness of operational functions in the organisation by regularly reviewing processes. ➲ The company has outsourced the internal auditing function to ensure adequacy and effectiveness of internal controls. Their reports are reviewed, discussed and recommendations are implemented. ➲ Proper training sessions for staff members have been designed and implemented to train them on compliance with operational policies and controls of the organisation.
06.	Reputation Risk	Reputation risk is a risk of loss resulting from damages to an organisation's reputation, in lost revenue; increased operating, capital or regulatory costs ; or destruction of Shareholder value.	Low	➲ Preventing the adverse impacts for the reputation of the organisation.	➲ Ensuring effective communication with various stakeholders such as employees, bankers, regulators, customers, suppliers and the shareholders. ➲ Having in place a budgetary process & a budgetary control mechanism on a monthly & ongoing basis to ensure that the Company's performance is continuously in line with its targets.

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee (IRMC) is a subcommittee of the Board established to assist the Board in performing its oversight function in relation to different types of risks faced by the company in its business operations and to ensure adequacy and effectiveness of the Risk Management Framework of the Company.

The Committee comprises the following members:

Mr. K.D.U.S. Nanayakkara (The Committee Chairman) - Independent Non-Executive Director

Mr. L.C.W. Edirisooriya - Independent Non-Executive Director

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

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

Mr. T.M.A. Sallay - CEO

The Committee presented reports on the risks identified in the respective areas of supervision of each Committee member. Mitigation measures were continuously assessed and developed over time and it was ensured that measures in place were viable and actively understood and supported by all officers. Constant review of processes and analysis ensured that risk identification is a continuous process.

During the year, the Committee met four times and proceedings of the meetings were reported to the Board.

A dedicated officer has been entrusted to ensure the Company's level of conformance with laws, regulations, directions, rules and guidelines.

The Committee worked closely with the Key Management Personnel, Internal Auditors and the Board in fulfilling its duties in risk management.

K.D.U.S. Nanayakkara
Committee Chairman

Corporate Governance

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

Section No.	Description	State of Compliance
2. The Responsibilities of the Board of Directors	(1) The Board of Directors shall strengthen the safety and soundness of the finance company by – a) approving and overseeing the finance company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;	Complied
	b) approving the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	Complied
	c) identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	Complied
	d) approving a policy of communication with all stakeholders, including depositors, creditors, share-holders and borrowers;	Complied
	e) reviewing the adequacy and the integrity of the finance company's internal control systems and management information systems;	Complied
	f) identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	Complied
	g) defining the areas of authority and key responsibilities for the Board and for the key management personnel;	Complied
	h) ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy;	Complied
	i) periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied
	j) ensuring that the finance company has an appropriate succession plan for key management personnel;	Complied
	k) meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	Complied
	l) understanding the regulatory environment;	Complied
	m) exercising due diligence in the hiring and oversight of external auditors.	Complied

Section No.	Description	State of Compliance
	(2) The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the chairman and the Chief Executive Officer in line with paragraph 7 of this Direction.	Complied
	(3) There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the finance company's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.	Complied
	(4) A director shall abstain from voting on any Board Resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied
	(5) The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.	Complied
	(6) The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	Such a situation has not arisen
	(7) The Board shall include in the finance company's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	Complied
	(8) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	Complied
3. Meetings of the Board	1) The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Complied
	(2) The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied
	(3) A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Complied
	(4) A director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	This situation has not arisen
	(5) The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied

Corporate Governance

Section No.	Description	State of Compliance
	(6) If the Chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	Complied
	(7) All directors shall have access to advise and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied
	(8) The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied
	(9) Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	Complied
4. Composition of the Board	(1) Subject to the transitional provisions contained herein, the number of directors on the Board shall not be less than 5 and not more than 13.	Complied
	(2) Subject to the transitional provisions contained herein and subject to paragraph 5(1) of this Direction the total period of service of a director other than a director who holds the position of Chief Executive Officer or Executive Director shall not exceed nine years. The total period in office of a Non-Executive Director shall be inclusive of the total period of service served by such director up to the date of this Direction.	Complied
	(3) Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a director of the finance company (hereinafter referred to as an "Executive Director") provided that the number of Executive Directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the Chief Executive Officer of the company.	Complied

Section No.	Description	State of Compliance
	(4) With effect from three years commencing 01.01.2009 of this Direction, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors. A non-executive director shall not be considered independent if such director:	
	a) has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company;	Complied
	b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet;	Complied
	c) has been employed by the finance company during the two year period immediately preceding the appointment as director;	Complied
	d) has a relative, who is a Director or Chief Executive Officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company.	Complied
	e) represents a shareholder, debtor, or such other similar stakeholder of the finance company;	Complied
	f) is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organisation: i. which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company; or ii. in which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the finance company; or iii. in which any of the other directors of the finance company has a transaction as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company.	Complied
	(5) In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.	Situation has not arisen
	(6) Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied
	(7) With effect from three years commencing 01.01.2009 of this Direction, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meetings are non-executive directors.	Complied

Corporate Governance

Section No.	Description	State of Compliance
	(8) The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied
	(9) There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied
	(10) All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied
	(11) If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	N/A for 2018/19
5. Criteria to assess the fitness and propriety of directors	(1) Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a finance company.	Complied
	(2) A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company.	Complied
6. Delegation of Functions	(1) The Board shall not delegate any matters to a board committee, Chief Executive Officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied
	(2) The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied
7. The Chairman and the Chief Executive Officer	(1) The roles of Chairman and Chief Executive Officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2009.	Complied
	(2) The Chairman shall be a Non-Executive Director. In the case where the Chairman is not an independent Non-Executive Director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	This situation has not arisen
	(3) The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationships among members of the Board.	Complied
	(4) The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	Complied

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

Section No.	Description	State of Compliance
	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.	Complied
	e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider: (i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and (iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor.	Complied
	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.	Complied
	g) The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Complied
	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.	Complied
	i) The committee shall review the external auditor's management letter and the management's response thereto.	Complied

Section No.	Description	State of Compliance
	j) The committee shall take the following steps with regard to the internal audit function of the finance company: (i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work; (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department; (iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department; (iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function; (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning; (70) (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: (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
	o) The Board shall, in the Annual Report, disclose in an informative way, i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings.	Complied

Corporate Governance

Section No.	Description	State of Compliance
	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.	Complied
	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.	Complied
	(3) Integrated Risk Management Committee The following shall apply in relation to the Integrated Risk Management Committee: 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.	Complied
	b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	Complied
	c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied
	d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	Complied
	e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied
	f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied
	g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	Complied

Section No.	Description	State of Compliance
	h) The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	Complied
9. Related party transactions	(1) The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.	
	(2) The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction: a) A subsidiary of the finance company; b) Any associate company of the finance company; c) A director of the finance company; d) A key management personnel of the finance company; e) A relative of a director or a key management personnel of the finance company ; f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company; g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest.	Complied
	(3) The transactions with a related party that are covered in this Direction shall be the following: a) Granting accommodation, b) Creating liabilities to the finance company in the form of deposits, borrowings and investments, c) providing financial or non-financial services to the finance company or obtaining those services from the finance company, d) creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party.	Complied

Corporate Governance

Section No.	Description	State of Compliance
	(4) The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, "more favourable treatment" shall mean: a) Granting of "total net accommodation" to a related party, exceeding a prudent percentage of the finance company's regulatory capital, as determined by the Board. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company's share capital and debt instruments with a remaining maturity of 5 years or more.(72) b) Charging of a lower rate of interest than the finance company's best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties; d) Providing or obtaining services to or from a related-party without a proper evaluation procedure; e) Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	Complied
10. Disclosures	(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	Complied
	(b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	Complied
	(2) The Board shall ensure that at least the following disclosures are made in the Annual Report:	Complied
	a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied
	b) A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Complied

Section No.	Description	State of Compliance
	c) The external auditor's certification on the effectiveness of the internal control mechanism referred to in sub paragraph (2) (b) above, in respect of any statements prepared or published from the date of this Direction.	Complied
	d) Details of Directors, including names, transactions with the finance company.	Complied
	e) Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after January 1, 2010.	Complied
	f) Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	Complied
	g) The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied
	h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.	Complied
	i) A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	This situation has not arisen
	j) The external auditor's certification of the compliance with the Corporate Governance Directions in the annual corporate governance reports published from the date of this Direction.	Complied

Corporate Governance

The Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka in 2013.

Section No.	Description	Adoption Status
A	**THE BOARD**	
A.1	The company should be headed by an effective Board, which should direct, lead and control the Company.	
A.1.1	The Board meets regularly on monthly intervals. The Board met 14 times during the year. The attendance at the Board committee meeting for the year 2018/19 is mentioned on page No. 66.	Adopted
A.1.2	**The Board's role and responsibilities** The Board as a whole is responsible for, ➲ Formulation and implementation of a sound business strategy ➲ Ensures that the Chief Executive Officer and Management team possess the skills, experience and knowledge to implement the strategy ➲ Ensuring the adoption of an effective CEO and Key Management Personnel succession strategy ➲ Implementing effective systems to secure integrity of information, internal controls, business continuity and risk management ➲ Ensuring compliance with laws, regulations and ethical standards ➲ Ensuring all stakeholders interests are considered in corporate decision ➲ Recognising sustainable business development in Corporate strategy, decisions and activities ➲ Ensuring that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations ➲ Fulfilling other Board functions as are vital given the scale, nature and complexity of the business concerned	Adopted
A.1.3	**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 service when required.** 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.	Adopted
A.1.4	**The Board members have access to advice the Company Secretary on Corporate services.** The Company Secretary provides corporate services to the company. The Board has access to advise the Company Secretary in all corporate matters related to the applicable laws and regulations. Removal of the Company Secretary would be a matter for the Board as a whole.	Adopted

Section No.	Description	Adoption Status
A.1.5	**Providing Independent judgment** All Directors provide independent judgment for their decision makings on strategy, performance resources and standards of business conduct.	Adopted
A.1.6	**Dedicating adequate time and effort to matters of the Board and the company** The Board allocates sufficient time to scrutinise the matters of the company prior and post to meetings and ensures that the duties and responsibilities owned to the company are satisfactorily discharged.	Adopted
A.1.7	**Every Director should receive appropriate training at the first appointment to the Board.** The Directors at their first appointment receive an induction with regard to the directorship and affairs of the company and also recognise the need for continuous training and an expansion of the knowledge and skills required to effectively perform his duties as a Director.	Adopted
A.2	**Chairman and Chief Executive Officer (CEO)** 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.	
A.2.1	**Division of responsibilities of the Chairman and CEO** The Chairman and the CEO positions of the Company are held by separate persons.	Adopted
A.3	**Chairman's Role** 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.	
A.3.1	**Chairman's responsibility to conduct Board proceedings in a proper manner.** 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.	Adopted
A.4	**Financial Acumen** 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. The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) (FCA) and the Chairman of the Integrated Risk Management Committee is a Fellow member of the Institute of Management Accountants, UK.	Adopted
A.5	**Board Balance** 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.	
A.5.1	**Contribution of Non-Executive Directors** The Board comprises three Non-Executive Directors and it carries significant weight in the Board's decisions.	Adopted

Corporate Governance

Section No.	Description	Adoption Status
A.5.2	**Independent Non-Executive Directors** The Board comprises three Independent Non - Executive Directors.	Adopted
A.5.3 &A.5.4	**Evaluation of independence of Non- Executive Directors** The Independent Non-Executive Directors are complied with the applicable rules and regulations and they annually submit declarations on their independency.	Adopted
A.5.5	**Determination of independence of Non-Executive Directors** The disclosure is made on the independence status of the Directors on page No. 65.	Adopted
A.5.6	**Appointment of Alternative Directors** No alternative Director was appointed during the year of 2018/19.	Adopted
A.5.7 & A.5.8	**Senior Independent Director** Situation has not risen.	Adopted
A.5.9	**Meeting with Non-Executive Directors** The Chairman held meetings with Non-Executive Directors on an annual basis.	Adopted
A.5.10	**Recording of concerns about the matters of the company which cannot be unanimously resolved.** Concerns raised by the Directors are recorded in the minutes and there were no such instances where the Directors could not unanimously resolve.	Adopted
A.6	**Supply of Information** The Board should be provided with timely information in a form and of quality appropriate to enable it to discharge its duties.	
A.6.1	**Providing adequate information to the Board** The Management provides adequate information to the Board within the stipulated time period.	Adopted
A.6.2	**Minutes, Agendas and papers should provide to the Board members at least seven days before the meeting.** The Minutes, agendas and papers are provided to the Board seven days prior to the meeting.	Adopted
A.7	**Appointment to the Board** There should be a formal and transparent procedure for the appointment of new Directors to the Board.	
A.7.1	**Establishment of the Nomination Committee** The Company has formed a Nomination Committee and the report of the Nomination Committee is presented on page No. 61.	Adopted
A.7.3	**Disclosure of details of the new Directors to shareholders** Disclosures are made to the shareholders subsequent to the approval obtained by the Central Bank of Sri Lanka.	Adopted
A.8	**Re-Election** All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	
A.8.1	**Appointment of Non-Executive Directors** The requirement is specified in the Article of Association of the company.	Adopted

Section No.	Description	Adoption Status
A.8.2	**Re-Election by the Shareholders** The requirement is specified in the Article of Association of the company	Adopted
A.9	**Appraisal of Board Performance** Board members should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	
A.9.1, A.9.2 & A.9.3	**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 65.	Adopted
A.10	**Disclosure of Information in Respect of Directors** Shareholders should be kept advised of relevant details in respect of Directors.	
A.10.1	**Disclosure of information in respect of Directors** Profiles of the Board of Directors are given on page No 14.	Adopted
A.11	**Appraisal of Chief Executive Officer (CEO)** The Board should require at least annually to assess the performance of the CEO	
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.	
B.1.1	**Formation of Remuneration Committee** The committee is responsible for making recommendations to the Board with regard to 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. 56.	Adopted
B.1.4	**Remuneration of Non-Executive Directors** The Board as a whole determines the remuneration of Non-Executive Directors and they receive a fee for attending Board and subcommittee meetings.	Adopted
B.1.5	**Access to professional advice** The Committee is empowered to seek professional advice inside and outside the Company as and when it is deemed necessary.	Adopted
B.2	**The Level and Makeup of Remuneration** Level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.	

Corporate Governance

Section No.	Description	Adoption Status
B.2.1 to B.2.8	**The level and make up of Remuneration of Executive Directors** The committee considers the following when determining the remuneration, ➲ Sufficient capacity to attract, retain and motive the Executive Directors to achieve the company objectives. ➲ Comparison of industrial remuneration standards	Adopted
B.2.9	**Level of remuneration for Non-Executive Directors** The remuneration for the Non-Executive Directors is paid according to the time commitment, responsibilities of their role and market practices.	Adopted
B.3	**Disclosure of Remuneration** The company's Annual Report should contain a statement of Remuneration policy and details of remuneration of the Board as a whole.	
B.3.1	**Disclosure of Directors' remuneration in the Annual Report** The pertinent disclosures are made on page No 94. and page No 128. (Financial Notes to the Financial Statements).	Adopted
C	**RELATIONS WITH SHAREHOLDERS**	
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings. Board should use the AGM to communicate with shareholders and should encourage their participation.	
C.1.1	**Use of proxy votes** The Company has recorded all proxy votes for each resolution prior to the AGM.	Adopted
C.1.2	**Separate resolution for separate issues** A separate resolution is proposed for each substantially separate issue.	Adopted
C.1.3	**Availability of subcommittee Chairmen at the AGM** The Chairmen of the sub committees are present at the AGM to answer questions by shareholders.	Adopted
C.1.4 & C.1.5	**Circulation of AGM Notice and pertinent documents** Company circulates the AGM Notice and a summary of the procedures within a stipulated time period.	Adopted
C.2	**Communication with Shareholders** The Board should implement effective communication with shareholders.	
C.2.1 & C.2.7	**Communication with Shareholders** A Board approved policy on communication with shareholders is available. The core communication modes are Annual Report and the AGM. Additionally the shareholders could communicate through the company website, announcement on CSE, newspaper publications pertinent to corporate matters. The company adopts open communication with shareholders. Chairman, CEO and the Company Secretary are contactable with short notice. The Company Secretary maintains records of all correspondence received from shareholders and directs the same to appropriate channels for resolution.	Adopted
C.3	**Major and Material Transactions** Directors are required to disclose to shareholders all proposed material transactions which would materially alter the net asset position of the company.	

Section No.	Description	Adoption Status
C.3.1	**Major Transactions** The company did not engage any major transaction during the period of 2018/19 as defined by Section 185 of the Companies Act No.07 of 2007.	Adopted
D	ACCOUNTABILITY AND AUDIT	
D.1	The Board should present a balanced and an understandable assessment of the company's financial position and prospects.	
D.1.1	**Reports to public, regulatory & statutory reporting** 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.	Adopted
D.1.2	**Directors' report in the Annual Report** The Report of the Board of Directors on the Affairs of the Company is given in this Annual Report on page No. 64.	Adopted
D.1.3	**Statement of Directors' and Auditor's responsibility for the Financial Statements** Directors Responsibility for Financial Reporting is given on page No. 67.	Adopted
D.1.4	**Management discussion and analysis** Management discussion and analysis is given on pages 20 to 28.	Adopted
D.1.5	**Declaration by the Board that the business is a going concern** Refer the Report of the Board of Directors on pages 64 to 66.	Adopted
D.1.6	**Summoning an Extraordinary meeting to notify serious loss of capital** The situation has not arisen during the year 2018/19.	Adopted
D.1.7	**Disclosure of Related Party Transactions** Related party transactions are disclosed in this Annual Report. A process is in place to obtain the required declaration and to maintain the relevant records.	Adopted
D.2	**Internal Control** The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the company assets.	
D.2.1	**Annual evaluation of the Internal Control System** Adequacy and integrity of the company's internal control systems is reviewed by the Board Audit Committee on a quarterly basis or more frequently as it deems necessary.	Adopted
D.2.2 to D.2.4	**Internal Audit Function** The company's internal audit function has been outsourced and is carried out by BDO Partners. Internal Audit reports are discussed at the Audit Committee meetings and appropriate recommendations/actions are agreed upon based on those findings.	Adopted
D.3	**Audit Committee** 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.	

Corporate Governance

Section No.	Description	Adoption Status
D.3.1	**Composition of the Audit Committee** The Audit Committee consists of two members, all 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. 57.	Adopted
D.3.2	**Duties of the Audit Committee** The duties of the Audit Committee are mentioned in the Report of Board Audit Committee in this Annual Report.	Adopted
D.3.3	**Terms of Reference of the Audit Committee** The Audit Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee.	Adopted
D.3.4	**Disclosures of the Audit Committee** Refer 'Audit Committee Report' on page No. 57 of this Annual Report.	Adopted
D.5	**Corporate Governance Disclosures** The company should disclose the extent of adoption of best practices in Corporate Governance.	
D.5.1	**Disclosure of corporate governance compliance** This requirement is met through the disclosures related to Corporate Governance made in this Annual Report.	Adopted
E	**INSTITUTIONAL INVESTORS** Institutional shareholders are required to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice.	
E.1.1	**Shareholder Voting** Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders views to the Board. General Meetings are used to have an effective dialogue with the shareholders on matters which are relevant.	Adopted
F.1	**Investing/Divesting Decision** Individual shareholders who invest directly in shares of the Company are encouraged seeking independent advice in investing or divesting decisions.	Adopted
F.2	**Shareholder Voting** Individual shareholders are encouraged to participate at the Annual General Meeting and to exercise their voting rights.	Adopted

The following table indicates the status of compliance on the contents of Annual Report in terms of the Listing Rules of the Colombo Stock Exchange Rule No.7.6.

