COMMERCIAL CREDIT AND FINANCE PLC

COMPANY JOURNAL | ANNUAL REPORT 2018 / 2019

oneteam onegoal

COMMERCIAL CREDIT

oneteam onegoal

"A Sevenfold theme which signifies a resurgence in the face of macroeconomic adversity to harvest effective results in the long run. We stand together as one team with strong company wide focus and drive to achieve the goal of sustainability."

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அருகில் இருந்து உம் உலகை உயர்த்திடுவோம்
உம் நலம் கண்டு ஆனந்தம் அடைவோம்
உம் கனவை நனவாய் மாற்றிடுவோம்!

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Purpose

To build leaders who uplift the lives of people by simple acts of love

Vision

To be the most liberated company admired for its people, partnerships and performance

Mission

To be a dynamic finance company which develops and nurtures leaders at every level of the organisation to serve society with passion

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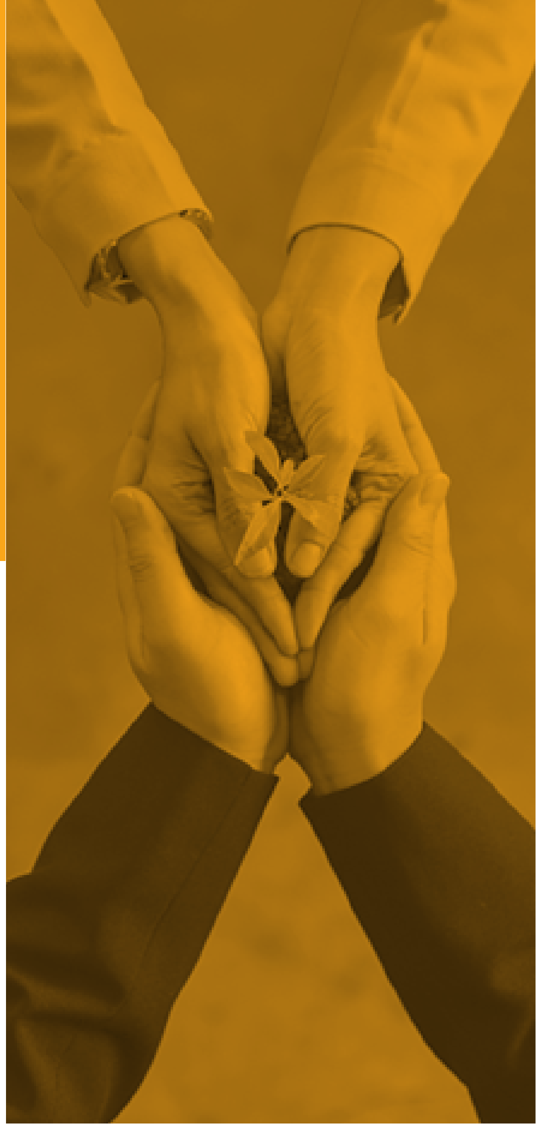
Shared Values



Loving & Caring

Commercial Credit defines love as the silent sacrifices made or the extra miles travelled to make others happy and thereby help them uplift their lives. Those who love automatically feel happy and satisfied, and the feeling of love remains forever, cherished throughout life. Caring energises everyone and benefits of true care and appreciation are immeasurable; sincere appreciation is one of the deepest needs of human existence, and making someone feel good, releases reservoirs of positive energy. At Commercial Credit, love plays an immeasurable role in the day-to-day life of our team members. Those who embrace love, love themselves and love life. But more than that, they love others. Demonstrating a simple act of loving and caring, they would go out of their way to help out a team member or a customer. This radiates positivity and reinforces the feeling of love in the recipient who in turn would more often than not reciprocate the feeling with a caring gesture of his or her own. This creates a chain reaction of loving and caring and is one of the key elements of our corporate culture.