Section No.	Description	State of Compliance
7.6 (i)	Names of the Directors who held duties during the financial year. Refer the Annual report of the Board of Directors on the affairs of the company on page No. 64.	Compliant
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. 64.	Compliant
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. 147.	Compliant
7.6 (iv)	The public holding percentage. Refer Share Information of Annexures on page No. 148.	Compliant
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. 148.	Compliant
7.6 (vi)	Information pertaining to material foreseeable risk factors. Refer 'Managing Risk at AMF ' on page No. 30.	Compliant
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 2018/19
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. 109.	Compliant
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. 126.	Compliant
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. 146.	Compliant

Corporate Governance

Section No.	Description	State of Compliance
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. 04.	Compliant
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. 111.	
7.6 (xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year.	The company has not raised funds through public issue or rights issue during the year 2018/19
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
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	Compliant
7.6 (xvi)	Related Party Transactions exceeding 10per cent of the equity or 5 per cent of the total assets of the entity as per Audited Financial Statements, whichever is lower.	Refer Note 40 in page No. 128.
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.		
7.10	Corporate Governance –statement confirming that as at the date of the Annual Report report they are in compliance with the Corporate Governance Rule	The company is compiled as per the below sections
7.10 (1)	Non-Executive Directors to be at least two or 1/3 of the total number whichever is higher. The Board consists of three Non-Executive Directors.	Compliant

Section No.	Description	State of Compliance
7.10 (2)	Independent Directors to be at least two or 1/3 of the total number of Non-Executive Directors. The three Non-Executive Directors are independent and submit annual declaration on their independence.	Compliant
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.	Compliant
7.10 (4)	Criteria for defining independence Criteria that determines the independence of Directors have been taken into consideration for the determination of independence status of the company's Independent Directors.	Compliant
7.10 (5)	Remuneration Committee a) Composition b) Functions c) Disclosures The Remuneration Committee report is given on page No. 56.	Compliant
7.10 (6)	Audit Committee a) Composition b) Functions c) Disclosure The Audit Committee report is given on page No. 57.	Compliant

Report of the Remuneration Committee

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

Mr. L.C.W. Edirisooriya - Chairman, Non-Executive/ Independent Director

Mr. K.D.U.S. Nanayakkara - Non-Executive/Independent 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 this is well-placed to meet the challenges of the company. The Committee is responsible for ensuring that the total compensation package is 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 and in a fair and responsible manner rewards individuals for their contribution to the success of the company.
- The Committee should lead the process to 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 members of the company's senior management group as agreed from time to time, and recommend to the Board a remuneration framework for the Group.
- 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 impacts to the company together with matching market levels.

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

MEETINGS

The Remuneration Committee held three (03) meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below:

Remuneration Committee Meeting Attendance

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. L.C.W. Edirisooriya	03	03
Mr. K.D.U.S. Nanayakkara	03	03

On behalf of the Remuneration Committee

L.C.W. Edirisooriya
Chairman - Remuneration Committee

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, comprising of two Independent Non-Executive Directors, and are chaired by Mr. L.C.W. Edirisooriya.

The members of the Audit Committee are:

Mr. L.C.W. Edirisooriya - Chairman, Non-Executive/ Independent Director

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

Mr. L.C.W. Edirisooriya is a Bachelor of Commerce Special Degree holder at the University of Sri Jayawardenapura, Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of Certified Management Accountants of Sri Lanka.

K. D. U. S. 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 Jayawardenapura. He is also a Fellow of the Institute of Management Accountants, UK. He is currently the Director – Finance and Planning of MAS Legato (Pvt) Ltd.

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

Audit Committee is designed to help the Boards 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 absolutely must be able to discuss the fundamental accounting issues facing 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,

a. 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.

b. 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.

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

d. Assessing the independence and performance of the company's External Auditors.

e. Monitoring of timely payments of all statutory liabilities.

The Audit Committee invited Mr. J.P.I.N. Dayawansa, Managing Director, Mr. J.P.I.S. Dayawansa, Executive Director and Mr. T.M.A. Sallay, the 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 actions 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.

Audit Committee Report

MEETINGS

The Audit 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;

Audit Committee Meeting Attendance

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. L.C.W. Edirisooriya	05	05
Mr. K.D.U.S. Nanayakkara	05	05

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 AUDIT

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

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

EXTERNAL AUDIT

External audit is a periodic or specific purpose conducted by external party. Its objectives is to determine, among other things, whether the accounting records are accurate and complete, prepared in accordance with the provisions of GAAP, and the statements prepared from the accounts present fairly the organisation's financial position, and the results of its financial operations.

The committee with the approval of the Board of Directors developed and implemented policy for the engagement of an 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. Actions 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

L.C.W. Edirisooriya
Chairman - Audit Committee

Risk Committee Report

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, comprise two Independent Non-Executive Directors, and are chaired by Mr. K.D.U.S. Nanayakkara.

The members of the Committee are:

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

Mr. L.C.W. Edirisooriya - Independent Non-Executive Director

Mr. J.P.I.N. Dayawansa - Managing Director

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

Mr. T.M.A. Sallay - Chief Executive Officer

PURPOSE

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

- Reviewing and assessing the integrity and effectiveness of the risk management process considering the consolidated risk assessment results and determining trends, common areas of concern, emerging risks, and the most significant risks for reporting to the Board
- Monitoring and reviewing changes in stakeholders' expectations, corporate governance codes and best practice guidelines relating to risk issues
- Reviewing and approving the renewal programme
- Assisting the Board with activities relating to the governance of information technology

DUTIES CARRIED OUT

The Committee assists the Board in recognising all material risks to which the company is exposed and ensuring that the requisite risk management culture, policies and systems are progressively implemented and functioning effectively. The Committee is accountable to the Board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities.

This ensures risks and opportunities are adequately identified, evaluated and managed at the appropriate level in each division, and that their individual and joint impact on the Company is considered.

MEETINGS

The Risk Management Committee held four (04) 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. K.D.U.S. Nanayakkara	04	04
Mr. L.C.W. Edirisooriya	04	04
Mr. J.P.I.N. Dayawansa	04	04
Mr. J.P.I.S. Dayawansa	04	04
Mr. T.M.A. Sallay - CEO	04	04

On behalf of the Risk Committee

K.D.U.S. Nanayakkara
Chairman - Risk Committee

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee was established on 1st January 2016 in terms of the Listing Rules of the Colombo Stock Exchange (CSE) and the Code of Best Practices on Related Party Transactions issued by CA and the Securities and Exchange Commission of Sri Lanka (SEC). The Committee is a formally constituted sub-committee of the Board of Directors and reports to the Board.

COMPOSITION

The Committee comprises two Independent Non-Executive Directors and two Executive Directors. Mr. K.D.U.S. Nanayakkara, 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. K.D.U.S. Nanayakkara - Chairman/Independent Non-Executive Director

Mr. L.C.W. Edirisooriya - Independent Non-Executive Director

Mr. J.P.I.N. Dayawansa - Managing Director

Mr. J.P.I.S. Dayawansa - 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 four (04) 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. K.D.U.S. Nanayakkara	04	04
Mr. L.C.W. Edirisooriya	04	04
Mr. J.P.I.N. Dayawansa	04	04
Mr. J.P.I.S. Dayawansa	04	04

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 40 to the Financial Statements on page No 128.

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

DECLARATION

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page No 66.

On behalf of the Related Party Transactions Review Committee.

K D U S Nanayakkara
Chairman - Related Party Transactions Review Committee

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 the following members and is chaired by Mr. L.C.W. Edirissoriya.

The members of the Committee are :

Mr. L.C.W. Edirisooriya -
Independent Non-Executive Director

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

Mr. J.P.I.N. Dayawansa -
Managing Director

Mr. T.M.A. Sallay -
Chief Executive Officer

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 2018/19 there was one meeting held and the attendance of the committee members as follows,

Name of Committee member	No of Meetings eligible to attend	Attended
Mr. K.D.U.S. Nanayakkara	1	1
Mr. L.C.W. Edirisooriya	1	1
Mr. J.P.I.N. Dayawansa	1	1
Mr. T.M.A. Sallay	1	1

On behalf of the Nomination Committee.

L.C.W. Edirisooriya
Chairman - Nomination Committee

Sharing Value

Financial Report

Sharing Value

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, and the audited consolidated financial statements of the Group for the year ended 31st March 2019. 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 28th June 2019.

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 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 02 of this Annual Report.

PRINCIPAL BUSINESS ACTIVITIES

Company : The principal activities of the company are accepting public deposits, lending money for facilities including leases, hire purchases, loans and other trading activities such as real estate business, selling of imported vehicle.

Subsidiaries : The Company has one subsidiary and given below provides details on the nature of the principal business activities.

Name of the Subsidiary (Percentage of Holding)	Principle Activities and Nature of Operations
Arpico Finance Company PLC (94.02%)	Accepting public deposits - Fixed and Savings Lending money for facilities including leases, hire purchases, corporate loans, personal loans, Micro Credit Islamic Financing

REVIEW OF OPERATIONS

A review of the Company's business and its performance during the year with comments on financial results and future developments contained in the Chairman's Review on pages No. 07 and the Managing Director's/CEO's Review on pages No. 10.

FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY

The Financial Statements of the Group and 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 72 to 143 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements, the maintaining of proper accounting records and disclosures regarding accounting policies and principles of the company and the Group.

The Directors are of the view that the Financial Statements appearing on pages 72 to 143 have been prepared in conformity with the requirements of Sri Lanka Accounting Standards (SLFRS/LKAS) as issued under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

AUDITOR'S REPORT

The Company's Auditors, Messrs SJMS Associates performed the audit on the consolidated financial statements for the year ended 31st March 2019 and the Auditor's Report issued thereon is given on page 69 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 Group and the company are given on pages 78 to 143 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 2019 was Rs. 56,086,280.00

RESERVES

The reserves of the company with the movements during the year are given on page No. 127 of the Financial Statements.

PROPERTY AND EQUIPMENT

Details and movements of Property and Equipment are shown on Note No. 25 to the Financial Statements on page No. 110.

DONATIONS

The total donations made by the company were Rs. 252,000/-

APPRAISAL OF BOARD PERFORMANCE

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

DIRECTORS' INTEREST IN CONTRACTS

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

INTEREST REGISTER

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

Directors' shareholding of ordinary shares in the Company is given below.

Names of the Directors	Number of Shares as at 31st March 2019	Number of Shares as at 31st March 2018
Mr. J.P.I.N. Dayawansa	2,375,405	2,375,405
Mrs. A.S. Dayawansa	98,784	98,784
Mr. J.P.I.S. Dayawansa	92,386	92,386

DIRECTORATE

The names of the Directors of the Company who served during the year are given below and their brief profiles appear on page No. 14.

Dr. L.R. Karunaratne

Mr. J.P.I.N. Dayawansa

Mrs. A.S. Dayawansa

Mr. J.P.I.S. Dayawansa

Mr. L.C.W. Edirisooriya

Mr. K.D.U.S. Nanayakkara

Executive Directors

Mr. J.P.I.N. Dayawansa

Mrs. A.S. Dayawansa

Mr. J.P.I.S. Dayawansa

Non-Executive / Independent Directors

Dr. L.R. Karunaratne

Mr. L.C.W. Edirisooriya

Mr. K.D.U.S. Nanayakkara

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. K.D.U.Suranga Nanayakkara, who has been 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.

The Annual Report of the Board of Directors on the Affairs of the Company

BOARD MEETINGS AND ATTENDENCE

The Company held fourteen (14) board meetings during the financial year. Information on the attendance at these meetings are given below:

Name of Director	Attendance
Mr. L.R. Karunaratne	14/14
Mr. L.C.W. Edirisooriya	14/14
Mr. K.D.U.S. Nanayakkara	14/14
Mr. J.P.I.N. Dayawansa	14/14
Mrs. A.S. Dayawansa	13/14
Mr. J.P.I.S. Dayawansa	13/14
Mr. L.R. Karunaratne	14/14

Disclosures

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

THE REMUNERATION AND OTHER BENEFITS OF THE DIRECTORS

Directors' remuneration and other emoluments in respect of the company for the year ended 31st March 2019 was Rs. 72,728,320.00 as compared with the remuneration of Rs. 35,100,000.00 during the previous financial year.

AUDITORS

The financial statements for the year have been audited by Messrs. SJMS Associates, Chartered Accountants. Messrs. SJMS Associates are deemed to have been re-appointed as auditors in terms of the Section 158 of the Companies Act, No.7 of 2007.

The Auditors, Messrs. SJMS Associates, was paid Rs. 965,379.00 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 2019, 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 40 to the Financial statements on pages 128 to 129.

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 2019.

GOING CONCERN

After considering the financial position, Operating conditions regulatory and other factors, the Directors have a reasonable expectation 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 held at "Lighthouse Auditorium and Lawns" No.24, Horton Place, Colombo 07 on the 30th September 2019 at 9.30a.m.

NOTICE OF MEETING

Notice of the meeting relating to the Annual General Meeting is provided on page 149 of this Annual Report.

Signed on behalf of the Board,

ASSOCIATED MOTOR FINANCE COMPANY PLC

Dr. L. Rohan Karunaratne
Chairman

J.P.I.S. Dayawansa
Executive Director

CHART BUSINESS SYSTEMS (PVT) LTD. COMPANY SECRETARIES

Chart Business Systems (Private) Ltd.
Secretaries

28th June 2019

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 No. 69 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 recognising 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 authorised 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 to 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 2019 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

28th June 2019

Directors' Statement on Internal Control

RESPONSIBILITY

Pursuant to the section 10 (2) (b) of the Finance Companies Direction No. 03 of 2008 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") is responsible for the adequacy and effectiveness of Associated Motor Finance Company PLC's ('the Company') System of Internal Controls. Such a system is designed to manage the company's key areas of risk within an acceptable risk profile in achieving the policies and business objectives of the Company, rather than eliminating the risk of failure. Accordingly, the System of Internal Controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses of fraud.

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 Controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the company and in the design, operation and monitoring of suitable Internal Controls to mitigate and control these risks. The Board of the view that the Systems of Internal Controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Key features of the process adopted in reviewing the design and effectiveness of the Internal Control System

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

Subcommittees are established to assist the Board in ensuring the effectiveness of the company's daily operations in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved by the Board.

The Internal Auditors which has been outsourced checks for compliance with policies and procedures and the effectiveness of the Internal Control System on an ongoing basis using samples and rational procedures and highlight significant findings in respect of any non-compliance. Internal Audits are carried out and the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the Internal Auditors are submitted to the Audit Committee for review at their periodic meetings.

The Audit Committee of the Company reviews Internal Control issues identified by the Internal Auditors, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Internal Control System. They also review the internal audit function with particular emphasis on the quality of audits performed. The minutes of the Audit Committee meetings are tabled for the information of the Board on a periodic basis.

In assessing the Internal Control System, identified officers of the company collated all procedures and controls that are connected with significant accounts and disclosures in the Financial Statements. The Internal Auditors checks for suitability of design and effectiveness of these procedures and controls on an ongoing basis during their audit process.

CONFIRMATION

Based on the above process, 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 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 AUDITOR

The External Auditor has reviewed the above Director's statement on Internal Control included in the Annual Report of the company for the year ended 31st March 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statements is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the Internal Control System of the company.

L.C.W. Edirisooriya
Chairman of the Audit Committee

J.P.I. Shanil Dayawansa
Executive Director

Independent Auditors' Report

Deloitte.

SJMS Associates
Chartered Accountants
No.11, Castle Lane
Colombo 04
Sri Lanka

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Fax: +94 11 2582452
www.deloitte.com

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 PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2019, and the statement of 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 and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment of loans and receivables and transition with the adoption of SLFRS 9 – "Financial instruments"	
Risk description: As disclosed in Note 20 to the financial statement the Company and Group has recorded "Loans and Receivables" of Rs. 4,742,134,611 and Rs. 19,637,536,772 respectively and "Allowances for impairment losses" of loans and receivables amounted to Rs. 269,244,156 of the Company and Rs. 1,883,285,082 of the Group. Further Note 6 to the Financial Statements provide the impact on transition of SLFRS 9 - "Financial Instruments". Recognition of allowances for impairment losses under SLFRS 9 - expected credit loss (ECL) model, is a new and complex calculation which requires the management to use significant judgements and assumptions in its estimation, which is explained in Note 27. Impairment of loans and advances to customers and the impact of the transition to SLFRS 9, are considered to be a key audit matter owning to the significance of loans and advances, the high degree of complexity and judgement used in determining the provisions, based on the expected credit loss model.	**Our responses:** Our audit procedures to assess impairment of loans and advances to customers included the following: Assessment of the methodology inherent within the models against the requirements of SLFRS 9; ➲ Challenging the key assumptions in the ECL models, including staging, PD and LGD and evaluating the reasonableness of Management's key judgements and estimates; ➲ Testing the accuracy and completeness of the data inputs by testing reconciliations between source systems and the ECL models and assessment of economic information used within, and weightings applied to, forward looking scenarios; ➲ Recalculation of ECL for a sample using the key assumptions used in the models, such as PD and LGD; ➲ Considering the reasonableness of Macro – Economic and other factors used by management in their judgmental overlays by comparing them with relevant publicly available data and information sources; ➲ Assessing the disclosures in the Financial Statements in relation to impairment of loans and advances to customers with reference to the requirements of SLFRS 9. **Our audit procedures for transition to the SLFRS 9 included the following:** Assessing the design, implementation and operating effectiveness of key internal controls over the transition adjustments and new processes, data and controls that have not been subject to testing previously; ➲ Evaluating management's process for identifying contracts to be assessed based on the selected transition approach and any practical expedients applied; ➲ Evaluating the appropriateness of the accounting policies based on the requirements of the new accounting standards, our business understanding and industry practice;

P. E. A. Jayewickreme, M. B. Ismail, Ms. S. L. Jayasuriya, G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, R. H. M. Minfaz, Ms. S. Y. Kodagoda

Independent Auditors' Report

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Recoverability of deferred tax assets	
Risk description: The Group has recognised significant deferred tax asset related to investment allowance and carried forward tax losses as disclosed in the Note 28,which the management considered would probably be utilised or recovered in the future through the generation of future taxable profits by the Group entities or by off-setting against deferred tax liabilities. The recognition of deferred tax assets relies on the exercise of significant judgement by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated. We identified the recognition of deferred tax assets as a key audit matter because of its significance to the financial statements and significant management judgement involved in the estimation in forecasting the future taxable profits which could be subject to management bias.	**Our responses:** Our audit procedures included ➲ Assessing and challenging the Group's approach for evaluating the likelihood of the recoverability of deferred tax assets. This included challenging the key assumptions in future taxable profit forecasts of the Group by comparing the most significant inputs used in the forecasts, including future revenue, margins and operating cost growth rates, with the historical performance of the Group, management's forecasts used for other purposes and our knowledge of the business gained from other audit procedures ➲ Assessing adequacy of disclosures made in 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 included in the annual report and we will not, express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group'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

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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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group'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 and the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

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

SJMS Associates

SJMS ASSOCIATES

Chartered Accountants

27 June 2019

Statement of Comprehensive Income

For the Year ended 31st March	Note	Company 31.03.2019 Rs.	Company 31.03.2018 Restated Rs.	Group 31.03.2019 Rs.	Group 31.03.2018 Restated Rs.
Income		1,538,366,298	1,596,423,353	5,642,006,852	4,754,105,650
Interest and similar income	7	1,422,416,302	1,434,304,154	5,411,189,588	4,429,092,349
Interest expense and similar charges	8	(911,496,051)	(900,308,737)	(3,156,513,496)	(2,575,584,863)
Net interest income		510,920,251	533,995,417	2,254,676,092	1,853,507,486
Fee and commission income	9	38,081,242	92,345,679	161,022,525	247,649,363
Other operating income	10	77,868,754	69,773,520	69,794,739	77,363,938
Total operating income		626,870,247	696,114,616	2,485,493,356	2,178,520,787
Impairment charge for loans and other losses	11	(187,224,104)	(301,212,791)	(1,115,463,112)	(938,394,145)
Net operating income		439,646,142	394,901,824	1,370,030,245	1,240,126,642
Less: operating expenses					
Personnel expenses	12	(220,587,825)	(170,660,578)	(481,222,183)	(393,882,198)
Depreciation of property and equipment		(25,212,640)	(21,041,198)	(54,614,931)	(45,236,104)
Amortisation of intangible assets		(940,694)	(834,060)	(5,804,362)	(4,956,627)
Other operating expenses	13	(114,268,745)	(112,819,840)	(492,102,267)	(531,717,310)
Profit from operations		78,636,239	89,546,148	336,286,502	264,334,403
Operating profit before tax on financial services		78,636,239	89,546,148	336,286,502	264,334,403
Tax on financial services	14	(42,417,856)	(46,163,571)	(175,548,100)	(166,213,165)
Profit before taxation		36,218,383	43,382,577	160,738,401	98,121,239
Income tax(expense)/reversal	15	98,082,549	13,102,520	308,400,456	(59,507,351)
Profit for the year		134,300,932	56,485,097	469,138,857	38,613,888
Other comprehensive income net of tax					
Items that may be subsequently reclassified to profit or loss					
Available-for-sale financial assets:					
Net change in fair value during the year		(145,560)	615,155	(1,295,507)	3,924,076
Items that will not be reclassified to profit or loss					
Actuarial gains/(loss) on retirement benefit obligations, net of tax		(1,251,730)	1,370,795	(5,114,118)	(1,187,020)
Gain on revaluation of land and buildings, net of tax		-	-	-	(28,512,750)
Other comprehensive income/(loss) for the year, net of tax		(1,397,290)	1,985,950	(6,409,625)	(25,775,694)
Total comprehensive income for the year		132,903,642	58,471,047	462,729,233	12,838,194
Profit attributable to					
Equity holders of the parent		134,300,932	56,485,097	446,857,635	37,689,911
Non controlling interest		-	-	22,281,222	923,977
		134,300,932	56,485,097	469,138,857	38,613,888
Total comprehensive income attributable to					
Equity holders of the parent		132,903,642	58,471,047	440,747,748	13,541,493
Non controlling interest		-	-	21,981,484	(703,300)
		132,903,642	58,471,047	462,729,233	12,838,194
Earning per share - basic	16	23.95	10.07	79.68	6.72

The accounting policies and notes from 1 to 45 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March	Note	Company 31.03.2019 Rs.	Company 31.03.2018 Rs.	Group 31.03.2019 Rs.	Group 31.03.2018 Rs.
Assets					
Cash and cash equivalents	18	89,053,079	176,843,373	310,770,340	1,154,515,981
Financial assets - amortised cost	19	1,041,843,204	1,670,823,144	1,928,841,964	1,655,040,069
Financial assets at amortized cost/loans and receivables	20	4,472,890,454	4,471,577,274	17,754,251,690	19,892,570,353
Financial assets - measured at fair value through profit or loss	21	-	-	10,904,749	14,650,404
Financial assets - measured at fair value through other comprehensive income	22	1,165,929	1,311,490	20,892,153	22,187,661
Inventories	23	137,534,485	118,927,120	139,301,829	119,833,080
Investment properties	24	-	-	-	-
Property and equipment	25	74,728,313	62,984,569	880,042,632	721,036,617
Intangible assets	26	2,984,694	3,280,803	21,087,761	14,549,306
Current tax asset	27	67,808,276	46,179,625	177,829,987	99,713,267
Deferred tax assets	28	321,305,529	223,222,980	469,063,411	223,222,980
Other assets	29	49,099,464	50,945,373	341,950,490	191,959,392
Investment in subsidiary	30	1,160,387,961	1,160,387,961	-	-
Goodwill	31	-	-	385,244,360	385,244,360
Total assets		7,418,801,388	7,986,483,713	22,440,181,365	24,494,523,470
Liabilities					
Dues to bank and financial institutions	32	1,089,792,114	1,160,306,000	6,542,756,353	8,147,530,925
Deposits from customers	33	4,914,785,274	5,435,798,282	13,460,222,256	13,500,580,420
Debentures	34	-	-	-	359,804,292
Other liabilities	35	170,825,432	286,432,689	365,477,699	829,698,569
Retirement benefit obligations	36	36,121,227	29,573,044	113,038,743	88,094,326
Deferred tax liability	28	-	-	-	64,091,238
Total liabilities		6,211,524,048	6,912,110,014	20,481,495,052	22,989,799,771
Equity					
Stated capital	37	56,086,280	56,086,280	56,086,280	56,086,280
Capital reserve	39	17,930	17,930	17,930	17,930
General reserve	39	1,029,052	1,029,052	1,029,052	1,029,052
Statutory reserve	39	87,448,521	80,733,474	316,633,413	235,399,230
Available for sale reserve	39	978,472	1,124,032	6,672,846	7,899,586
Revaluation reserve		-	-	6,739,025	6,739,025
Retained earnings	38	1,061,717,086	935,382,931	1,478,201,862	1,117,461,556
Total equity attributable to equity holders of the company		1,207,277,341	1,074,373,699	1,865,380,408	1,424,632,660
Non-controlling interests		-	-	93,305,905	80,091,040
Total equity		1,207,277,341	1,074,373,699	1,958,686,313	1,504,723,699
Total liabilities and equity		7,418,801,388	7,986,483,713	22,440,181,365	24,494,523,470

I certify that these financial statements comply with the requirements of the Companies Act No 7 of 2007.

T.M.A. Sallay
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board 27 June 2019.

J.P.I. Nalatha Dayawansa
Managing Director
27th June 2019

J.P.I.S. Dayawansa
Executive Director

The accounting policies and notes from 1 to 45 form an integral part of these financial statements.

Statement of Changes in Equity

	Stated capital Rs.	Capital reserves Rs.	General reserves Rs.
Company			
Balance as at 31 March 2017	56,086,280	17,930	1,029,052
Impact of SLFRS 09			
Restated balance as at 31 March 2017	56,086,280	17,930	1,029,052
Profit for the year	-	-	-
Other comprehensive income net of tax	-	-	-
Dividend paid	-	-	-
Transfer to reserve fund	-	-	-
Transfer from investment fund account	-	-	-
Balance as at 31 March 2018	56,086,280	17,930	1,029,052
Profit for the year	-	-	-
Other comprehensive income net of tax	-	-	-
Dividend paid	-	-	-
Transfer to reserve fund	-	-	-
Balance as at 31 March 2019	56,086,280	17,930	1,029,052
Group			
Balance as at 31 March 2017	56,086,280	17,930	1,029,052
Impact of SLFRS 09			
Restated balance as at 31 March 2017	56,086,280	17,930	1,029,052
Profit for the year	-	-	-
Other comprehensive income net of tax	-	-	-
Dividend paid	-	-	-
Transfer to reserve fund	-	-	-
Transfer of additional depreciation on revaluation	-	-	-
Balance as at 31 March 2018	56,086,280	17,930	1,029,052
Profit for the year	-	-	-
Other comprehensive income net of tax	-	-	-
Dividend paid	-	-	-
Transfer to reserve fund	-	-	-
Balance as at 31 March 2019	56,086,280	17,930	1,029,052

The accounting policies and notes from 1 to 45 form an integral part of these financial statements.

Statutory reserve fund Rs.	Revaluation reserve Rs.	Available for reserve Rs.	Retained earnings Rs.	Non controlling interest	Total Rs.
74,639,748	-	508,877	1,080,089,092	-	1,212,370,979
			-126,363,890		-126,363,890
74,639,748	-	508,877	953,725,202	-	1,086,007,089
-	-	-	56,485,097	-	56,485,097
-	-	615,155	1,370,795	-	1,985,950
-	-	-	(70,104,438)	-	(70,104,438)
6,093,726	-	-	(6,093,726)	-	-
-	-	-	-	-	-
80,733,474	-	1,124,032	935,382,931	-	1,074,373,699
-	-	-	134,300,932	-	134,300,932
-	-	-145,560	(1,251,730)	-	(1,397,290)
-	-	-	-	-	-
6,715,047	-	-	(6,715,047)	-	-
87,448,520	-	978,472	1,061,717,086	-	1,207,277,341
162,746,277	33,546,713.27	3,109,529	1,531,267,960	82,513,812	1,870,317,553
		1,063,854	(303,471,461)	67,665	-302,339,942
162,746,277	33,546,713	4,173,383	1,227,796,499	82,581,477	1,567,977,611
-	-	-	37,689,911	923,977	38,613,888
-	(26,807,688)	3,726,203	(1,034,063)	(1,660,146)	(25,775,695)
-			(70,104,438)	(5,987,667)	(76,092,105)
72,652,953	-	-	(76,886,353)	4,233,399	-
-		-		-	-
235,399,230	6,739,025	7,899,586	1,117,461,556	80,091,040	1,504,723,699
-	-	-	446,857,635	22,281,222	469,138,857
-	-	(1,226,740)	(4,883,147)	(299,738)	(6,409,625)
-	-	-	-	(8,766,619)	(8,766,619)
81,234,183	-	-	(81,234,183)		-
316,633,413	6,739,025	6,672,846	1,478,201,862	93,305,905	1,958,686,313

Cash Flow Statement

For the Year ended 31st March	Company 31.03.2019 Rs.	Company 31.03.2018 Rs.	Group 31.03.2019 Rs.	Group 31.03.2018 Rs.
Cash flow from operating activities				
Profit before taxation	36,218,383	43,382,577	160,738,401	98,121,239
Adjustments for;				
Write off of property and equipment	-	190,911		190,911
Depreciation	26,153,334	21,875,258	60,419,293	50,192,731
Gain on disposal of property and equipment	(21,782,510)	(1,291,730)	(18,477,168)	(1,581,445)
Gain on disposal of investment property	-	(32,125,000)	-	(32,125,000)
Impairment provision	(128,573,206)	225,842,926	799,665,801	863,024,280
Gratuity charge for the year	6,340,953	6,250,765	20,597,427	18,896,917
Dividend income	(37,856,312)	(33,419,342)	(1,260,593)	(1,407,373)
Interest on borrowings	177,447,697	194,646,665	1,160,706,466	851,210,308
Lease interest	-	117,492	-	117,492
Fair value loss/(gain) on investment property	-	3,497,955	-	3,497,955
Loans and advances written off	-	-	(214,694,489)	(112,618,554)
Operating profit before working capital changes	57,948,340	428,968,477	1,967,695,140	1,737,519,460
(Increase)/decrease in financial investments	628,979,941	(455,800,331)	184,504,389	119,973,494
(Increase)/decrease in other assets	1,845,909	(17,962,004)	(149,991,098)	(112,281,085)
(Increase)/decrease in loans and advances	127,260,025	(616,354,572)	1,553,347,350	(6,961,080,769)
(Increase)/decrease in inventories	(18,607,365)	(40,653,656)	(19,468,749)	(40,847,870)
Increase/(decrease) in amount due to customers	(521,013,008)	1,095,306,078	(391,869,096)	3,608,485,983
Increase/(decrease) in debentures	-	-	(359,804,292)	39,451,077
Increase/(decrease) in other liabilities	(115,607,256)	12,582,171	(464,220,870)	1,739,729
	102,858,247	(22,882,316)	352,497,634	(3,344,559,440)
Cash generated from operations	160,806,586	406,086,161	2,320,192,774	(1,607,039,980)
Tax paid	(21,628,652)	(27,814,983)	(78,132,935)	(74,678,612)
Gratuity paid	(1,044,500)	(3,092,500)	(2,282,125)	(10,776,525)
Interest paid	(177,447,697)	(194,646,665)	(933,582,229)	(715,393,236)
Net cash flow from/(used) in operating activities	(39,314,263)	180,532,014	1,306,195,485	(2,407,888,353)

For the Year ended 31st March	Company 31.03.2019 Rs.	Company 31.03.2018 Rs.	Group 31.03.2019 Rs.	Group 31.03.2018 Rs.
Cash flow from investment activities				
Dividend received	37,856,312	33,419,342	1,260,593	1,407,373
Proceeds from disposal of property and equipment	24,700,435	139,627,609	24,839,670	188,394,362
Purchase of property and equipment	(39,874,310)	(27,908,920)	(231,681,680)	(392,905,499)
Purchase of intangible assets	(644,585)	-	(644,585)	-
Net cash flow from/(used) investing activities	22,037,852	145,138,031	(206,226,002)	(203,103,764)
Cash flow from financing activities				
Dividend paid	-	(66,638,232)	(8,766,618)	(72,625,898)
Proceeds on borrowings	497,963,100	437,480,000	10,455,341,255	5,091,908,705
Repayment of borrowings	(568,476,986)	(603,172,737)	(11,978,319,552)	(1,854,728,278)
Repayment of lease creditor	-	(482,119)	-	(482,119)
Net cash flow from/(used) financing activities	(70,513,886)	(232,813,088)	(1,531,744,916)	3,164,072,410
Net increase/(decrease) in cash and cash equivalents	(87,790,297)	92,856,956	(431,775,433)	553,080,292
Cash and cash equivalent at the beginning of the year	176,843,373	83,986,417	669,258,160	116,177,867
Cash and cash equivalent at the end of the year	89,053,077	176,843,374	237,482,727	669,258,159
Cash and cash equivalents				
Cash in hand and at bank	89,053,079	176,843,373	310,770,340	1,154,515,981
Bank overdrafts	-	-	(73,287,615)	(485,257,821)
	89,053,079	176,843,373	237,482,725	669,258,160

The accounting policies and notes from 1 to 45 form an integral part of these financial statements.

Summary of Significant Accounting Policies

1. CORPORATE INFORMATION

1.1. General

Associated Motor Finance Company PLC ("The Company') regulated under the Finance Business Act No. 42 of 2011, was incorporated on 25th 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 and the principal place of business 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.

1.2. Consolidated financial statements

The consolidated financial statements of Associated Motor Finance Company PLC as at and for the year ended 31 March 2019 comprise the Company and its subsidiary (together referred to as the 'Group').

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

1.3. Principle activities and nature of operations of the Company and its subsidiary

Entity	Principle business activities
Company	
Associated Motor Finance Company PLC	The principal activities of the Company are accepting public deposits, lending money for facilities including leases, hire purchases, loans and other trading activities such as real estate business, selling of imported vehicles and dealing in securities.
Subsidiary	
Arpico Finance Company PLC	The principal activities of the Company are accepting public deposits, lending money for facilities including leases, hire purchases, loans, pawning activities, and other trading activities such as real estate business and dealing in securities. The Company has discontinued the operations of pawning activities with effect from August 2013.

1.4. Date of authorization for issues

The financial statements of Associated Motor Finance Company PLC for the year ended 31 March 2019 were authorized for issue by the board of directors on 27 June 2019.

2. BASIS OF PREPARATION

2.1. Statements of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company, which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows together with the accounting policies and notes (the 'financial statements') have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.

2.2. Responsibility for the financial statements

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

2.3. Basis of measurement

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

- Liability of defined benefit obligation is recognized as the present value of the defined benefit obligation
- Investment properties are measured at cost at the time of acquisition and subsequently at revalued amounts, which are the fair values of the date of revaluation.
- Financial assets measured at fair value through profit/loss.
- Financial asset measured at fair value through other comprehensive income.

2.4. Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency and presentational currency. All financial information presented in Sri Lanka Rupees has been rounded to the nearest rupee unless otherwise stated.

2.5. Presentation of financial statements

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

2.6 Comparative information

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with LKAS 01 – Presentation of financial statements except for SLFRS 9 -Financial Instruments and SLFRS 15 – Revenue Recognition. Comparative information has been restated with the adoption of SLFRS 9-Financial Instruments. Impact arising from the adoption of SLFRS 9 have been recognised directly in equity and in the comparative financial year accordingly. A recognition on differences arising from adoption of SLFRS 9 disclosed in the note 6 to the financial statements.

2.7. Materiality and aggregation

In compliance with 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 are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.8. Rounding

The amounts in the financial statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 01 on 'Presentation of Financial Statements'.

2.9 Significant accounting judgments, estimates and assumptions

The preparation of financial statements of the Group and the Company requires the application of certain critical accounting assumptions relating to the future.

Further, it requires the management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, actual experience and results may differ from these judgments and estimates.

The estimates judgement and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods as well, if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements:

a) Taxation

The Group is subject to income taxes and other taxes including VAT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes.

The Group 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 tax amounts in the period in which the determination is made.

b) Useful life-time of the property and equipment and intangible assets

The Group reviews the residual values, useful lives and methods of depreciation of assets as 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.

c) Going concern

The Directors have made an assessment of the Company's and Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the Company's and Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

d) Impairment losses on financial assets (Expected credit losses (ECL) on financial assets)

The Group measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL the group determines whether the credit risk of a financial asset has increased significantly since initial recognition. In regard to this the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessments including forward-Details of the 'impairment losses on loans and receivables' are given in Note 20.1.1 of the financial statements.

e) Impairment losses on property, plant and equipment and intangible assets

The Group assesses at each reporting date whether there is an indication of objective evidence of impairment of assets. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. This requires the estimation of the value in use of such individual asset. Estimating the value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit, which requires management judgment on expected future cash flows and discount rates to be used in determining the value in use.

f) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax credits to the extent it is probable that taxable profits will be available against which these losses/credits can be utilized. Significant management judgments are required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

g) Defined benefit plans

The cost of defined benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate.

h) Events after the reporting period

Events after the reporting period are those events, favourable and unfavorable, that occur between the reporting date and the date when the consolidated financial statements are authorized for issue.

In this regard, all material and important events that occurred after the reporting period have been considered and appropriate adjustments are made in note 42 where necessary.

i) Provisions for liabilities and contingencies

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effects on the amounts recognised in the consolidated financial statements are described under respective notes.

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

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

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

All assets and liabilities which are measured or disclosed at fair value in the financial statements are categorised within the fair value hierarchy given below based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements.

Level 1	:	quoted market prices in active markets for identical assets or liabilities
Level 2	:	valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	:	valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 building.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in theses financial statements of the Group, unless otherwise is indicated.

5. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2019 in terms of the Sri Lanka Accounting Standard (SLFRS 10) - consolidated financial statements. The financial statements of the subsidiary are prepared in compliance with the Group's accounting policies unless otherwise stated.

Intra-group balances and transactions, income and expenses and any unrealized gains arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

The consolidated financial statements for the year ended 31 March 2019 comprise the financial statements of the Company (Parent Company) and its subsidiaries (together referred to as the "Group"). The Financial Statements of all companies in the Group have common financial year which ends on March 31 and use consistent accounting policies.

5.1.1. Investment in subsidiary

Subsidiary included in the consolidated financial statements is the Company controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. When the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangements with the other vote holders of the investee and the rights arising from other contractual arrangements.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by Associated Motor Finance. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interests.
- Recognises the fair value of the consideration received.

- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

5.1.2 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

5.1.3 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

5.1.4 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.

5.2 Financial instruments

SLFRS 9 – Financial instruments

SLFRS 9 replaces LKAS 39 and is applicable for annual reporting periods beginning on or after January 1, 2018. The Group has adopted SLFRS 9 - Financial Instruments with an initial application date of 01st April 2017 and restated the financial statements in accordance with the transitional requirements. Differences arising from the adoption of SLFRS 9 have been recognised directly in equity as of April 1, 2017 and are disclosed in note 6. The requirements of SLFRS 9 – Financial Instruments represent a significant change from LKAS 39 – Financial Instruments on recognition and measurement of financial assets and liabilities. The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of SLFRS 9 – Financial Instruments are summarised below:

5.2.1 Classification and measurement of financial assets and financial liabilities

SLFRS 9 – Financial Instruments contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under SLFRS 9 –Financial Instruments is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS - 9

5.2.1 (a) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit or loss (FVTPL):

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

5.2.1 (b) Financial Assets measured at Fair Value through Profit or Loss (FVTPL)

Investments in equity instruments are measured in the statement of financial position at fair value with the gains and losses recognised in the profit or loss except that if an equity investment is not held for trading, an entity may make an irrevocable election on initial recognition, on an instrument-by-instrument basis (share by share) to present changes in fair value in other comprehensive income rather than in profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in other comprehensive income. Amounts presented in other comprehensive income shall not subsequently be transferred to profit or loss. However, the entity may transfer the cumulative gain or loss within equity.

5.2.1 (c) Impairment of financial assets

SLFRS 9 – Financial Instruments replaces the incurred loss model in LKAS 39 – Financial Instruments: Recognition and Measurement with a forward-looking expected credit loss (ECL) model. The new model applies to financial assets that are not measured at FVTPL, including loans and receivables, and all other debt securities. ECL does not apply to equity investments.

5.2.2 Loans and receivables

Under ECL model, Group uses a dual measurement approach, under which the loss allowance is measured as either 12-month ECL or lifetime ECL. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. Special rules apply to assets that are credit-impaired. Key changes in the Group's accounting policy for expected losses of financial assets are listed below. The Group applies a three stage approach in measuring expected credit losses (ECL) on loans and receivables and other financial assets measured at amortised cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. The assessment whether credit risk on a financial asset has increased significantly will be one of the critical judgments used in the impairment model prescribed in SLFRS 9 – Financial Instruments which uses a combination of both qualitative factors and backstop based on delinquency.