Integrity & Trust

We believe that trust is the key to every relationship. It determines how relationships begin and grow; and swiftly establishes positivism. Integrity means, having the courage to do the right thing even when under pressure; it is about standing steadfast in one's beliefs, intents and principles. Being a person of integrity is of utmost importance to all team members at Commercial Credit. A trustworthy individual has the gift of lifting others and making them do great deeds, sometimes even impossible ones. Therefore, we place great emphasis on creating a culture of true integrity – where an individual does the right thing even when no one is watching.

Synergy & Team Work

Commercial Credit believes that Synergy creates better alternatives that values and exploits the mental, emotional and psychological differences between people; recognising that strength lies not in similarities but in differences. A team combines individual strengths with a shared commitment to perform towards a common goal and strategic destination.

Think Win-Win

Win-Win is one paradigm of human interaction and we believe that it arises from a character of integrity, maturity and the abundance mentality Life is a co-operative arena where human interactions are based on mutual benefits and supportive systems. Additionally, a culture of Think Win-Win is embodied in agreements that effectively clarify and manage expectations as well as accomplishments. We believe the intense focus on winning at all costs is not one that brings greater good to the individual, the company, the society or the country. Our focus is always on creating a win-win situation, one where all parties concerned are pleased with the outcome and where no party is left feeling short-changed. It is an attitude that has been readily embraced by our team members and one that has created countless happy customers.

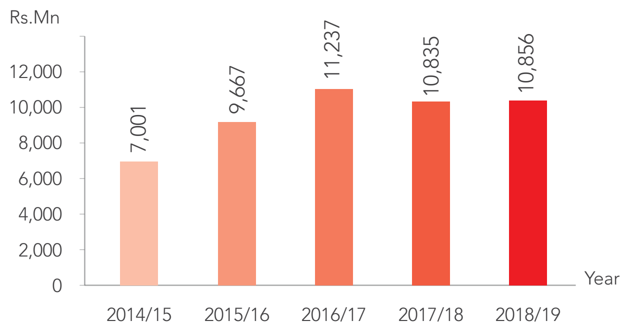
Learning & Development

Learning at Commercial Credit is characterised as the process of renewing and enhancing the physical, emotional, mental and spiritual dimensions, which would facilitate personal growth. Learning and development is the single most powerful investment that one can make and is a continuous process in the achievement of effective, efficient and sustainable results. By encouraging an environment which strongly believes in learning and development, Commercial Credit strives to be the best in every single activity that it engages in.

Company Financial Highlights

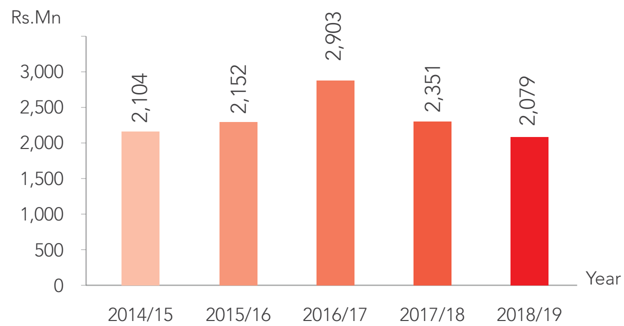
	2018/19 Rs.'000	2017/18 Rs.'000	Per cent Change
Financial Performance			
Gross Income	21,883,626	22,410,630	(2.4%)
Net Interest Income	10,856,187	10,834,606	0.2%
Profit Before Taxation	2,841,772	3,479,819	(18.3%)
Profit After Taxation	2,078,679	2,350,694	(11.6%)
Financial Position			
Leases, Hire Purchases, Loans and Advances	60,854,563	66,905,445	(9.0%)
Total Assets	80,110,747	83,792,948	(4.4%)
Total Deposit Base	51,908,367	54,224,085	(4.3%)
Borrowings	12,253,007	11,554,221	6.0%
Shareholders' Funds	11,986,997	12,263,437	(2.3%)
Key Indicators per Ordinary Share			
Earnings per Share (Rs.)	6.54	7.39	
Net Assets per Share (Rs.)	37.69	38.56	
Year End Market Price per Share	27.30	43.10	
Key Performance Indicators			
Return on Average Assets (%)	3.47	4.18	
Interest Cover (times)	0.87	1.47	
Equity / Assets (%)	14.96	14.64	
Gross Non Performing Accommodations (%)	6.51	7.00	
Net Non Performing Accommodations (%)	(1.08)	1.54	
Return on Average Shareholders' Funds (%)	17.14	20.88	
Statutory Ratios			
Capital Funds to Deposits (%)	23.67	22.62	
Core Capital Ratio (%) (Minimum Required 6%)	11.38	16.12	
Total Risk Weighted Capital Ratio (%) (Minimum Required 10%)	12.87	16.41	