The indications of credit impairments are as similar to LKAS 39 – Financial Instruments: Recognition and Measurement. The Group considers that indication of credit default does not occur equal or later than 120 days. The key inputs used for measurement of ECL is likely to be the term structures of the following variables:

Significant increase in credit risk

Group considers that a significant increase in credit risk occurs no later than when contractual payments are equal to or more than 30 days past due for loans and advances and 60 days past due for net investment in leases and hire purchases Where there is a significant increase in credit risk the Group uses lifetime ECL model to assess loss allowances instead of 12–month ECL model.

Probability of Default (PD)

PD estimates are made at a given date, which are calculated based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Group forecast PD by incorporating forward looking economic variables (unemployment, GDP growth, inflation, interest rate and using lag effect of these variables).

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount.

5.2.3 Transition to SLFRS 9 – Financial instruments

Changes in accounting policies resulting from the adoption of SLFRS 9 – Financial Instruments have been applied retrospectively. Comparative periods have been restated commencing from 01st April 2017. Differences in the carrying amounts of financial assets and financial liabilities as at 31.03.2017 resulting from the adoption of SLFRS 9 – Financial Instruments are recognised in retained earnings and reserves as at 1st April 2017.

The Group has disclosed the accounting policies under SLFRS 9 –Financial Instruments along with disclosures prescribed in SLFRS 7 – Financial Instruments: Disclosures that would apply from the date of initial application of 01 April 2017.

5.2.4 Impact of adopting SLFRS 9 – Financial Instruments

The impact of transition to SLFRS 9 - Financial Instruments is given in note 6 to the accounts.

5.2.5 Sri Lanka Accounting Standard 15 – Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

This core principal is delivered in a five step model framework as described below:

- Identify the contact(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price

Application of this guidance is dependent on the facts and circumstances included in a contract with a customer and requires the exercise of judgement. The Group did not have any material impact on its fee and commission income with the adoption of SLFRS 15for the period beginning 01st April 2018.

5.2.6 Reclassification of financial assets and liabilities

When the Group reclassifies the financial assets, it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains or losses (including impairment losses) or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

Reclassification is at the discretion of management, and is determined on an instrument-by-instrument basis. Further the Group does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as fair value through profit or loss.

5.3 FINANCIAL LIABILITIES

5.3.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as deposits from customers and due to other financial institutions, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group classifies financial liabilities in to financial liabilities at Fair Value through Profit or Services.

5.3.2 De-recognition of financial assets

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 rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement and either:
- The Group has transferred substantially all the risks and rewards of the asset or

The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing.

The Group recognises financial liabilities in the statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

i. Financial liability at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognised in profit or loss.

Upon initial recognition, transaction cost is directly attributable to the acquisition are recognised in profit or loss as incurred. The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL attributable to Financial Service is same as the value using to calculate VAT on Financial.

ii. Other financial liabilities

Other financial liabilities including deposits, debt issued by the Group and the other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by issue and costs that are an integral part of the EIR.

5.3.3 De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

5.3.4 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is 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. Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs or for gains and losses arising from a group of similar transactions.

5.4 Provisions

Provisions are recognised when the Group 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. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

5.5 Tax on financial services

Tax on Financial Services include Value Added Tax on Financial Services and Nation Building Tax on Financial Services and Debt repayment levy accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents comprise of cash in hand, cash at bank, bank overdrafts and investments in REPO.

5.6 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria that must be met for each type of income is given under the respective income notes.

5.7 Dividend on ordinary shares

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim Dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividend for the year that are approved after the reporting date are disclosed as an events after the reporting date.

5.8 Statement of cash flows

The Statement of Cash Flows is prepared using the 'Indirect Method' of preparing cash flows in.

5.9 Segment reporting

The Group 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 asses its performance for which discrete financial information is available.

5.10 SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee') and the supplier ('Lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard – LKAS 17 (Leases) and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

SLFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019.

The Company has no material impact on the implementation of the above Standard.

Notes to the Financial Statements

6. TRANSITION DISCLOSURE

The impact of adopting SLFRS 9 on the balance sheet and retained earnings including the effect of replacing incurred credit loss calculations of LKAS 39 with ECL calculations of SLFRS 9 is given below.

6.1 Reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9

	LKAS 39		
Company	Category	Amount	Reclassification
Financial Assets			
Cash in hand and at bank	L&R	176,843,373	-
Financial assets - at amortised cost			
Treasury bills	L&R	223,665,203	-
Investment in Treasury bonds	L&R	5,100,665	-
Investments in repos	L&R	-	225,175,349
Investments in debt securities	L&R	-	391,962,828
Placement with banks and other financial institutions	L&R	824,919,099	-
Loans and receivables		4,663,330,578	-
Financial assets - measured at fair value through other comprehensive income	AFS	1,311,490	-
Financial investments - loans and receivables		-	-
Investments in commercial papers	L&R	391,962,828	(391,962,828)
Investments in repos	L&R	225,175,349	(225,175,349)
Investments in debentures		-	-
OTHER NON F/A		1,665,928,430	-
		8,178,237,016	(0)
Financial Liabilities			
Dues to bank and financial institutions	L&R	1,160,306,000	-
Deposits from customers	L&R	5,435,798,282	-
Debentures	L&R	-	-
Other liabilities	L&R	286,432,687	-
Retirement benefit obligations	N/A	29,573,044	-
Deferred tax liability		-	-
Total liabilities		6,912,110,012	-
Equity			
Stated capital	N/A	56,086,280	-
Capital reserve	N/A	17,930	-
General reserve	N/A	1,029,052	-
Statutory reserve	N/A	80,733,474	-
Available for sale reserve	N/A	1,124,032	-
Revaluation reserve	N/A	-	-
Retained earnings		1,127,136,235	
Total equity attributable to equity holders of the company		1,266,127,003	-
Non-controlling interests		-	
Total equity		1,266,127,003	
		8,178,237,016	

As at 31.03.2018								As at 31.03.2017
Remeasurment		SLFRS 9				Remeasurment		
ECL	Other	Amount	Category	Amount	Reclassification	ECL	Other	Amount
-	-	176,843,373	AC	83,986,417	-	-	-	83,986,417
								-
-	-	223,665,203	AC	204,941,917	-	-	-	204,941,917
-	-	5,100,665	AC	5,021,927	-	-	-	5,021,927
-	-	225,175,349	AC	-	602,679,255	-	-	602,679,255
-	-	391,962,828	AC	-	70,837,997	-	-	70,837,997
-	-	824,919,099	AC	331,541,717	-	-	-	331,541,717
(191,753,304)	-	4,471,577,274	AC	4,207,429,517	-	(126,363,890)	-	4,081,065,627
-	-	1,311,490	FVOCI	628,471	-	-	-	628,471
-	-	-		-	-	-	-	-
-	-	-		50,000,000	(50,000,000)	-	-	-
-	-	-		602,679,255	(602,679,255)	-	-	-
-	-	-		20,837,997	(20,837,997)	-	-	-
-	-	1,665,928,430	N/A	1,674,328,506	-	-	-	1,674,328,506
(191,753,304)	-	7,986,483,712		7,181,395,723				7,055,031,833
-	-	1,160,306,000	AC	1,325,998,737	-	-	-	1,325,998,737
-	-	5,435,798,282	AC	4,340,492,204	-	-	-	4,340,492,204
-	-	-	AC	-	-	-	-	-
-	-	286,432,687	AC	274,215,143	-	-	-	274,215,143
-	-	29,573,044	N/A	28,318,661	-	-	-	28,318,661
-	-	-		-	-	-	-	-
-	-	6,912,110,012		5,969,024,745	-	-	-	5,969,024,745
-	-	56,086,280	N/A	56,086,280	-	-	-	56,086,280
-	-	17,930	N/A	17,930	-	-	-	17,930
-	-	1,029,052	N/A	1,029,052	-	-	-	1,029,052
-	-	80,733,474	N/A	74,639,748	-	-	-	74,639,748
-	-	1,124,032	N/A	508,877	-	-	-	508,877
-	-	-	N/A	-	-	-	-	-
(191,753,304)	-	935,382,931		1,080,089,092	-	(126,363,890)	-	953,725,202
(191,753,304)	-	1,074,373,700		1,212,370,979	-	(126,363,890)	-	1,086,007,089
(191,753,304)		1,074,373,700		1,212,370,979	-	(126,363,890)	-	1,086,007,089
		7,986,483,712		7,181,395,724				7,055,031,834

Notes to the Financial Statements

Group	LKAS 39 Category	LKAS 39 Amount	Reclassification
Financial Assets			
Cash in hand and at bank	L&R	1,154,515,981	-
Financial assets - at amortised cost			
Treasury bills	L&R	223,665,203	
Investments in Treasury bonds		5,100,665	
Investments in repos	FVPL		757,402,763
Investments in debt securities			391,962,828
Placement with banks and other financial institutions	L&R	277,514,789	-
Loans and receivables	L&R	20,599,702,445	-
Financial assets - measured at fair value through profit or loss	FVPL	14,650,404	
Financial assets - measured at fair value through other comprehensive income			
Investment in quoted & unquoted shares	AFS	21,559,105	
Investments in unit trust	AFS	628,555	
Government of Sri Lanka Treasury Bonds	AFS	17,624,008	(17,624,008)
Investments in repos	AFS	514,603,406	(514,603,406)
Financial investments - loans and receivables			-
Investments in commercial papers		391,962,828	(391,962,828)
Investments in debentures			-
Investments in repos		225,175,349	(225,175,349)
OTHER NON F/A	N/A	1,755,559,003	-
		25,202,261,742	-
Financial Liabilities			
Dues to bank and financial institutions	L&R	8,147,530,926	-
Deposits from customers	L&R	13,500,580,420	-
Debentures	L&R	359,804,292	-
Other liabilities	L&R	829,698,569	-
Retirement benefit obligations	N/A	88,094,326	-
Deferred tax liability		64,091,238	
Total liabilities		22,989,799,772	-
Equity			
Stated capital	N/A	56,086,280	-
Capital reserve	N/A	17,930	-
General reserve	N/A	1,029,052	-
Statutory reserve	N/A	235,399,230	-
Available for sale reserve	N/A	8,264,971	-
Revaluation reserve	N/A	6,739,025	-
Retained earnings		1,804,591,423	
Total equity attributable to equity holders of the company		2,112,127,912	-
Non-controlling interests		100,355,908	
Total equity		2,212,483,820	-

		As at 31.03.2018						As at 31.03.2017
Remeasurment		SLFRS 9				Remeasurment		
ECL	Other	Amount	Category	Amount	Reclassification	ECL	Other	Amount
-	-	1,154,515,981	AC	354,986,829	-	-	-	354,986,829
		-						-
-	-	223,665,203	AC	204,941,917	-	-	-	204,941,917
-		5,100,665	AC	5,021,927		-		5,021,927
-	(606,179)	756,796,584	FVPL		1,065,248,413	-	1,131,519	1,066,379,932
		391,962,828	AC		70,837,997			70,837,997
-	-	277,514,789	AC	428,543,633	-	-	-	428,543,633
(707,132,092)		19,892,570,353	AC	13,985,366,770	-	(303,471,461)		13,681,895,310
		14,650,404	FVPL	12,662,498				12,662,498
		-						-
		21,559,105	FVOCI	18,297,962				18,297,962
		628,555	FVOCI	624,171				624,171
		-		18,963,753	(18,963,753)			
		-		443,605,405	(443,605,405)			-
-	-	-			-	-	-	-
-	-	-		50,000,000	(50,000,000)	-	-	-
		-		20,837,997	(20,837,997)			-
				602,679,255	(602,679,255)			
-	-	1,755,559,003	N/A	1,371,507,328	-	-	-	1,371,507,328
(707,132,092)	(606,179)	24,494,523,471		17,518,039,445	-	(303,471,461)	1,131,519	17,215,699,503
-	-	8,147,530,926	AC	4,528,625,480	-	-	-	4,528,625,480
-	-	13,500,580,420	AC	9,892,094,437	-	-	-	9,892,094,437
-	-	359,804,292	AC	358,064,562	-	-	-	358,064,562
-	-	829,698,569	AC	790,612,119	-	-	-	790,612,119
-	-	88,094,326	N/A	78,325,295	-	-	-	78,325,295
		64,091,238		-				
-	-	22,989,799,772		15,647,721,893	-	-	-	15,647,721,893
-	-	56,086,280	N/A	56,086,280	-	-	-	56,086,280
-	-	17,930	N/A	17,930	-	-	-	17,930
-	-	1,029,052	N/A	1,029,052	-	-	-	1,029,052
-	-	235,399,230	N/A	162,746,277	-	-	-	162,746,277
-	(365,385)	7,899,586	N/A	3,109,529	-	-	1,063,854	4,173,383
	-	6,739,025	N/A	33,546,713	-		-	33,546,713
(686,889,074)	(240,793)	1,117,461,556		1,531,267,960		(303,471,461)		1,227,796,499
(686,889,074)	(606,179)	1,424,632,660		1,787,803,742	-	-	1,063,854	1,485,396,135
(20,264,868)		80,091,040		82,513,812			67,665	82,581,477
(707,153,942)	(606,179)	1,504,723,699	-	1,870,317,554	-	-	1,131,519	1,567,977,612

Impact of transition to SLFRS 09, on Reserves and Retained Earnings

	31.03.2018 Rs.	01.04.2017 Rs.
Available for sale reserve		
Closing balance under LKAS 39	8,264,971	3,109,529
Transfer to Available for sale reserve	(365,385)	1,063,854
Restated balance after adoption of SLFRS 9	7,899,586	4,173,383
Retained earnings		
Closing balance under LKAS 39	1,804,591,423	1,531,267,960
Transfer to Available for sale reserve	(240,793)	-
Impact on impairment due to expected credit loss	(686,889,074)	(303,471,461)
Restated balance after adoption of SLFRS 9	1,117,461,556	1,227,796,499

7. INTEREST INCOME

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company/Group and the revenue can be reliably measured. Specific recognition criteria, for each type of income, is given under the respective income notes.

Interest income and expense is recognised in profit or loss using the effective interest method. 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 liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Interest income from leasing	1,259,840,611	1,228,385,338	4,615,296,594	3,625,617,452
Interest income from the hire purchases and others	13,311,673	19,013,432	601,970,471	592,291,859
Interest on government securities and other	148,249,547	149,266,679	111,696,841	116,715,016
Interest on unit trust	-	8,361,619	-	8,361,619
Income on other financial assets	1,014,471	29,277,086	82,225,682	86,106,403
	1,422,416,302	1,434,304,154	5,411,189,588	4,429,092,349

7.1 Notional Tax Credit for Withholding Tax on Government Securities on Secondary Market Transactions - Company

The Inland Revenue Act No. 01 of 2006, effective up to 31 March 2018, provided that a Company which derives interest income from the secondary market transactions in Government Securities would be entitled to a notional tax credit (being one–ninth of the net interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.

However, as per the provision of the Inland Revenue Act No 24 of 2017 effective from 1 April 2018, interest income from Government Securities are excluded from withholding tax. Hence, notional tax credit claimed by the Company was discontinued from 1 April 2018 with implementation of Inland Revenue Act No 24 of 2017.Accordingly, the net interest income earned from the secondary market transactions in Government Securities for the previous financial year, has been grossed up in these financial statements with the resulting notional tax credit amounted to Rs. 3,466,204.10 There is no notional tax credit recognised for the current financial year.

8. INTEREST EXPENSE

Interest expenses are recognised in profit or loss using the effective interest rate (EIR) method.

Effective interest rate

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 the EIR includes transaction costs and fees and points paid or received that forms an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Interest on public deposits	734,048,354	705,544,580	1,930,857,805	1,645,770,670
Debt instruments issued and other borrowings	177,447,697	194,764,156	1,225,655,690	929,814,193
	911,496,051	900,308,737	3,156,513,496	2,575,584,863

9. FEE AND COMMISSION INCOME

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the document and inspection of vehicle is recognised on completion of the underlying transaction. Fee or components of fee that is linked to a certain performance is recognised after fulfilling the corresponding criteria.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Service charges	6,430,151	53,601,858	129,371,434	208,905,542
Insurance commission	31,651,091	38,743,821	31,651,091	38,743,821
	38,081,242	92,345,679	161,022,525	247,649,363

10. OTHER OPERATING INCOME

Other operating income includes gains on disposal of property and equipment and motor vehicles, dividend income, fair value gain on investment property and other income.

Gain/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 year in which significant risks and rewards of ownership are transferred to the buyer.

Dividend income

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

Bad debts recovered

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

Other income

Other income is recognised on an accrual basis.

Fair value gain on investment property

Gain/losses arising from changes in fair value of investment properties are included in profit/loss in the period in which they arise.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Profit from the sale of Motor Vehicles (Note 10.1)	6,164,400	2,873,337	6,164,400	2,873,337
Dividend income	37,856,312	33,419,342	1,260,593	1,407,373
Interest income on savings accounts	5,014	4,833	5,014	4,833
Rent income	-	3,215,217	-	3,215,217
Sundry income	250,953	204,824	20,281,427	16,320,489
Bad debt recoveries	11,793,453	93,899	27,335,682	21,536,111
Profit on disposal of property equipment	21,782,510	1,291,730	18,477,168	1,581,445
Foreign exchange gain	16,111	43,293	16,111	43,293
Gain on disposal of investment property	-	32,125,000	-	32,125,000
Fair value gain on dealing securities	-	-	(3,745,655)	1,987,907
Fair value gain on investment property		(3,497,955)	-	(3,497,955)
Net amount transferred to profit or loss from AFS reserve	-	-	-	(233,113)
	77,868,754	69,773,520	69,794,739	77,363,938

10.1 Profit from the sale of Motor Vehicles

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Sales proceeds	204,660,000	169,040,000	204,660,000	169,040,000
Less: Cost of vehicles	(184,630,539)	(145,520,672)	(184,630,539)	(145,520,672)
Less : Direct costs	(13,865,061)	(20,645,991)	(13,865,061)	(20,645,991)
Profit for the year	6,164,400	2,873,337	6,164,400	2,873,337

11. IMPAIRMENT CHARGE FOR LOANS AND OTHER LOSSES

The Company/Group recognises the changes in the impairment provisions for loans and receivables which are assessed as per the Sri Lanka Accounting Standard- IFRS 9- Financial Instruments - Recognition and Measurement. The methodology adopted by the Company is explained in Note 20.1.1 to these financial statements.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Impairment charge/(reversal) on loans and advances	(4,677,331)	10,127,427	92,533,396	239,982,884
Impairment charge/(reversal) on leases	39,781,394	215,715,498	870,809,674	623,041,396
Loss on repossessed vehicles	153,795,767	76,162,874	153,795,767	76,162,874
Loss on inventory valuation	(1,675,726)	(793,008)	(1,675,726)	(793,008)
	187,224,104	301,212,791	1,115,463,112	938,394,145

12. PERSONNEL EXPENSES

Personnel expenses include salaries and bonus, terminal benefit charges 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 on the amount of the obligation.

Defined contribution plans – Employees' provident fund and Employees' trust fund

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 is recorded as an expense when they become due. Unpaid contributions are recorded as a liabilities.

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

The Company contributes 3 percent of the salary of each employee to the Employees' Trust Fund.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Salaries and bonus	125,915,569	116,163,380	331,087,451	290,931,225
Directors' remuneration	72,728,320	35,100,000	72,728,320	35,100,000
Employer's contributions to EPF	12,483,550	10,517,147	47,942,486	41,625,701
Employer's contributions to ETF	3,119,433	2,629,287	8,866,500	7,328,355
Gratuity charge for the year	6,340,953	6,250,765	20,597,427	18,896,917
	220,587,825	170,660,578	481,222,183	393,882,198

13. OTHER OPERATING EXPENSES

Other operating expenses are recognised in the statement of 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 f comprehensive income in arriving at the profit for the year.

Other operating expenses also include the following expenses.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Depreciation and amortisation	26,153,334	21,875,258	55,555,625	46,070,165
Auditor's remuneration				
- audit	965,379	534,564	1,791,960	1,659,114
- non audit	-	135,762	179,966	315,728
Donations and subscriptions	933,600	2,328,549	6,661,358	8,854,660
Professional fees	7,453,481	2,071,501	36,602,351	32,091,011
Legal expenses			5,381,672	897,332

Crop Insurance Levy

As per the provisions of the section14 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.

14. TAX ON FINANCIAL SERVICES

Tax on Financial Services include Value Added tax on Financial Services, Nations Building Tax on Financial Services and Debt Repayment Levy on Financial Services.

Value Added Tax (VAT) on Financial Services

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

VAT rate applied for the current financial year is 15% (2017/2018- 15%).

Nations Building Tax (NBT) on Financial Services

As per the provisions of the Nation Building Tax (NBT) Act No 9 of 2009 and amendment thereto, NBT on Financial Services was payable at 2% on Company's value addition attributable to financial services with effect from 01 January 2014. The value addition attributable to financial service is same as the value using to calculate the VAT of Financial Services.

Debt Repayment Levy (DRL) on Financial Services

As per the Finance Act No 35 of 2018, with effect 1 October 2018, DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on Financial Services.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Value Added Tax on Financial Services	29,670,402	41,171,022	116,723,353	149,009,831
Nations Building Tax on Financial Services	4,345,037	4,992,549	17,345,152	17,203,334
Debt Repayment Levy on Financial Services	8,402,417	-	41,479,596	-
	42,417,856	46,163,571	175,548,100	166,213,165

15. INCOME TAX EXPENSE

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 statement of comprehensive income 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 adjustment to tax payable in respect of prior years. The tax rates and tax laws 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

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

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

Deferred tax

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 28 to the financial statements.

15.1 Income tax recognised in the statement of comprehensive income

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Tax expense comprise:				
Current tax expense	-	-	-	31,613,260
Reversal of previous year income tax over provision		20,820	16,216	20,820
	-	20,820	16,216	31,634,080
Recognition/(reversal) of deferred tax asset	(98,082,549)	(13,123,340)	(308,416,672)	27,873,270
	(98,082,549)	(13,102,520)	(308,400,456)	59,507,351

15.2 Income tax on profit of the company and its subsidiary has been computed at the rate of 28% (2017/18- 28%) on the taxable income as per the provisions of Inland Revenue Act No.07 of 2017.

15.3 Reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Accounting profit chargeable for income taxes	36,218,383	108,771,991	207,251,752	535,344,997
Tax effect on chargeable profits (at 28%)	10,141,147	30,456,158	58,030,491	149,896,599
Tax effect on deductible expenses/allowable credits	694,541,841	(992,932,067)	3,608,040,095	(3,275,206,200)
Tax effect on disallowable items	(645,448,030)	1,006,197,825	(3,655,651,591)	2,916,678,784
Tax effect on losses (claimed)/incurred				
On leasing activities	(45,573,405)	(48,179,780)	(45,573,405)	(65,202,305)
On general activities	(5,460,020)	(497,748)	(5,460,020)	300,490,770
Effect of tax exempt income	(10,599,767)	-	(10,925,138)	-
Tax effect on qualifying payments - investment in subsidiary	-	(924,389)	-	(924,389)
Income tax for subsidiary prior to the acquisition	-	-	-	-
Current tax expense	-	-	-	25,733,260
Effective tax rate	-	-	-	4.81%

A provision for income tax has not been made in the current year for the company since there is no taxable income after claiming the deductible tax loss and qualifying payment on investment in subsidiary.

16. EARNING PER SHARE - BASIC

Basic earning per share is calculated by dividing the profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Amount used as the numerator				
Profit for the year attributable to equity holders (Rs.)	134,300,932	220,825,972	446,857,635	405,571,888
Amount used as the denominator				
Weighted average number of ordinary shares	5,608,355	5,608,355	5,608,355	5,608,355
Basic earning per ordinary share (Rs.)	23.95	10.07	79.68	6.72

17. DIVIDEND

Provision for final dividend is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividend payable is recognised when the Board approves such dividend in accordance with the Companies Act No. 07 of 2007.

The company has not declared any dividend during the year 2018/19. (In 2017/18 - Rs. 12.5 per share as the final dividend.)

18. CASH IN HAND AND AT BANK

Cash and bank balance is defined as cash in hand and the balance with the bank. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Cash in hand	200,275	386,005	81,006,302	71,925,570
Cash at bank	88,852,804	176,457,368	229,764,038	1,082,590,411
Cash in hand and at bank	89,053,079	176,843,373	310,770,340	1,154,515,981

19. FINANCIAL ASSETS - AMORTISED COST

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

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Treasury bills	244,441,364	223,665,203	244,441,364	223,665,203
Investments in Treasury bonds	5,086,959	5,100,665	22,338,916	22,118,494
Investments in repos	268,541,288	225,175,349	1,233,695,625	739,778,755
Investments in debt securities	57,393,921	391,962,828	57,393,921	391,962,828
Investments in fixed deposits	466,379,672	824,919,099	370,972,138	277,514,789
	1,041,843,204	1,670,823,144	1,928,841,964	1,655,040,069

20. FINANCIAL ASSETS AT AMORTIZED COST/LOANS AND RECEIVABLES

Loans and receivables include non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as at fair value through profit or loss.
- Those that the Group, upon initial recognition, designates as available for sale.
- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.
- 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 comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income 'impairment (charge)/reversal on loans and receivables'. The Group may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held for trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss. Where a loan, on drawdown, is expected to be retained by the Group, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Investment in finance leases (Note 20.1)	4,405,397,522	4,401,597,502	16,208,197,965	17,202,993,002
Investment in hire purchase (Note 20.2)	219,294	1,320,209	14,027,086	78,895,079
Promissory notes (Note 20.3)	500,000	545,481	500,000	545,481
Loans against fixed deposits (Note 20.4)	57,679,067	47,677,895	57,679,067	47,677,895
Term loans (Note 20.5)	2,222,678	15,212,175	1,466,975,678	2,557,234,885
Staff loans and advances (Note 20.6)	6,871,893	5,224,012	6,871,893	5,224,012
	4,472,890,454	4,471,577,274	17,754,251,690	19,892,570,353

20.1 Investment in leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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 Group is a lessor under finance leases the amounts due under the lease, after deduction of unearned charges, are recognised on the statement of financial position. The finance income receivable is recognised as 'interest income' over the period of the lease so as to give a constant rate of return on the net investment in the lease.

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 comprehensive income. The loss arising from impairment is recognised in 'impairment (charge)/ reversal on loans and other loss' in the statement of comprehensive income.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Gross investment in leases	5,427,681,810	5,695,701,309	21,437,065,853	23,491,103,108
Lease rental receivables	523,311,805	514,922,983	2,219,219,581	1,462,267,436
	5,950,993,615	6,210,624,293	23,656,285,434	24,953,370,544
Less : unearned income	(1,218,183,404)	(1,382,629,996)	(5,822,099,089)	(6,654,607,227)
	4,732,810,212	4,827,994,297	17,834,186,345	18,298,763,317
Less: prepaid rentals	(61,611,153)	(46,334,125)	(174,938,214)	(159,733,211)
	4,671,199,059	4,781,660,172	17,659,248,131	18,139,030,106
Less: Allowance for impairment losses (Note 20.1.2)	(265,801,537)	(380,062,669)	(1,451,050,166)	(936,037,105)
Net investment in finance leases	4,405,397,522	4,401,597,502	16,208,197,965	17,202,993,002
Lease receivable within one year				
Total lease rental & other receivables within one year	3,464,860,416	3,471,748,622	12,210,087,106	11,942,656,694
Less : unearned income	(905,147,910)	(905,147,910)	(3,323,364,815)	(3,680,058,217)
	2,559,712,506	2,566,600,712	8,886,722,291	8,262,598,477
Lease receivable from one to five years				
Total lease rental receivable from one to five years	2,424,522,046	2,692,541,545	11,312,345,381	13,010,713,850
Less : unearned income	(313,035,494)	(477,482,086)	(2,495,182,711)	(2,974,549,010)
	2,111,486,553	2,215,059,460	8,817,162,671	10,036,164,840
Lease receivable from five to eight years				
Total lease rental receivable from one to five years			72,241,793.50	
Less : unearned income			(3,551,563.71)	
	-	-	68,690,230	-
Net investment in leases	4,671,199,059	4,781,660,172	17,772,575,191	18,298,763,317

Maturity analysis for lease and Lease and loans disclosed in note no 43.3 in these financial statements.

20.1.1 Allowance for individual and collective impairment losses

Accounting estimates

The adoption of SLFRS 09 has fundamentally changed the Company's loan loss impairment method by replacing LKAS 39's incurred loss approach with a 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 ECLs is 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 to 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 includes 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 subjects 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 obligation
- An actual or expected significant change 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 change 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 obligation

Definition of default

The Company considers the following as constituting an event 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 indicates 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 has 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 includes 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.

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 statuses which can be identified as default or not default. 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 % 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
- * Average LTV

Reversals of impairment

If the amount of an impairment loss decreases 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 statement of comprehensive income.

Write-off of loans and receivables

Financial assets and the related impairment allowance accounts are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

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.

20.1.2 Allowance for impairment losses - for lease

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
As at the beginning of the year	380,062,669	192,519,200	936,037,105	453,734,665
Charge for the period	39,781,394	215,715,499	870,809,674	623,041,396
Amounts written off	(154,042,527)	(28,172,030)	(355,796,613)	(140,738,957)
As at the end of the period	265,801,537	380,062,669	1,451,050,166	936,037,105
Individual impairment	25,549,201	64,083,078	349,216,025	234,303,633
Collective impairment	240,252,336	315,979,591	1,101,834,140	701,733,471
	265,801,537	380,062,669	1,451,050,166	936,037,105
Stage 1 impairment	35,979,483	39,374,590	84,593,954	77,208,164
Stage 2 impairment	80,073,054	138,008,947	339,878,308	307,151,590
Stage 3 impairment	124,199,799	138,596,054	677,361,878	317,373,718
	240,252,336	315,979,591	1,101,834,141	701,733,471

20.1.3 Allowance for impairment losses for other loans and advances

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Balance at the beginning of the year	17,754,693	15,315,517	362,276,665	130,033,659
Charge to statement of comprehensive income	(4,677,331)	10,127,427	92,533,396	239,982,884
Amounts written off	(9,634,742)	(7,688,251)	(22,575,144)	-7,739,878
Balance at the end of the year	3,442,620	17,754,693	432,234,917	362,276,665

Notes to the Financial Statements

20.2 Investment in hire purchase

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Hire purchase stock	337,139	1,639,363	12,804,835	70,704,232
Hire purchase rental receivable	220,577	764,555	18,461,219	23,742,028
	557,716	2,403,918	31,266,054	94,446,259
Less : Unearned income	(41,124)	(300,219)	(829,922)	(8,008,679)
	516,591	2,103,699	30,436,132	86,437,581
Less: prepaid rentals	(201,975)	(207,825)	(479,067)	(908,310)
	314,616	1,895,874	29,957,065	85,529,270
Less: Allowance for impairment	(95,322)	(575,664)	(15,929,979)	(6,634,192)
Net investment in hire purchase	219,294	1,320,209	14,027,086	78,895,079

20.3 Promissory notes

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Promissory note debtors	628,141	686,873	628,141	686,873
Less: unearned income	-	(13,252)	-	(13,252)
	628,141	673,622	628,141	673,622
Less: Allowance for impairment	(128,142)	(128,141)	(128,142)	(128,141)
	500,000	545,481	500,000	545,481

20.4 Loans against fixed deposits

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Loans against fixed deposits	57,679,067	47,677,895	57,679,067	47,677,895
	57,679,067	47,677,895	57,679,067	47,677,895

20.5 Investments in term loans

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Term loan stock	2,926,444	19,170,730	1,436,252,458	2,716,065,838
Term loan rental receivable	2,476,891	13,062,082	474,580,959	246,154,339
	5,403,335	32,232,812	1,910,833,417	2,962,220,176
Less: Term Loan rental paid in advance	-	-	(27,719,442)	(49,501,210)
	5,403,335	32,232,812	1,883,113,975	2,912,718,967
Less: Allowance for impairment	(3,180,656)	(17,020,638)	(416,138,297)	(355,484,082)
Net investment in term loan	2,222,678	15,212,175	1,466,975,678	2,557,234,885

20.6 Staff loans

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Staff loans	6,910,393	5,254,262	6,910,393	5,254,262
Less: Allowance for impairment	(38,500)	(30,250)	(38,500)	(30,250)
	6,871,893	5,224,012	6,871,893	5,224,012

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

The group classifies financial assets as financial assets recognised through profit or loss when they have been purchased primarily for short term profit making through trading activities. Financial assets recognised through profit or loss 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 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.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Investments in quoted shares - (Note 21.1)	-	-	10,904,749	14,650,404
	-	-	10,904,749	14,650,404

Notes to the Financial Statements

21.1 Investments in quoted shares

	Group			
	31.03.2019		31.03.2018	
	No. of shares	Fair value Rs.	No. of shares	Fair value Rs.
Bank, financial & insurance				
Alliance Finance Co. PLC	52,000	2,802,800	52,000	3,395,600
DFCC PLC	24	1,673	24	2,803
Lanka Orix Leasing Company PLC	5,700	513,000	5,700	672,600
Citizens Development Bank PLC	4,000	318,800	4,000	340,000
Peoples Leasing & Finance Company PLC	104,000	1,393,600	104,000	1,643,200
Beverages, food & tobacco				
Lanka Milk foods PLC	21,600	2,354,400	21,600	3,458,160
Chemical and pharmaceuticals				
Lankem Ceylon PLC	42	924	42	1,676
Chemenex PLC	4,300	253,700	4,300	273,050
Hotel & tourism				
Sigiriya Village Hotel PLC	1,600	74,720	1,600	65,920
Hotel Corporation PLC	10,478	102,684	10,478	170,791
Serendib Hotels PLC (N/V)	10,000	110,000	10,000	131,000
Power and energy				
Laughs Gas PLC	8,000	136,000	8,000	284,000
Manufacturing				
Blue Diamond Jewellery PLC	19	5.7	19	6
ACL Cables PLC	23,800	768,740	23,800	975,800
Diversified Holdings				
Valible One PLC	104,000	1,487,200	104,000	2,371,200
Motors				
Diesel & Motor Engineering PLC	1,122	326,502	1,122	519,598
Land & property				
Seylan Developments PLC	25,000	260,000	25,000	345,000
Total		10,904,749		14,650,404

22. 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 of which the fair value cannot be measured due to the unavailability of sufficient more recent information. Gains and losses on these investments are never recycled to 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 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.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Investments in unquoted securities (Note 22.1)	682,934	682,934	6,803,161	7,086,483
Investments in quoted securities (Note 22.2)	-	-	13,605,997	14,472,622
Investments in unit trust (Note 22.3)	482,995	628,555	482,995	628,555
	1,165,929	1,311,490	20,892,153	22,187,661

22.1 Investments in unquoted securities - unquoted shares

	Company			
	31.03.2019		31.03.2018	
	No. of shares	Fair value Rs.	No. of shares	Fair value Rs.
Credit Information Bureau	43	682,934	43	682,934
Poltech (Ceylon) Ltd	12,715	125,000	12,715	125,000
		807,934		807,934
Less: provision for impairment		(125,000)		(125,000)
Fair value of the investment		682,934		682,934

Notes to the Financial Statements

	Group			
	31.03.2019		31.03.2018	
	No. of shares	Fair value Rs.	No. of shares	Fair value Rs.
Poltech (Ceylon) Ltd	12,715	125,000	12,715	125,000
Jetwing Symphony Ltd	-	-	-	-
Alliance Agencies Limited	1,303	392,517	1,303	392,517
Ranweli Holiday Resorts Limited	34,667	780,889	34,667	780,889
Credit Information Bureau of Sri Lanka	190	2,254,806	190	2,254,806
Comtrust Equity Fund			17,819	283,322
Finance House Consortium	20,000	200,000	20,000	200,000
Nation Lanka Equities	800,005	3,174,949	800,005	3,174,949
		6,928,161		7,211,483
Less: Allowance for impairment		(125,000)		(125,000)
Fair value of the investment		6,803,161		7,086,483

22.2 Investments in quoted securities

	Group			
	31.03.2019		31.03.2018	
	No. of shares	Fair value Rs.	No. of shares	Fair value Rs.
Ceylinco Insurance PLC	1,250	2,656,250	1,250	2,250,000
Blue Diamond Jewellery World wide PLC	6,839	3,420	6,839	6,155
The Finance Company PLC	1,749	2,274	1,749	8,045
Central Industries PLC	24	696	24	943
Merchant Bank of Sri Lanka & Finance PLC	224	2,307	224	2,890
Chemanex PLC	600	35,400	600	38,100
Sinhaputhara Finance Company PLC	5,000	475,000	5,000	610,000
Citizen Development Bank PLC	95,485	7,722,329	95,485	8,256,489
Jetwing Symphony PLC	250,000	2,425,000	250,000	3,300,000
Comtrust Equity Fund	17,819	283,322		
		13,605,997		14,472,622

22.3 Investments in unit trust

	Company/Group			
	31.03.2019		31.03.2018	
	No. of units	Fair value Rs.	No. of units	Fair value Rs.
Namal Unit Trust	19,608	482,995	19,608	628,555
		482,995		628,555

23. INVENTORIES

Unsold vehicles at the reporting date are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost necessary to make the sale.

Investments in real estates are valued at cost or net realizable value whichever is lower. Net realizable value is the estimated selling price less estimated cost of completion and the estimated cost necessary to make the sale.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Investments in land and buildings	28,147,363	28,147,363	28,147,363	28,147,363
Stationery stocks	-	-	1,767,344	905,960
Motor vehicles	110,007,228	93,075,589	110,007,228	93,075,589
	138,154,591	121,222,952	139,921,935	122,128,913
Less: Provision for inventory loss	(620,107)	(2,295,833)	(620,107)	(2,295,833)
	137,534,485	118,927,120	139,301,829	119,833,080

24. INVESTMENT PROPERTIES

Investment properties are initially recognised at cost and subsequently carried at fair value determined once in three years by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in the profit and loss.

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

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

	31.03.2019 Rs.	31.03.2018 Rs.
Cost	3,497,955	3,497,955
Accumulated depreciation	(3,497,955)	(3,497,955)
	-	-

Property	Location	Building (sq.ft)	Extent	Cost	Fair value
Kirinda Land	Kirinda,Thissamaharama	-	2A-3R-30P	3,497,955	-

25. PROPERTY AND EQUIPMENT

Recognition and measurement

Property and equipment 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 LKAS 16 - property, plant & equipment. Initially property and equipment are measured at cost.

Cost model

Property and equipment is stated at cost, excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent cost

Subsequent expenditure incurred for the purpose of acquiring, extending, or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business is treated as capital expenditure and such expenses are recognised in the carrying amount of an asset. The costs associated with day-to-day servicing of property and equipment are recognised in the income statement as incurred.