Net Interest Income



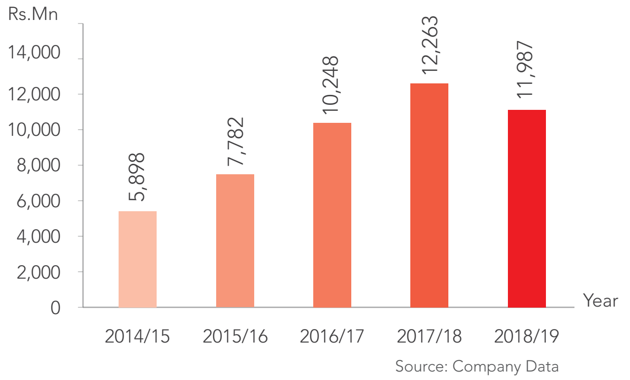
Source: Company Data

Profit After Taxation

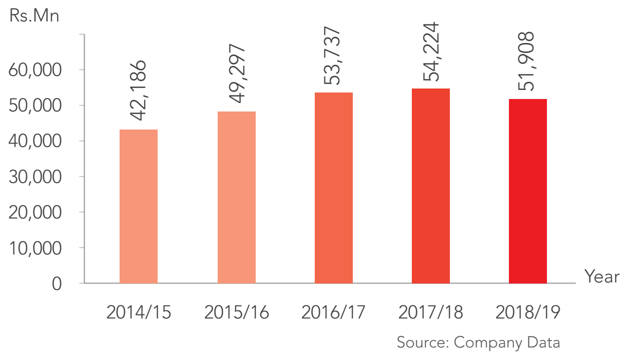


Source: Company Data

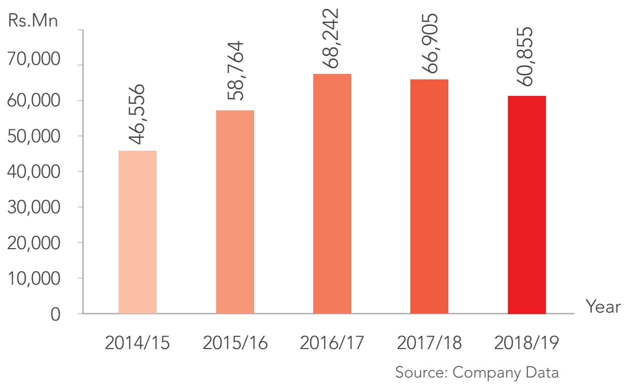
Shareholders Funds



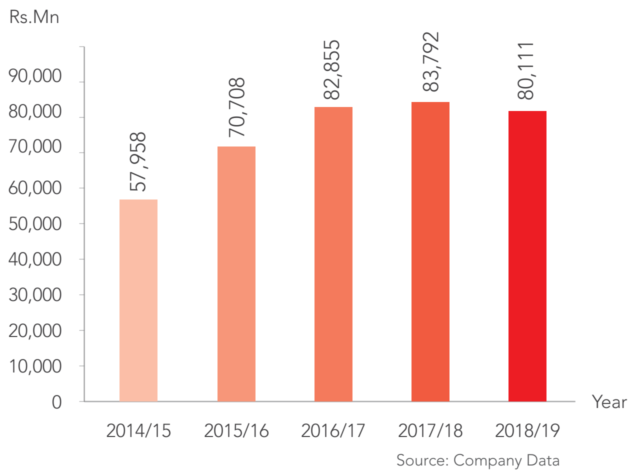
Total Deposit Base



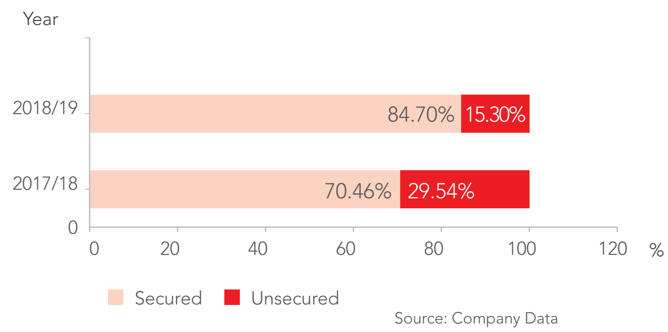
Lease, Hire Purchase, Loan and Advances



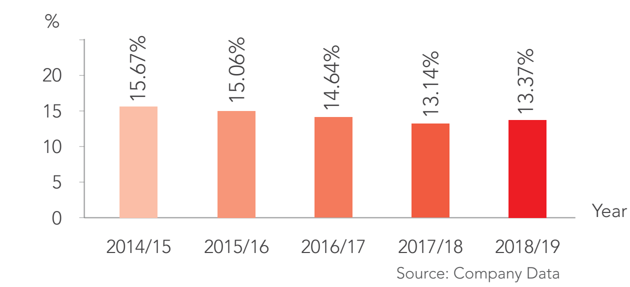
Total Assets



Lending Composition



Net Interest Margin



Non Financial Highlights

MANUFACTUERED CAPITAL

NETWORK

2018/19	2017/18
119 Number	118 Number

ATMs

2018/19	2017/18
13 Number	12 Number

INTELLECTUAL CAPITAL

INVESTMENTS IN IT DEVELOPMENTS

	Rs.Mn
2018/19	496,702,312
2017/18	416,631,030

HUMAN CAPITAL

TOTAL CUSTOMERS

2018/19 Number	2017/18 Number
1,499,713	1,348,064

TOTAL EMPLOYEES

2018/19 Number	2017/18 Number
3226	3350

INDUSTRIAL DISPUTES

2018/19	2017/18
Nil	Nil

INVESTMENTS IN TRANING

2018/19 Rs.Mn	2017/18 Rs.Mn
104,452,653	57,344,394

TOTAL EMPLOYEE TRAINING HOURS

2018/19 Hours	2017/18 Hours
107,769	43,192

SOCIAL AND CSR CAPITAL

MANAGEMENT TRAINEES AND INTERN OPPORTUNITIES

2018/19 Number	2017/18 Number
78	34

TOTAL TAXES PAID

	Rs.Mn
2018/19	2,030,719,690
2017/18	1,702,807,607


NEVER FORGET
THAT YOUR
GREATEST DUTY IS TO
YOUR LOVED ONES
COMMERCIAL
CREDIT

BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT

Chairman's Statement

THE COMPANY WAS ABLE TO FURTHER CONSOLIDATE ITS BUSINESS ACTIVITIES WITH ITS CONTINUOUS INVESTMENTS INTO IMPROVING ITS SYSTEMS & PROCEDURES AND KNOWLEDGE & SKILL DEVELOPMENT OF ITS EMPLOYEES.

On behalf of the Board of Directors, I warmly welcome you to the 36th Annual General Meeting of Commercial Credit and Finance PLC. I am pleased to present to you the Annual Report and Financial Statements of the Company for the financial year ended 31st March 2019.

The Company made considerable progress during the period under review, despite being faced with numerous macroeconomic and regulatory challenges in the domestic front. Therefore, I am optimistic that the Company will continue to grow into the foreseeable future buoyed by our well-balanced approach that encompasses careful planning and investments.

ECONOMIC PERFORMANCE

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, favorable weather conditions that prevailed in major cultivation areas enabled a strong recovery in Agricultural activities resulting in an increased paddy harvest during the year.