Borrowing Costs

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

Fully-Depreciated Property & Equipment

The initial cost of fully-depreciated property, plant & equipment, which are still in use as at reporting date is Rs. 64,783,552.24 (31.03.2018- Rs. 39,009,674.07)

Property and Equipment Pledged as Securities for Liabilities

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

Depreciation

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Freehold land is not depreciated. Depreciation of asset begins from the date they are available for use or in respect of self-constructed assets from the date that asset is completed and ready for use. The rate of depreciation is based on the estimated useful life is as follows:

Category of assets	Depreciation rate per annum
Motor vehicles	20%
Office equipment	10%
Computer equipment	20%
Furniture and fittings	10%
Generators and air conditioners	10%
Telephone system	20%
Agricultural equipment	20%
Tractors and trailers	20%
Building on leasehold land	20%

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:

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Cost and accumulated depreciation of the revalued assets	-	-	418,860,335	274,661,335
Land	-	-	78,721,030	60,999,391
Buildings	-	-	(9,327,253)	(7,595,591)
Accumulated depreciation on buildings	-	-	488,254,112	328,065,135

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

Location Extent		Cost	Valuation	Valuation date	Level of fair value	No. of Buildings
1. No 146, Colombo 05	13.80 Perches	4,565,000	193,000,000	08.03.2017	Level 3	1
2. No 146/34, Colombo 05	20.12 Perches	196,562,161	223,445,142	06.09.2017	Level 3	1
3. No 138, Colombo 05	10.60 Perches	144,199,000	153,500,000	27.03.2019	Level 3	0
4. Kandy	11.35 Perches	43,366,500	48,000,000	18.11.2015	Level 3	1
5. Matara	17.78 Perches	30,167,674	39,000,000	18.07.2016	Level 3	1
		418,860,335	656,945,142			

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Freehold	74,728,313	60,897,540	880,042,632	718,949,589
Leasehold	-	2,087,028	-	2,087,028
	74,728,313	62,984,568	880,042,632	721,036,617

25.1 Freehold

Company

	Balance at the beginning of the year Rs.	Additions Rs.	Transfers from leasehold Rs.	Disposals/ Written off Rs.	Balance at the end of the year Rs.
Cost					
31 March 2018					
Motor vehicles	72,335,515	25,220,000	20,000,000	(5,664,041)	111,891,474
Furniture fittings & fixtures	7,275,689	393,726	-	(52,111)	7,617,304
Office equipment	2,526,407	290,540	-	(297,000)	2,519,947
Generator	2,184,597	290,408	-	-	2,475,005
Computer equipment	11,543,144	900,150	-	(330,800)	12,112,494
Telephone system	173,000	-	-	-	173,000
Agricultural equipment	411,020	-	-	-	411,020
Tractor and trailer	1,455,950	-	-	-	1,455,950
	97,905,322	27,094,824	20,000,000	(6,343,952)	138,656,194
Cost					
31 March 2019					
Motor vehicles	111,891,474	36,525,000		(38,486,037)	109,930,437
Furniture fittings and fixtures	7,617,304	711,164	-	-	8,328,468
Office equipment	2,519,947	283,860	-	-	2,803,807
Generator	2,475,005	294,757	-	-	2,769,762
Computer equipment	12,112,494	2,059,530	-	-	14,172,024
Telephone system	173,000	-	-	-	173,000
Agricultural equipment	411,020	-	-	-	411,020
Tractor and trailer	1,455,950	-	-	-	1,455,950
	138,656,194	39,874,310	-	(38,486,037)	140,044,467

	Balance at the beginning of the year Rs.	Charge for the year Rs.	Transfers from leasehold Rs.	Disposals/ Written off Rs.	Balance at the end of the year Rs.
Accumulated depreciation					
31 March 2018					
Motor vehicles	31,463,087	13,844,648	19,686,758	(3,453,162)	61,541,331
Furniture fittings and fixtures	3,979,730	520,591	-	-33,656	4,466,665
Office equipment	938,666	237,187	-	(124,543.78)	1,051,309
Generator	715,187	232,019	-	-	947,206
Computer equipment	6,224,928	1,863,165	-	(330,800)	7,757,293
Telephone system	93,281	34,600	-	-	127,881
Agricultural equipment	411,020	-	-	-	411,020
Tractor and trailer	1,455,950	-	-	-	1,455,950
	45,281,849	16,732,209	19,686,758	(3,942,162)	77,758,655
Accumulated depreciation					
31 March 2019					
Motor vehicles	61,541,331	20,211,603		(35,568,112)	46,184,822
Furniture fittings & fixtures	4,466,665	576,210	-	-	5,042,874
Office equipment	1,051,309	244,832	-	-	1,296,141
Generator/air conditioner	947,206	255,120	-	-	1,202,326
Computer equipment	7,757,293	1,803,247	-	-	9,560,540
Telephone system	127,881	34,600	-	-	162,481
Agricultural equipment	411,020	-	-	-	411,020
Tractor and trailer	1,455,950	-	-	-	1,455,950
	77,758,654	23,125,612	-	(35,568,112)	65,316,154
Carrying amount as at 31 March 2017	52,623,473				60,897,540
Carrying amount as at 31 March 2018	60,897,540				74,728,313

Notes to the Financial Statements

25.2 Leasehold

	Balance at the beginning of the year Rs.	Additions Rs.	Disposals/ transfers to freehold transfers Rs.	Balance at the end of the year Rs.
Cost				
31 March 2018				
Motor vehicles	20,000,000	-	-	20,000,000
Leasehold improvements - Buildings	18,179,379	-	-	18,179,379
	38,179,379	-	-	38,179,379
Cost				
31 March 2019				
Motor vehicles	-	-	-	-
Leasehold improvements - Buildings	18,179,379	-	-	18,179,379
	18,179,379	-	-	18,179,379

	Balance at the beginning of the year Rs.	Charge of the year Rs.	Disposals/ transfers to freehold Rs.	Balance at the end of the year Rs.
Accumulated depreciation				
31 March 2018				
Motor vehicles	19,353,425	333,333	(19,686,758)	-
Leasehold improvements - Buildings	12,116,695	3,975,655	-	16,092,350
	31,470,120	4,308,988	(19,686,758)	16,092,350
Accumulated depreciation				
31 March 2019				
Motor vehicles	-	-	-	-
Leasehold improvements - Buildings	16,092,350	2,087,028	-	18,179,379
	16,092,350	2,087,028	-	18,179,379
Carrying amount as at 31 March 2017	6,709,259			22,087,028
Carrying amount as at 31 March 2018	2,087,028			-

25.3 Freehold

Group

	Balance at the beginning of the year Rs.	Additions Rs.	Transfers from leasehold Rs.	Disposals/ Write off/ Transfers Rs.	Balance at the end of the year Rs.
Cost					
31 March 2018					
Land	179,930,425	196,562,161	-	-	376,492,586
Building	92,668,786	33,327,164	-	-	125,995,949
Motor vehicles	81,943,891	50,698,236	20,000,000	(8,013,799)	144,628,328
Furniture fittings and fixtures	75,771,286	36,593,277	-	(465,085)	111,899,478
Office equipment	29,803,220	6,106,417	-	(574,309)	35,335,329
Generator	2,184,597	290,408	-	-	2,475,005
Computer equipment	48,104,408	9,183,921	-	(441,750)	56,846,579
Telephone system	173,000	-	-	-	173,000
Agricultural equipment	411,020	-	-	-	411,020
Office lift	3,600,000	-	-	-	3,600,000
Tractor and trailer	1,455,950	-	-	-	1,455,950
Capital work in progress	18,576,903	52,493,794	-	(48,099,959)	22,970,738
	516,046,583	385,255,377	20,000,000	(57,594,902)	882,283,961

	Balance at the beginning of the year Rs.	Additions Rs.	Transfers from leasehold Rs.	Disposals/ Write off/ Transfers Rs.	Balance at the end of the year Rs.
Cost					
31 March 2019					
Land	376,492,586	144,199,000	-	-	520,691,586
Buildings	125,995,949	17,721,639	-	-	143,717,589
Motor vehicles	144,628,328	36,525,000	-	(38,486,037)	142,667,291
Furniture fittings and fixtures	111,899,478	20,508,418	-	(5,088,260)	127,319,635
Office equipment	35,335,329	8,382,115	-	(1,118,543)	42,598,901
Generator	2,475,005	294,757	-	-	2,769,762
Computer equipment	56,846,579	12,640,685	-	-	69,487,264
Telephone system	173,000	-	-	-	173,000
Agricultural equipment	411,020	-	-	-	411,020
Office lift	3,600,000	-	-	-	3,600,000
Tractor and trailer	1,455,950	-	-	-	1,455,950
Capital work in progress	22,970,738	49,608,458	-	(69,114,477)	3,464,719
	882,283,961	289,880,072	-	(113,807,317)	1,058,356,716

	Balance at the beginning of the year Rs.	Charge for the year Rs.	Adjustment on Revaluation Rs.	Disposals/ Write off Rs.	Balance at the end of the year Rs.
Accumulated depreciation					
31 March 2018					
Buildings	123,541	2,852,884	-	(140,914)	2,835,511
Motor vehicles	34,534,214	17,504,897	19,686,758	(4,549,572)	67,176,297
Furniture fittings and fixtures	26,274,176	9,764,373	-	(369,456)	35,669,092
Office equipment	12,223,568	3,774,588	-	(361,222)	15,636,934
Generator	715,187	232,019	-	-	947,206
Computer equipment	30,881,706	6,544,669	-	(439,894)	36,986,481
Telephone system	93,281	34,600	-	-	127,881
Agricultural equipment	411,020	-	-	-	411,020
Office lift	1,728,000	360,000	-	-	2,088,000
Tractor and trailer	1,455,950	-	-	-	1,455,950
	108,440,643	41,068,030	19,686,758	(5,861,058)	163,334,373
Accumulated depreciation					
31 March 2019					
Building	2,835,511	3,356,576	-	-	6,192,087
Motor vehicles	67,176,297	26,758,974	-	(35,568,112)	58,367,159
Furniture fittings and fixtures	35,669,092	10,498,310	-	(1,737,948)	44,429,454
Office equipment	15,636,934	4,322,156	-	(585,377)	19,373,714
Generator/air conditioner	947,206	255,120	-	-	1,202,326
Computer equipment	36,986,481	7,285,412	-	-	44,271,893
Telephone system	127,881	34,600	-	-	162,481
Agricultural equipment	411,020	-	-	-	411,020
Office lift	2,088,000	360,000	-	-	2,448,000
Tractor and trailer	1,455,950	-	-	-	1,455,950
	163,334,373	52,871,148	-	(37,891,437)	178,314,084
Carrying amount as at 31 March 2017	407,605,940				718,949,589
Carrying amount as at 31 March 2018	718,949,589				880,042,632

26. 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 that are 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:

Computer software	10 years

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Computer software				
Cost				
Balance at the beginning of the year	8,957,497	8,143,401	41,935,327	34,685,205
Additions during the year	644,585	814,096	12,892,816	7,650,122
Disposals during the year	-	-	(550,000)	(400,000)
Balance at the end of the year	9,602,082	8,957,497	54,278,143	41,935,327
Accumulated amortization				
Balance at the beginning of the year	5,676,693	4,842,633	27,386,020	22,429,393
Charge for the year	940,694	834,060	5,859,362	5,063,293
Disposals during the year			(55,000)	(106,667)
Balance at the end of the year	6,617,387	5,676,693	33,190,382	27,386,020
Carrying amount	2,984,694	3,280,803	21,087,761	14,549,307

Notes to the Financial Statements

27. CURRENT TAX ASSET

The Company is subject to income taxes and other taxes including VAT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. 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 are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Balance at the beginning of the year	46,179,625	21,851,667	99,713,267	60,134,941
Provision for the year	-	-	-	(31,613,260)
Economic service charge	18,178,162	17,063,263	73,750,504	56,426,759
Income tax over/under provision	-	(20,820)	-	(20,820)
Dividend tax	-	(3,466,206)	-	(3,466,206)
Withholding tax	3,450,490	10,751,720	4,366,215	18,251,853
Balance at the end of the year	67,808,276	46,179,625	177,829,987	99,713,267

28. DEFERRED TAX ASSETS

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 arises 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 assets are 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
- in respect of deductible temporary differences associated with investments in subsidiary, 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 profit will be available against which the temporary differences can be utilised

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is 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/liability

Deferred tax assets are 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. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
The movement in the deferred tax is as follows:				
Balance at the beginning of the year	223,222,980	210,700,590	159,131,741	210,700,590
Deferred tax adjustment relating to additional depreciation on revaluation	-	-	-	-
Recognition/(reversal) to statement of comprehensive income	98,082,549	13,123,340	309,931,670	13,123,340
Recognition/(reversal) to other comprehensive income	-	(600,950)	-	(600,950)
Balance at the end of the year	321,305,529	223,222,980	469,063,411	223,222,980
Balance at the beginning of the year	-	-	-	4,118,054
Deferred tax adjustment relating to additional depreciation on revaluation	-	-	-	(28,512,750)
Recognition/(reversal) to statement of comprehensive income	-	-	-	(40,996,610)
Recognition/(reversal) to other comprehensive income	-	-	-	1,300,068
Balance at the end of the year	-	-	-	(64,091,238)

Notes to the Financial Statements

28.1 Deferred tax assets, liabilities, and income tax relate to the following:

	Company			
	Statement of financial position 31.03.2019 Rs.	Statement of comprehensive income 2018/2019 Rs.	Statement of financial position 31.03.2018 Rs.	Statement of comprehensive income 2017/2018 Rs.
Deferred tax liabilities				
Capital allowances for tax purposes	21,032,072	76,051,379	(55,019,308)	(5,784,573)
Available for financial assets	104,634	172,497	(67,863)	(67,863)
Deferred tax assets				
Defined benefit plans	10,113,944	1,833,491	8,280,452	351,227
Investment allowance	227,012,175	10,682,469	216,329,706	66,124,552
Carried forward tax losses	6,816,041	(46,889,542)	53,705,582	(48,095,363)
Provision for impairment	56,226,665	56,226,665		
Deferred tax income/(expense)	-	98,076,960	-	12,527,979
Net deferred tax assets recognised	321,305,529	-	223,228,569	-
Unrecognised deferred tax asset				
- on carried forward tax losses	-		-	
- on investment allowance	92,963,704		103,410,688	
Total unrecognised deferred tax asset	92,963,704		103,410,688	
Tax rate used	28%		28%	

The Company is eligible for qualifying payment relief on the investment in subsidiary under the guidelines pursuant to the amendments introduced to the provisions of the Inland Revenue Act No 24 of 2017 to facilitate Financial Sector Consolidation. The value of future tax benefits have been recognised as a deferred tax asset as required by SLFRS based on best management estimates. The value of this asset is subject to eligibility for this allowance and the availability of taxable income during these respective periods.

	Group	
	31.03.2019 Rs.	31.03.2018 Rs.
Deferred tax asset / (liability)		
Capital allowances for tax purposes	(85,918,565)	(55,019,308)
Deferred tax assets		
Defined benefit plans	31,650,847	8,280,452
Investment allowance	227,012,175	216,329,706
Available for financial assets	419,326	(67,863)
Revaluation reserve on lands	(28,512,750)	
Provision for impairment	308,628,748	
Carried forward tax losses	6,816,041	53,705,582
Deferred tax income / (expense)		
	-	
Net deferred tax assets	460,095,821	223,228,569
Deferred tax Liability	31.03.2019	31.03.2018
Accelerated depreciation for tax purpose		
Property and equipment	-	(41,803,422)
Leased assets	-	(525,134,969)
Provision for impairment	-	
Revaluation reserve on lands	-	(28,512,750)
Post employment retirement benefits	-	16,385,958
Available for financial assets	-	305,362
Brought forward tax loss	-	514,668,582
	-	(64,091,239)
Net deferred tax assets		

Notes to the Financial Statements

29. OTHER ASSETS

The Group classifies all other assets as other financial assets and other non financial assets. Other assets mainly comprises of deposits and prepayments, VAT receivable, debtors on sale of motor vehicles.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Deposits, advances and prepayments	30,292,539	38,520,053	308,011,022	165,312,217
Debtors on sale of motor vehicles	6,312,862	1,782,862	6,312,862	1,782,862
Debtors on insurance commission	6,171,886	10,431,756	6,171,886	10,431,756
VAT unabsorbed input tax	6,115,619	-	6,115,619	-
Miscellaneous	-	-	15,132,543	14,221,855
Other receivables	206,558	210,702	206,558	210,702
	49,099,464	50,945,373	341,950,490	191,959,392

30. INVESTMENT IN SUBSIDIARY

Investment in subsidiary is accounted for at cost less accumulated impairment loss in the financial statements of the company. Provision for impairment is made, where the decline in value is other than temporary, and such impairment is made for investments individually.

	Company	
	31.03.2019 Rs.	31.03.2018 Rs.
Quoted shares		
Arpico Finance Company PLC		
Cost	1,160,387,961	1,160,387,961
	1,160,387,961	1,160,387,961
No of shares	6,992,610	6992610
Percentage of holdings	94.02%	94.02%

31. GOODWILL

Goodwill is allocated to Arpico Finance PLC which is a cash generating unit (CGU) operating within the Group. When testing for impairment on goodwill, the recoverable amount of a cash generating unit is determined on the basis of fair value less cost to sell and value-in-use, whichever is higher.

The fair value less cost to sell is computed based on earnings multiples/revenue multiples of comparable companies (listed), adjusted to reflect the liquidity. Value-in-use calculations are cash flow projections based on financial budgets, which are approved by the management, typically covering a five-year period. Further the net assets of the CGU also can be used to identify any indication of an impairment.

Accordingly, impairment test did not indicate an impairment on goodwill on acquisition of Arpico Finance PLC as at 31 March 2018.

32. Due to financial institutions

Due 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.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Bank overdrafts	-	-	73,287,615	485,257,821
Bank loans	-	-	-	-
Securitisation loans	1,089,792,114	1,160,306,000	6,469,468,737	7,662,273,104
	1,089,792,114	1,160,306,000	6,542,756,352	8,147,530,925

32.1 Security details of the loans

Lending Institutions	Nature of facilities	Securities Pledged	31.03.2019 Rs.	31.03.2018 Rs.
Abans Finance PLC	Business loan	Promissory note for Rs. 90 Mn. with interest at 15% per annum and personal guarantee of two directors	-	-
Deutsche Bank	Securitization loan - Trust 5	Lease agreements identified by the company	-	-
Deutsche Bank	Securitization loan - Trust 6	Lease agreements identified by the company	-	-
Deutsche Bank	Securitization loan - Trust 7	Four finance lease agreements	-	-
Sampath Bank	Securitization loan - Trust 8	3,000,000 shares of Arpico Finance	74,990,000	108,326,000
Bank of Ceylon	Securitization loan - Trust 9	Lease agreements identified by the company	-	30,000,000
Seylan Bank	Securitization loan - Trust 10	Performing lease receivables	167,500,000	255,100,000
Hatton National Bank	Securitization loan - Trust 11	Receivables and the underlying assets of selected lease portfolio		134,000,000
Deutsche Bank	Securitization loan - Trust 12	Lease agreements identified by the company	71,500,000	195,400,000
Sampath Bank	Securitization loan - Trust 13	Lease agreements identified by the company	312,440,000	437,480,000
Sampath Bank	Securitization loan - Trust 14	Lease agreements identified by the company	374,648,670	-
Sampath bank	Securitization loan - Trust 15		88,713,444	-
			1,089,792,114	1,160,306,000

33. DUE TO OTHER CUSTOMERS

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 derecognise as well as through the EIR amortisation process.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Term deposits	4,914,785,274	5,366,607,068	13,458,820,895	13,330,630,075
Commercial papers	-	69,191,214	-	169,950,345
Savings deposits	-	-	1,401,362	-
	4,914,785,274	5,435,798,282	13,460,222,256	13,500,580,420

Sri Lanka Deposit Insurance and Liquidity Support Scheme - Company

Under the Direction no 2 of 2010 finance companies(Insurance of Deposits Liabilities)issued by the central bank of Sri lanka and subsequent amendments thereto, all the eligible deposit liabilities have been insured with the Sri lank deposit insurance scheme implemented by monitory board of compensation up to maximum of Rs. 600,000 for each depositor. The company has paid Rs. 7,137,820.13as the premium of the said insurance scheme during the year.

34. DEBENTURES

Debentures issued represent the funds borrowed by the Company for long term and short term liquidity fund requirements. 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 derecognise as well as through the EIR amortisation process.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Debentures	-	-	-	359,804,292

35. OTHER LIABILITIES

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.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Accrued expenses	36,040,097	16,682,542	90,090,879	65,492,881
Other payables	134,780,038	269,744,847	275,381,523	764,200,391
Rental received in advance	5,298	5,298	5,298	5,298
	170,825,432	286,432,689	365,477,699	829,698,569

36. RETIREMENT BENEFIT OBLIGATIONS

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

Recognition of actuarial gains/losses

The Group 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.

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.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Provision as at the beginning of the year	29,573,044	28,318,661	88,094,326	78,325,295
Gratuity charge for the year	3,087,918	2,640,136	17,344,391	8,910,441
Interest charge for the year	3,253,035	3,610,629	3,253,036	9,986,476
(Gain)/loss arising from changes in the assumptions	1,251,730	(1,903,882)	6,629,116	1,648,639
Payment during the year	(1,044,500)	(3,092,500)	(2,282,125)	(10,776,525)
Provision as at the end of the year	36,121,227	29,573,044	113,038,743	88,094,326

An actuarial valuation of the retirement benefit obligation in the company was carried out as of 31 March 2019 by qualified actuarial valuer Mr. M. Poopalanathan (Actuarial and Management Consultants (Pvt) Limited).

The following key assumptions and data were used in valuing the defined benefit obligations by the actuarial valuer:

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Expected salary increment rate	10%	10%	10%	10%-10.4%
Discount rate	11.6%	11%	11.6%	10%-11%
Staff turnover	22%			
Martality	A 1967/70		A 1967/70	
Retirement age	Normal retirement age (55 Year)		Normal retirement age (55 Year)	

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected defined benefit obligation by the amounts shown below:

	Company		Group	
	+ 1% Rs.	- 1% Rs.	+ 1% Rs.	- 1% Rs.
Factor				
Discount rate	35,164,710	37,144,659	91,822,389	97,663,406
Expected salary increment rate	37,013,684	35,275,452	97,786,275	91,659,987

37. STATED CAPITAL

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Voting ordinary shares	56,086,280	56,086,280	56,086,280	56,086,280
Reconciliation of number of shares				
Voting ordinary shares	5,608,355	5,608,355	5,608,355	5,608,355

Rights of shareholders

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

38. RETAINED EARNINGS

Retained earnings represent 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.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Balance at the beginning of the year	935,382,931	1,080,089,092	1,117,461,556	1,531,267,960
Impact from SLFRS 09		(126,363,890)		(303,471,461)
Profit/(loss) for the period	134,300,932	56,485,097	446,857,635	37,689,911
Other comprehensive income for the period	(1,251,730)	1,370,795	(4,883,147)	(1,034,063)
Transfer from revaluation reserve	-	-	-	-
(-) Dividend paid	-	(70,104,438)	-	(70,104,438)
(-) Transfers to statutory reserve fund	(6,715,047)	(6,093,726)	(81,234,183)	(76,886,353)
Balance at the end of the year	1,061,717,086	935,382,931	1,478,201,862	1,117,461,556

39. OTHER RESERVES

'General Reserves' 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.

'Available-for-sale' reserve, which comprises changes in fair value of available-for-sale investments.

'A statutory reserve fund ' to secure the deposit holders of the Company was created under the directions issued by the Central Bank of Sri Lanka under Finance Companies Act No. 78 of 1988 and Finance Companies (capital funds) Direction No. 01 of 2003.

Funds are transferred to reserve fund out of the profit of each year based on the criteria specified as follows.

(i) so long as the capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits;

(ii) so long as the capital funds are less than twenty five (25) per cent of total deposit liabilities, but not less than ten (10) per cent thereof, a sum equal to not less than twenty (20) per cent of the net profits; and

(iii) so long as the capital funds are less than ten (10) per cent of the total deposit liabilities, a sum equal to not less than fifty (50) per cent of the net profits.

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
General reserve	1,029,052	1,029,052	1,029,052	1,029,052
Statutory reserve (Note 39.1)	87,448,521	80,733,474	316,633,413	235,399,230
Available for sale reserve	978,472	1,124,032	6,672,846	7,899,586
Capital reserve	17,930	17,930	17,930	17,930
	89,473,975	82,904,488	324,353,241	244,345,798

39.1 Statutory reserve fund

	Company		Group	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Balance at the beginning of year	80,733,474	74,639,749	235,399,230	162,746,277
Transfers during the year	6,715,047	6,093,726	81,234,183	72,652,953
Balance at the end of year	87,448,521	80,733,474	316,633,413	235,399,230

During the year 2018/19 the Company transferred Rs. 6,715,047 sum equal to 5% of the net profits for the year ended 31 March 2019 to reserve fund.

40. RELATED PARTY DISCLOSURES

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in the Sri Lanka Financial Reporting Standard (LKAS 24) - Related Party Disclosures, the details of which are reported below:

40.1 Transactions with directors and other Key management Personnel (KMP)

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considered the members of its board and Chief Executive Officer as KMP with effect from 1 April 2012, since they have the authority and responsibility for planning, directing and controlling the activities of the Company.

Mr. J. P. I. N. Dayawansa, Mrs. W.A.S. Dayawansa, Mr. J.P.I.S. Dayawansa, Mr. K.D.U.S. Nanayakkara & Mr. L.C.W. Edirisooriya were the directors of the Company during the period.

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

	Company	
	31.03.2019 Rs.	31.03.2018 Rs.
(i) Compensation of KMP		
Short term employment benefits	82,618,320	47,978,285
(ii) Lending facilities granted to KMP against their fixed deposit		
Aggregate amount	4,826,373	2,005,770
Outstanding balance as at 31 March	4,763,997	2,005,770
(iii) Deposits held by KMP with the Company		
Fixed deposits	166,186,014	238,703,677
(iv) Other business transactions with KMP		
Office rent payment	6,600,000	6,600,000

40.2 Transactions with subsidiary and other related companies

During the year the company carried out the following transactions with its subsidiary Arpico Finance Company PLC and other related companies.

Related party	Nature of relationship	Nature of transactions	Transaction value Rs.	Balance as at 31.03.2018 Rs.
(i) Arpico Finance Company PLC	Investment in 94% of shares of Arpico Finance Company PLC and common directors	Reimbursement of travelling charges for official matters	373,952	-
		Dividend income received from the subsidiary	37,757,756	-
		Investment in 6,992,610 shares	1,160,387,961	1,160,387,961
		Deposits accepted during the year	150,000,000	596,138,655
		Interest on FD	54,008,657	-
		Interest expense on FD-Receivable	17,186,671	6,131,409
(ii) Poltech Ceylon Company Ltd.	Common directors	Rent of Poltech (Ceylon) Co.Ltd		-
		Fixed deposits in Poltech	16,767,484	16,767,484
		Refundable deposit on rent	819,600	819,600
(ii) Imperial Import and export company (Pvt) Ltd	One of the major shareholders of the company and a common director	Fixed deposit investment in imperial		5,405,000
		Investment in 2,422,308 shares	24,223,080	24,223,080

41. CONTINGENT LIABILITIES AND COMMITMENTS

41.1 Capital commitments

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.

There were no material capital commitments outstanding as at the reporting date that require adjustments to or disclosures in the financial statements of the company.

The company and Group has no commitments for acquisition of property, plant and equipment, intangible assets incidental to the ordinary course of business as at 31 March 2019. (31 March 2018 - Nil)

41.2 Litigations against the company/group

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.

There were no material litigations against the Company that requires any adjustments to or disclosures in the financial statements.

The Company filed a case in the High Court of Western Province of Colombo, seeking an interim injunction/permanent injunction restraining Richard Pieris Arpico Finance Limited from using the word 'Arpico Finance'. Subsequently, Richard Pieris Finance Limited appealed this matter to the Supreme Court and by the judgement dated 29 September 2014, the Supreme Court upheld the order of the learned High Court judge dated 30 July 2013 in granting the interim injunction. Subsequent to this order, Richard Pieris Finance Limited made an application to the High Court of Western Province (Civil) to amend their answer and the Company objected for the same. The Judge rejected the application of the Defendant to amend the answer with cost and fixed the matter to be mentioned to fix a date for trial. The Defendant Richard Peiris Arpico Finance Limited, filed a Leave to Appeal application in the Supreme Court against that order and said Leave to Appeal application was refused by the Supreme Court on 19.02.2018. This case will be called in Commercial High Court on 04.07.2018 for Pre Trial.

Tax assessment

As per the notice of assessment issued by the Department of Inland Revenue dated 30.05.2016 and 30.05.2017, the Company had to make an additional tax payments for the year of assessment 2013/14, 2014/15 and 2015/16 amounting to Rs. 8,488,500 Rs. 28,402,545 and Rs. 51,632,714 respectively. The company has already appealed in this regard and the management of the company is in confidence that there will be no tax payments.

42. EVENTS AFTER THE REPORTING DATE

On 11 July 2018, the Board of Directors of the Company granted its approval in principle for the proposed amalgamation between Associated Motor Finance Company PLC and its subsidiary company Arpico Finance Company PLC, whereby Arpico Finance Company PLC will be the surviving entity subject to obtaining requisite approvals. The Company is in the process of finalizing the terms upon which the proposed amalgamation would take effect, the ratio in which the shares of Arpico Finance Company PLC would be swapped for shares of the company, and obtaining the necessary approvals from the Central Bank of Sri Lanka for the above.

Other than the above no circumstances have arisen since the reporting period which would require adjustments to, or disclosures in the Financial Statements.

43. RISK MANAGEMENT

43.1 Introduction

Risk Management of the Company is the systematic process of identifying, quantifying and managing all risks and opportunities that can affect the achievement of the Associated Motor Finance Company PLC strategic and financial goals. The company has established a sound risk management framework to identify and mitigate the risk exposure.

The Board of Directors (BOD) is primarily responsible for overall risk management of the Company. Hence the BOD has established Integrated Risk Management Committee for prudent risk management. The Board's Integrated Risk Management Committee (IRMC) is responsible for determining the Company's risk management policy and overall strategies and ensuring that procedures at Board and Management level are in place to identify, monitor and mitigate risks to safeguard the Company's assets and interests by clearly communicating that policy and those strategies to the Management on a periodic basis.

Though the risk is inherent in the finance companies activities, it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. Finance companies are exposed to various risks during their business operations. The major categories of risks are credit, market, liquidity, operational and interest rate.

43.2 Risk mitigation and risk management systems

The Company is exposed to a multitude of risks when reaching its realisation of vision, mission and corporate objectives. The Board of Directors therefore places special emphasis on the management of risks and together with the Management Committee, ensures that a sound system of controls including financial, operational and compliance controls are in place, and reviews regularly the effectiveness of such controls, to safeguard shareholder investments. Based on the likelihood of occurrence and the impact of the risks, the Company takes risk minimisation strategies to deal with them.

43.3 Risk faced by the Company

(a) Credit risk

"Credit risk can be defined as borrower's failure to repay a loan or otherwise meet a contractual obligation." Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorised into three types-default, concentration and settlement risk. A separate recovery office is established to manage the credit risk faced by the Company. It adopts strict credit risk evaluation processes by assessing credit worthiness of the customers, monitoring debt collection process and remedial actions and effective recovery processes. Company uses various credit indicators to identify the emerging credit risks and analytical tools to manage such risks.

The greatest of the credit risk assumed by the Company is the default risk. NPL (Non Performing Loan) ratio is an important measure which highlights the credit risk representing the default or non-payment of loans and advances by the customers. NPL ratio increases up to 6.38% during the current financial year in comparison to 3.48% in the last year.

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.

	Neither past due nor impaired* Rs.	Past dues and impaired Rs.	Total Rs.
As at 31.03.2019			
Financial assets			
Cash and bank balances	89,053,079	-	89,053,079
Financial assets - amortised cost	1,041,843,204	-	1,041,843,204
Financial investments - available for sale	1,165,929	-	1,165,929
Loans and receivables	4,428,892,327	313,242,284	4,742,134,611
	5,560,954,539	313,242,284	5,874,196,823

* These are considered for collective impairments.

Definition of Past Dues

The Company considers that any amounts uncollected one day or more beyond their contractual due date as 'past due'.

Age Analysis of past due (i.e. facilities in arrears of 1 day and above) loans and receivables by class of Financial Assets are given below:

	< 3 months	> 3 & < = 6	> 6 & < =12	>12	Total
As at 31.03.2019					
Loans and advances	69,269,135	1,594,364	37,678	34,375	70,935,553
Finance lease receivable	3,804,564,862	553,592,107	170,023,379	143,018,711	4,671,199,059
As at 31.03.2018					
Loans and advances	68,063,526	9,923,013	4,774,739	4,973,186	87,734,465
Finance lease receivable	3,913,511,234	567,448,211	158,153,140	142,547,587	4,781,660,172

(b) Market risk

This is the risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as equity, bond and commodity prices; currency exchange and interest rates; credit spreads; recovery rates and correlations; as well as implied volatilities in all the above. In managing the market risk Company uses a variety of quantitative methods to assess the Company's market risk exposures, portfolio performance and impact on earnings. Marketing Division in particular is responsible for quantifying the impact, advising the top management on acceptable tolerance levels and monitoring the set levels regularly.

(c) Liquidity risk

Liquidity risk arises when the Company, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due or can only do so at materially disadvantageous terms. The Company assures its liquidity position by ensuring the holdings of adequate liquid funds and effective review of assets and liabilities of the Company. The Company treasury function continuously maintains good relationships with banks and currently has an overdraft facility to meet its obligations.

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 liquidity positions and, maintain an adequate margin of safety in liquid assets.

Further the Company is maintaining assets in the form of Sri Lankan government treasury bills & 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.

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 2019:

	On demand	Less than 03 months	03 - 12 months	01 - 05 years	Over 05 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets						
Cash and bank balances	89,053,079	-	-	-	-	89,053,079
Placements with banks & financial institutions	-	523,773,593	-	-	-	523,773,593
Investment in Government securities	-	268,401,699	244,580,953	5,086,959	-	518,069,611
Loans and receivables	-	31,856,076	20,908,162	14,728,695	-	67,492,933
Lease rentals receivables	-	1,060,695,628	1,660,106,760	1,684,595,134	-	4,405,397,522
Total financial assets	89,053,079	1,884,726,996	1,925,595,875	1,704,410,788	-	5,603,786,737
Financial liabilities						
Due to banks	-	148,958,480	556,683,295	384,150,339	-	1,089,792,114
Due to customers	-	937,765,849	1,623,128,822	2,349,456,151	4,434,452.65	4,914,785,274
Other financial liabilities	-	-	-	-	-	-
Total financial liabilities	-	1,086,724,329	2,179,812,117	2,733,606,490	4,434,453	6,004,577,388
Total net financial assets/ (liabilities)	89,053,079	798,002,667	(254,216,242)	(1,029,195,702)	(4,434,453)	(400,790,651)

(d) 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.

(e) Interest rate risk

Interest rate risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating rates. The Group manages its interest rate risk by monitoring and managing cash flows, negotiating favourable rates on borrowings and deposits including and maintaining an appropriate combination of fixed and floating rate debt.

(f) 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.

(g) Equity price risk

The Group is exposed to equity risk because of investments in quoted shares held by the Group classified as financial assets available for sale. The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. The Group manages the equity risk through diversification and by placing limits on individual and total equity instruments. The Board of Directors reviews and approves all equity investment decisions. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

(h) 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.

The Company manages its capital considering regulatory capital requirements. The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed finance companies in Sri Lanka. Thus the Company's operations are directly supervised by the CBSL and the Company is required to comply Directions on Risk Weighted Capital Adequacy Ratio issued by CBSL. Licensed Finance Companies in Sri Lanka need to maintain a minimum Capital Adequacy Ratio (CAR) of 10 percent and a Core Capital Ratio (Tier 1) of at least 6 percent.

Although the Company has maintained the core capital ratio of 5%, the total risk weighted capital ratio of 10% of AMF was impacted due to the large leveraged investment in Arpico Finance Company PLC (AFCP). Currently, Central Bank of Sri Lanka has allowed AMF to operate below the regulatory requirement pending the merger with AFCP.

Notes to the Financial Statements

43.4 Maturity analysis

Company

	Up to 3 months		3 to 12 months	
	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
Interest earning assets				
Investments in government securities	268,401,699	225,175,349	244,580,953	223,665,203
Investments in fixed deposits and other	523,773,593	1,216,881,927	-	-
Investments in hire purchases	56,307	233,163	162,988	728,015
Investments in leases	1,060,695,628	989,913,087	1,660,106,760	1,576,660,624
Investments of loans obtained against fixed deposits	28,714,256	10,358,827	14,236,116	12,344,832
Investments in other loans	3,085,513	8,679,747	6,509,058	7,140,533
	1,884,726,996	2,451,242,100	1,925,595,875	1,820,539,207
Non interest earning assets				
Cash in hand and at banks	89,053,079	176,843,373	-	-
Inventories	27,346,780	22,694,939	110,187,704	96,232,181
Investments in shares	-	-	-	-
Deferred tax assets	-	-	-	-
Other assets	49,099,464	50,945,373	67,808,276	46,179,626
Property and equipment	-		-	-
Intangible assets	-	-	-	-
Investment property	-	-	-	-
Investment in subsidiary	-	-	-	-
	165,499,323	250,483,686	177,995,980	142,411,806
Total assets	2,050,226,319	2,701,725,786	2,103,591,855	1,962,951,013
Percentage	27.64%	33.83%	28.35%	24.58%
Interest bearing liabilities				
Public deposits	927,604,237	1,387,025,397	1,605,540,630	1,800,729,952
Interest bearing public deposits	10,161,612	16,870,811	17,588,191	21,902,825
Bank overdrafts	-	-	-	-
Commercial papers	-	-	-	69,191,214
Securitisation loan	148,958,480	158,994,000	556,683,295	375,382,000
Bank loans	-	-	-	-
	1,086,724,329	1,562,890,208	2,179,812,117	2,267,205,990
Non interest bearing liabilities				
Other liabilities	165,073,160	280,717,504	5,363,683	5,363,683
Retirement benefit obligations	-	-	-	-
	165,073,160	280,717,504	5,363,683	5,363,683
Total liabilities	1,251,797,489	1,843,607,712	2,185,175,800	2,272,569,673
Percentage	20.15%	26.67%	35.18%	32.88%

1 to 5 years		More than 5 years		Total	
31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.	31.03.2019 Rs.	31.03.2018 Rs.
5,086,959	-	-	5,100,665	518,069,611	453,941,217
-	-	-	-	523,773,593	1,216,881,927
-	359,032	-	-	219,294	1,320,209
1,684,595,134	1,835,023,791	-	-	4,405,397,522	4,401,597,502
14,728,695	24,974,236	-	-	57,679,067	47,677,895
-	5,161,387	-	-	9,594,571	20,981,667
1,704,410,788	1,865,518,446	-	5,100,665	5,514,733,658	6,142,400,418
-	-	-	-	89,053,079	176,843,373
-	-	-	-	137,534,485	118,927,120
1,165,929	1,311,490	-	-	1,165,929	1,311,490
321,305,529	223,222,980	-	-	321,305,529	223,222,980
-	-	-	-	116,907,740	97,124,999
74,728,313	62,984,568	-	-	74,728,313	62,984,568
2,984,694	3,280,804	-	-	2,984,694	3,280,804
-	-	-	-	-	-
-	-	1,160,387,961	1,160,387,961	1,160,387,961	1,160,387,961
400,184,465	290,799,841	1,160,387,961	1,160,387,961	1,904,067,730	1,844,083,294
2,104,595,253	2,156,318,287	1,160,387,961	1,165,488,626	7,418,801,388	7,986,483,712
28.37%	27.00%	15.64%	14.59%	100.00%	100.00%
2,323,997,491	2,072,925,597	4,386,401	41,434,878	4,861,528,759	5,302,115,825
25,458,660	25,213,623	48,052	503,985	53,256,515	64,491,243
-	-	-	-	-	-
-	-	-	-	-	69,191,214
384,150,339	625,930,000	-	-	1,089,792,114	1,160,306,000
-	-	-	-	-	-
2,733,606,490	2,724,069,220	4,434,453	41,938,863	6,004,577,388	6,596,104,282
388,590	351,500	-	-	170,825,433	286,432,687
36,121,227	29,573,044	-	-	36,121,227	29,573,044
36,509,817	29,924,544	-	-	206,946,660	316,005,731
2,770,116,308	2,753,993,764	4,434,453	41,938,863	6,211,524,049	6,912,110,012
44.60%	39.84%	0.07%	0.68%	100.00%	100.00%

Notes to the Financial Statements

43.4 Maturity analysis

Group

	31.03.2019				
	Up to 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Interest earning assets					
Cash in hand and at bank	310,770,345	-	-	-	310,770,345
Financial assets - amortised cost	1,378,367,904	678,435,144	12379734	4,572,223	2,073,755,004
Financial assets - measured at FVPL	10,904,749	-		-	10,904,749
Investments in leases	4,435,221,112	4,499,264,001	8,656,072,788	68,690,230	17,659,248,131
Loans and advances	993,542,316	297,251,624	706,073,472	9,416,564	2,006,283,976
Financial assets - measured at FVOCI	19,726,224	-	1,165,929	-	20,892,153
Other financial assets				-	-
Investments in other loans					-
	7,148,532,649	5,474,950,769	9,375,691,924	82,679,017	22,081,854,358
Non interest earning assets					
Cash in hand and at banks		-	-	-	310,770,345
Inventories	27,346,780	110,187,704	-	-	137,534,485
Deferred tax assets	-	-	320,961,241	-	320,961,241
Property and equipment	-	-	74,728,313	-	74,728,313
Other assets	49,099,464	67,808,276	-	-	116,907,740
Intangible assets	-	-	2,984,694	-	2,984,694
Investment property	-	-	-	-	-
	76,446,245	177,995,980	398,674,248	-	963,886,818
Total assets	7,224,978,894	5,652,946,749	9,774,366,172	82,679,017	23,045,741,176
Percentage	31%	25%	42%	-	100%
Interest bearing liabilities					
Public deposits	3,255,187,793	4,783,402,917	5,567,197,094	4,434,453	13,610,222,256
Debentures		-	-	-	-
Commercial papers	-	-	-	-	-
Banks	2,123,335,503	2,774,211,305	1,645,209,544	-	6,542,756,352
Other financial liabilities	108,236,222	-	-	-	108,236,222
Bank loans	-	-	-	-	-
	5,486,759,518	7,557,614,222	7,212,406,638	4,434,453	20,261,214,830
Non interest bearing liabilities					
Other liabilities	165,073,160	5,363,683	388,590	-	170,825,433
Retirement benefit obligations			36,121,227	-	36,121,227
	165,073,160	5,363,683	36,509,817	-	206,946,660
Total liabilities	5,651,832,678	7,562,977,905	7,248,916,456	4,434,453	20,468,161,491

44. 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 the classes of financial instruments are 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 LKAS 39 and by headings of the statement of financial position.