Services 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 COMPANY WAS ABLE TO RETAIN ITS POSITION FOR THE SECOND CONSECUTIVE YEAR AS ONE OF THE BEST PERFORMING CORPORATES AMONGST THE BUSINESS TOADY'S TOP 30 COMPANIES.

NON-BANK FINANCE INSTITUTIONS (NBFI) INDUSTRY PERFORMANCE

The sectoral 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.

Meanwhile, the expansion of total assets 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 importation of motor vehicles and lending towards vehicles as well as due to slowdown in the overall economic activities. Besides, the gross non-performing advances (NPAs) ratio increased to 7.7% in 2018 compared to 5.9% reported in 2017 which is the highest NPA ratio recorded since February 2015. This was mainly attributed to the unfavorable weather conditions during 2017 and slowing down in economic activities in 2018.

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 and the negative public perception towards few distressed LFCs 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.

COMPANY PERFORMANCE

Despite navigating through a year of subdued growth, the Company was able to further consolidate its business activities with its continuous investments into improving its systems & procedures, and knowledge & skill development of its employees.

The Net Interest Margin (NIM) of the Company grew up to 13.4% from 13.1% in the previous year, despite the sector NIM dropping from 7.7% to 7.4%. This was mainly due to the Company's exposure to high yielding asset backed products compared to the rest of the industry. However, the Company's Profit After Tax dropped by 11.6% to Rs. 2.08 Bn owing to the high cost to income ratio which was mainly caused by the newly imposed debt repayment levy.

With a 3.7% growth in group profitability, the Group maintained a Return of Assets (ROA) of 4.0% compared to the industry ratio of 2.7%. The Group ROE also compared well with the industry at 20.5% compared to12.1% of the industry. Subsequently, the Board of Directors have decided to pay a final dividend of Rs. 1.00 per share for the financial year ending at 31st March 2019.

Moreover, it is noteworthy that Trade Finance and Investments PLC (TFI), the subsidiary of Commercial Credit showed exceptional growth in many facades during the year under review. During the 2018/19 financial year, TFI's Profit After Tax increased by 49.2% to Rs. 623.5 Mn. while its total lending portfolio increased by a notable 29.5%. TFI's total assets grew by 38.7% during the financial year to Rs. 10.36 Bn. This led to a group Profit After Tax of Rs.2.64 Bn compared to Rs.2.54 Bn recorded in the previous year.

The Company was able to retain its position for the second consecutive year as one of the best performing corporates amongst the Business Toady's Top 30 Companies, which reaffirm the competences of our management and the commitment and dedication of the workforce in driving the Company towards greater heights.

Besides, the Company also demonstrated its prowess in the field of sports during the year with resounding success of its employees at numerous sporting events. Considering the amount of support and encouragement given by the Company to its employees to excel in their respective sport, we were able to witness many outstanding performances and victories during the year.

CORPORATE GOVERNANCE

The Company has consistently maintained its commitment to complying with the highest ethical and governance standards thereby ensuring the delivery of its long-term value to its stakeholders. Consequently, several positive steps were taken at regular intervals to ensure that the Company meets and exceeds such standards. Of these, a significant measure taken was continuous improvements and revisions made to the Company's Code of Ethics and Internal Controls.

Moreover, during the year, all Board Sub-Committees conducted regular meetings to discuss pending matters in detail, carry out evaluations and to recommend necessary actions. These constructive steps were considered vital in ensuring effortless continuity of the business processes of the Company and its competency to face challenges while seizing new business opportunities in the market. Additionally, operational Sub-Committees also conducted meetings on a regular basis to discuss issues of importance to the Company's operational activities, identify existing issues, forecast any potential issues and find appropriate, timely solutions to ensure effective business process execution.

We, at Commercial Credit, strongly believe that a value-based culture is a crucial element in the continued success of our Company, as it provides us with a solid foundation to operationalise an effective corporate governance framework. In this sense, we are constantly aiming for higher standards in our effort to increase our credible footprint in today's fast-evolving financial services landscape of Sri Lanka. In this regard, all our employees are also edified through regular training sessions on the importance of carrying out day-to-day operations in line with the Company's Shared Values.