Group	FVPL Rs.	AC Rs.	FVOCI Rs.		Total Rs.
Financial assets					
Cash and cash equivalents	-	310,770,340	-	-	310,770,340
Financial assets - amortised cost	-	1,928,841,964	-	-	1,928,841,964
Loans and advances to customers	-	17,754,251,690	-	-	17,754,251,690
Financial assets - measured at FVPL	10,904,749	-	-	-	10,904,749
Financial assets - measured at FVOCI	-	-	-	20,892,153	20,892,153
Total financial assets	10,904,749	19,993,863,994	-	20,892,153	20,025,660,895

	FVPL Rs.	AC Rs.	Total Rs.
Financial liabilities			
Due to financial institutions	-	6,542,756,353	6,542,756,353
Due to other customers	-	13,460,222,256	13,460,222,256
Trade and other payables	-	365,477,699	365,477,699
Total financial liabilities	-	20,368,456,308	20,368,456,308

44.1 Analysis of financial instruments by measurement basis - as at 31.03.2019

Company	FVPL Rs.	AC Rs.	FVOCI Rs.		Total Rs.
Financial assets					
Cash and cash equivalents	-	89,053,079	-	-	89,053,079
Financial assets - amortised cost		1,041,843,204	-	-	1,041,843,204
Loans and advances to customers	-	4,472,890,454	-	-	4,472,890,454
Financial assets - measured at fair value through other comprehensive income	-	-	1,165,929	-	1,165,929
	-	-			-
Total financial assets	-	5,603,786,737	1,165,929	-	5,604,952,666

Notes to the Financial Statements

	FVPL Rs.	AC Rs.	Total Rs.
Financial liabilities			
Financial institutions	-	1,089,792,114	1,089,792,114
Others	-	4,914,785,274	4,914,785,274
Total financial liabilities	-	6,004,577,388	6,004,577,388

Group	FVPL Rs.	AC Rs.	FVOCI Rs.		Total Rs.
Financial assets					
Cash and cash equivalents	-	1,154,515,981	-	-	1,154,515,981
Financial assets - amortised cost	-	1,655,040,069	-	-	1,655,040,069
Loans and advances to customers		19,892,570,353			
Financial assets - measured at FVPL	14,650,404		-	-	14,650,404
Financial assets - measured at FVOCI		-	22,187,661	-	22,187,661
Total financial assets	14,650,404	22,702,126,403	22,187,661	-	2,846,394,116

	FVPL Rs.	AC Rs.	Total Rs.
Financial liabilities			
Financial institutions	-	8,147,530,925	8,147,530,925
Other customers	-	13,500,580,420	13,500,580,420
Trade and other payables	-	359,804,292	359,804,292
Debentures	-	829,698,569	829,698,569
Total financial liabilities	-	22,837,614,207	22,837,614,207

Analysis of financial instruments by measurement basis - as at 31.03.2018

Company	FVPL Rs.	AC Rs.	FVOCI Rs.		Total Rs.
Financial assets					
Cash and cash equivalents	-	176,843,373	-		176,843,373
Financial assets - amortised cost		1,670,823,144			1,670,823,144
Loans and advances to customers	-	4,471,577,274	-		4,471,577,274
Financial assets - measured at Fair Value through Other Comprehensive income	-		1,311,490		1,311,490
	-	-			-
Total financial assets	-	6,319,243,792	1,311,490	-	6,320,555,282

	FVPL Rs.	AC Rs.	Total Rs.
Financial liabilities			
Financial institutions	-	1,160,306,000	1,089,792,114
Others	-	5,435,798,282	4,914,785,274
Total financial liabilities	-	6,596,104,281	6,004,577,388

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the 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 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. 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.

Date of recognition

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

Initial measurement of financial instruments

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

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

Day 1'Profit or Loss

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

Classification and subsequent measurement of financial assets

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

- Amortised cost or
- Pair Value through Profit or Loss (FVPL)
- Fair Value through Other Comprehensive Income (FVOCI)

The subsequent measurement of financial assets depends on their classification.

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 models 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 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 that business model) and , in particular, the way those risks are managed
- How mangers 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 scenarios without taking 'worst case' or 'stress case' scenarios in to account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectation, the Group 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 those 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 within this category as;
  - Held for trading; or
  - Designated at fair value through profit or loss
- Financial liabilities measured at amortised cost.

The subsequent measurement 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 as such reclassifications are not permitted by SLFRS 09.

Notes to the Financial Statements

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 rights to receive cash flows from the financial asset have expired.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Offsetting Financial Instruments

Financial assets and financial liabilities are setoff and the net amount reported in the statement of financial position only if, there is a currently enforceable legal right to setoff 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 amount of 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 had not setoff any financial assets with financial liabilities in the statement of financial position.

45.1 Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1 : category of financial assets that are measured in whole or in party by reference to published quotes in an active market.

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 : techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Company

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Level 4 Rs.
As at 31 March 2019				
Financial assets				
Financial investments - FVOCI				
Investments in unquoted securities	-	-	682,934	682,934
Investments in unit trust	482,995	-	-	482,995
Total financial assets	482,995	-	682,934	1,165,929
As at 31 March 2018				
Financial assets				
Financial investments - FVOCI				
Investments in unquoted securities	-	-	682,934	4,300
Investments in unit trust	628,555	-	-	624,171
Total financial assets	628,555	-	4,300	628,471

Group

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Level 4 Rs.
As at 31 March 2019				
Non financial assets				
Property, plant & equipment				
Land and buildings			656,945,142	656,945,142
Financial investments - FVOCI				
Unit trust	482,995	-	-	482,995
Unquoted shares	-	-	6,803,161	6,803,161
Quoted shares	13,605,997	-	-	13,605,997
Financial investments - fair value through profit or loss				
Quoted equities	10,904,749	-	-	10,904,749
Unit trusts	-	-	-	-
Total financial assets	24,993,741	-	6,803,161	31,796,902
As at 31 March 2018				
Non financial assets				
Property, plant & equipment				
Land and buildings			503,445,142	503,445,142
Financial investments - FVOCI				-
Unit trust	624,171		-	624,171
Unquoted shares	-		7,086,483	7,086,483
Quoted shares	14,472,622		-	14,472,622
Financial investments - fair value through profit or loss				-
Quoted equities	14,650,404		-	14,650,404
Unit trusts	-		-	-
Total financial assets	29,747,198	-	453,228,830	494,153,789

Five Year Summary

	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000.	31.03.2019 Rs. '000
Balance Sheet					
Cash and cash equivalents	271,185	310,556	83,986	176,843	89,053
Investments in government securities	210,515	773,944	812,643	453,941	518,070
Placement with banks and other financial institutions			331,542	824,919	466,380
Financial assets - measured at fair value through other comprehensive income	401,476	120	628	1,311	1,166
Other investment	50,010	20,729	70,838	391,963	57,394
Financial assets at amortised cost/loans and receivables	2,072,282	3,036,038	4,081,066	4,471,577	4,472,890
Other assets	4,675	12,532	54,835	97,125	116,908
Inventories	95,539	124,148	78,273	118,927	137,534
Deferred tax assets	124,775	175,887	210,701	223,223	321,306
Investment properties	178,198	78,898	107,498		
Intangible assets	4,929	4,115	3,301	3,281	2,985
Property and equipment	47,254	74,351	59,333	62,985	74,728
Investment in subsidiary company	1,160,388	1,160,388	1,160,388	1,160,388	1,160,388
Total Assets	4,621,226	5,771,708	7,055,032	7,986,484	7,418,801
Bank overdraft					
Public deposits	2,804,627	3,978,692	4,340,492	5,435,798	4,914,785
loan	35,417	0	90,000	2	-
Securitisation loan	542,350	477,848	1,235,999	1,160,306	1,089,792
Other liabilities	297,717	216,619	274,215	286,433	170,825
Retirement benefit obligations	17,527.76	22,499.37	28,318.66	29,573	36,121
Total Liabilities	3,697,638	4,695,658	5,969,025	6,912,112	6,211,524
Shareholders' Fund					
Stated capital	56,086	56,086	56,086	56,086	56,086
Other reserves	53,589	64,645	76,196	82,904	89,474
Retained earnings	813,912	955,318	953,725	935,383	1,061,717
	923,587	1,076,050	1,086,007	1,074,374	1,207,277
Total liabilities and shareholders' funds	4,621,226	5,771,708	7,055,032	7,986,486	7,418,801

	31.03.2015 Rs. '000	31.03.2016 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000.	31.03.2019 Rs. '000
Income Statement					
Gross Income	666,587	1,030,791	1,261,014	1,596,423	1,538,366
Interest Income	656,771	946,346	1,154,715	1,434,304	1,422,416
Interest expense	308,461	498,328	596,971	900,309	911,496
Net interest income	348,310	448,018	557,744	533,995	510,920
Other Operating Income	9,816	70,724	106,298	162,119	115,950
Operating expenditure	180,009	281,653	325,413	305,356	361,010
Profit before income tax	79,319	174,532	59,994	43,383	36,218
Income tax on profits	(59,278)	46,590	34,468	13,103	98,083
Gross Dividends	22,433	67,300	84,125	70,104	-
Net Profit	138,603	219,763	94,462	56,485	134,301

	31.03.2015	31.03.2016	31.03.2017 Restate	31.03.2018 Restate	31.03.2019 Restate
Ratios					
Earning per Share (Rs.)	24.71	39.43	16.84	10.07	23.95
Net Assets Per Share (Rs.)	164.67	191.86	193.64	191.57	215.26
Return on Average Shareholder's fund (%)	9.18	17.46	5.55	4.02	3.17
Return on Average Assets (%)	2.18	3.36	0.94	0.58	0.47
Total Assets to Shareholder's funds (Time)	5.00	5.36	6.50	7.43	6.15
Net interest Margin (%)	9.59	8.89	8.70	7.10	6.63
Growth in Gross Income (%)	(5.62)	54.64	22.33	26.60	(3.64)
Growth in interest Income (%)	7.85	46.18	22.02	24.21	(0.83)
Growth in interest Expense (%)	35.94	61.55	19.79	50.81	1.24
Growth in net interest Income (%)	(8.83)	32.57	24.49	(4.26)	(4.32)
Growth in profit before Taxes (%)	(69.18)	120.04	(65.63)	(27.69)	(16.51)
Growth in Net Profit after Taxes (%)	(40.64)	58.56	(57.02)	(40.20)	137.76
Growth in Total Assets (%)	74.71	24.90	22.23	13.20	(7.11)
Growth in Total Advance (%)	30.91	48.08	34.42	9.57	0.03
Growth in Shareholder's Funds (%)	14.71	16.51	0.93	(1.07)	12.37

Share Information

A) ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31ST MARCH 2019

	Resident			Non-Resident			Total		
Shareholdings	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000 shares	374	24,614	0.44	2	33	0.00	376	24,647	0.44
1,001 - 10,000 shares	5	21,217	0.38				5	21,217	0.38
10,001 - 100,000 shares	9	664,650	11.85				9	664,650	11.85
100,001 - 1,000,000 shares	1	100,128	1.79				1	100,128	1.79
Over 1,000,000 shares	2	4,797,713	85.55				2	4,797,713	85.55
	391	5,608,322	100.00	2	33	0.00	393	5,608,355	100.00

B) CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
Individual	376	3,126,197
Institutional	17	2,482,158
	393	5,608,355

C) TWENTY LARGEST HOLDERS OF SHARES AS AT 31ST MARCH

		31st March'2019		31st March'2018	
		No. of Shares	%	No. of Shares	%
1	Imperial Import & Export Co. (Pvt) Ltd	2,422,308	43.19	2,422,308	43.19
2	Mr. John Paulu Irugalbandarage Nalatha Dayawansa	2,375,405	42.35	2,375,405	42.35
3	Mr. John Paulu Irugalbandarage Nadishka Dayawansa	100,128	1.79	100,128	1.79
4	Mrs. Ayanthi Shammalka Dayawansa	98,784	1.76	98,784	1.76
5	Mr. John Paulu Irugalbandarage Nelaka Dayawansa	96,257	1.72	96,257	1.72
6	Mr. John Paulu Irugalbandarage Shanil Dayawansa	92,386	1.65	92,386	1.65
7	Miss. Akuranawattage Shiyonika Perera	90,000	1.60	90,000	1.60
8	Mr. Akuranawattage Prajith Perera	90,000	1.60	90,000	1.60
9	Mrs. Ayoma Shyamali Perera	89,962	1.60	89,962	1.60
10	Kottawa Industries & Tours Ltd.	51,560	0.92	51,560	0.92
11	Mrs. John Paulu Irugalbandarage Pushparani	44,948	0.80	44,948	0.80
12	Mrs. Podinona Perera	16,966	0.30	16,966	0.30
13	Mr. John Paulu Irugalbandarage Vajira Priyantha	7,762	0.14	7,762	0.14
14	Imperial Tours	5,000	0.09	5,000	0.09
15	Mr. Puvendran Gajendra	1,160	0.02	1,160	0.02
16	Imperial Motor Finance Co. Ltd.	1,082	0.02	1,082	0.02
17	Nanayakkara Management Service (Pvt) Ltd	1,000	0.02	1,000	0.02
18	Mrs. Sannasliyanarachchge Dona Mary Beatrice	1,000	0.02	1,000	0.02
19	Mrs. Jayanthi Mala Gunaratne	1,000	0.02	1,000	0.02
20	Mr. John Paulu Irugalbandarage Kamal Kithsiri	968	0.02	968	0.02

D) MARKET VALUE PER SHARE FOR THE YEAR ENDED

	31/Mar/19 Rs.	31/Mar/18 Rs.
Highest	750.00	480.00
Lowest	350.00	390.10
Closing	441.00	400.00

Share Information

E) DIRECTORS SHAREHOLDING AS AT 31ST MARCH

Name	31/Mar/19 No. of Shares	31/Mar/18 No. of Shares
Dr. L. R. Karynaratne	-	-
Mr. J. P. I. N. Dayawansa	2,375,405	2,375,405
Mrs. A. S. Dayawansa	98,784	98,784
Mr. J. P. I. S. Dayawansa	92,386	92,386
Mr. K. D. U.S Nanayakkara	-	-
Mr. L. C. W. Edirisooriya	-	-
CEO's shareholding as at 31st March	250	250
Mr. T.M.A. Sallay		

F) PUBLIC HOLDING

Name	31/Mar/19 No. of Shares	31/Mar/18 No. of Shares
No of Share Holders	385	371
No of Shares	574,024	574,024
% of Public Holding	10.24%	10.24%
Float Adjusted Market Capitalization(Rs.)	230,981,671	229,718,221

The company is in compliance with the minimum public holding requirement according to the option 2 of Rule 7.13.1 (b) of Listing Rules of the Colombo Stock Exchange.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Associated Motor Finance Company PLC, will be held at "Light House Auditorium and Lawns" , No.24, Horton Place, Colombo 07 on 30th September 2019 at 9.30 a.m for the following purposes:

AGENDA

1. To consider and receive the Annual Report of the Board and the Audited Financial Statements for the year ended 31st March 2019, together with the Report of the Auditors thereon.
2. To authorise Directors to determine donations for the year ending 31st March 2020 up to the date of next Annual General Meeting.
3. To re- elect as a Non-Executive Director Mr. K.D.U. Suranga Nanayakkara who retires by rotation under the Articles of Association.
4. To authorise 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

ASSOCIATED MOTOR FINANCE COMPANY PLC

Chart Business Systems (Private) Limited

Secretaries

No.141/3, Vauxhall Street,

Colombo 02

28th June 2019

Note

- A shareholder is entitled to appoint a proxy to attend and vote on his/her behalf, and a proxy need not to be a shareholder of the Company. A Form of Proxy is attached for this purpose. The instrument appointing a Proxy shall be deposited at S S P Corporate Services (Pvt) Ltd at No.101, Inner Flower Road, Colombo 03 not less than forty-eight (48) hours before the time fixed for the meeting.
- Shareholders are requested to indicate any changes in their address.

Notes

Form of Proxy

I/We ....

of ....

being a *shareholder/shareholders of Associated Motor Finance Company PLC hereby appoint

(i) ....

of .... or failing him.

(ii) Dr. L. R. Karunaratne, Chairman of the Board of Associated Motor Finance Company PLC, or failing him any one of the other Directors of the Company as *my/our proxy to attend and vote as indicated hereunder for *me/us and on *my/our behalf at the Annual General Meeting of the Company to be held on 30th September 2019 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To consider and receive the Annual Report of the Board and the Audited Financial Statements for the year ended 31st March 2019, together with the Report of the Auditors thereon.		
2. To authorise Directors to determine donations for the year ending 31st March 2020 up to the date of next Annual General Meeting.		
3. To re- elect as a Non-Executive Director Mr. K.D.U. Suranga Nanayakkara who retires under the Articles of Association.		
4. To authorise 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.		

(**) The proxy may vote as he thinks fit on any other resolution brought before the Meeting.

....

Signature of Shareholder

28th June 2019

Note

(a) * Please delete the inappropriate words.

(b) Instructions as to completion are noted on the reverse hereof

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. To be valid, this Form of Proxy must be deposited at S S P Corporate Services (Pvt) Ltd – Registrar of the Company at No.101, Inner Flower Road, Colombo 03 not less than forty-eight (48) hours before the time fixed for the meeting.
2. In perfecting the Form of Proxy, please ensure that all details are legible.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at 1 overleaf and initial against this entry.
4. Please indicate with an X in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his/her discretion will vote as he/she thinks fit. Please also delete (**) if you do not wish your proxy to vote as he/she thinks fit on any other resolution brought before the Meeting.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

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

SECRETARIES
Chart Business Systems (Private) Limited.
No.141/3 ,Vauxhall Street, Colombo 02.

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.

INTERNAL AUDITORS
BDO Partners
'Charter House'
65/2, Sir Chittampalam A Gardiner
Mawatha, Colombo 01.

BANKERS TO THE COMPANY
People's Bank
Commercial Bank of Ceylon PLC,
Bank of Ceylon
Sampath Bank PLC
Nations Trust Bank PLC
National Development Bank
Hatton National Bank
Seylan Bank PLC
Deutsche Bank AG

STOCK EXCHANGE LISTING
Ordinary shares of the Company were listed on the Colombo Stock Exchange from 23rd May 2011.

BOARD OF DIRECTORS
Dr. L.R. Karunaratne
Mr. J.P.I.N. Dayawansa
Mrs. A.S. Dayawansa
Mr. J.P.I.S. Dayawana
Mr. K.D.U.S. Nanayakkara
Mr. L.C.W. Edirisooriya

LEGAL ADVISOR
Gunawardena & Ranasignhe Associates
Attorneys- at- law Notaries of public,
No.1056 ,Maradana Road,Colombo 08.

TAX ADVISORS
SJMS Associates, Chartered Accountants
No.11,Castle Lane .Colombo 04.

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Trustees of Your Trust

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Web : www.amf.lk