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WE, AT COMMERCIAL CREDIT, STRONGLY BELIEVE THAT A VALUE-BASED CULTURE IS A CRUCIAL ELEMENT IN THE CONTINUED SUCCESS OF OUR COMPANY, AS IT PROVIDES US WITH A SOLID FOUNDATION TO OPERATIONALISE AN EFFECTIVE CORPORATE GOVERNANCE FRAMEWORK.

FUTURE PROSPECTS

The Company's recurring consolidation strategy has enabled us to identify the critical business aspects we should focus on in order to deliver sustainable results to all our stakeholders. Therefore, we intend to increase our focus on improving the asset quality in the new financial year, while also focusing on increasing training and development opportunities to further enhance the skills and talents of the human resource pool of the Company.

Furthermore, the Company will continue its investments on providing an effective learning infrastructure for the entire workforce to acquire further knowledge on the 7 habits teachings, Company's shared values and job-related activities. There will also be a concerted effort to fine-tune our product and channel development activities and search for innovative products that will help us to connect better with our existing and prospective customers.

APPRECIATION

My heartfelt gratitude is extended to our loyal customers who have demonstrated their confidence in the Company's products and services for yet another year. Without their trust and loyalty, we would not have been able to reach the lofty heights that we have reached today.

I would also like to thank the highly-professional officials of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for their support and guidance throughout the year.

Further, I would like to take this opportunity to give my deepest appreciation to every member of the Board of Directors for it is this outstanding group of professionals who have tapped into their wealth of knowledge and experience and steered our path to progress. I would also like to emphasis the vital role played by the Chief Executive Officer and Board Member Mr. Roshan Egodage in inspiring all of us to dream big and navigating the Company to where it is today.

Of course, a "thank you" statement is incomplete without a special word of thanks to the dynamic employees of the Company. It is their drive, hard work, determination and discipline that has enabled us to achieve so much and there is no doubt that we are well-positioned to reach greater heights together in the coming years.

K.J.C. Perera
Chairman

22nd July 2019

Review of the Chief Executive Officer

A KEY REASON FOR OUR IMPRESSIVE SUCCESS THROUGH THE YEARS IS OUR SHARED VALUES AND THE UNIQUE PRINCIPLE - BASED CULTURE THAT WE HAVE NURTURED WITHIN THE ORGANISATION, SETTING US APART FROM OUR COMPETITORS.

As the financial year 2018/19 draws to a close, it is with great pleasure that I present to you the performance review of Commercial Credit and Finance PLC for the period ending 31st March 2019.

In this review, I'm pleased to bring to your light some of the key highlights and achievements of the Company during the financial year. A detailed analysis and information of all relevant areas are presented under the Management Discussion & Analysis and other sections of this Annual Report.

IMPORTANCE OF SHARED VALUES

The long and eventful journey which has ushered resounding success to the Company can be primarily attributed to the passion, dedication and the drive of all members of the Commercial Credit team. Nevertheless, a key reason for our impressive success through the years is our Shared Values and the unique principle-based culture that we have nurtured within the organisation, setting us apart from our competitors. It is these Shared Values that has transformed Commercial Credit and Finance PLC into an innovative and formidable corporate entity within the Sri Lankan financial services sector. Besides, this unique culture of the Company has also instilled a sense of self confidence in all our employees leading them to serve the customers better, with empathy and understanding while retaining their loyalty thereby uplifting the lives of all our customers through assisting them to realise their dreams and aspirations.

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> A KEY EVENT RELATING TO OUR SHARED VALUES IS THE 4TH VALUE DAY OF THE COMPANY WHICH WAS HELD ON THE 9TH FEBRUARY 2019 WITH THE PARTICIPATION OF ALL STAFF MEMBERS ACROSS THE ISLAND AT THE SUGATHADASA INDOOR STADIUM IN COLOMBO.

We have constantly emphasised the importance of these Shared Values and Principles to all our employees at every level through carrying out a comprehensive set of initiatives. These initiatives have been instrumental in convincing all members of the Commercial Credit family that meaningful progression towards the Company's purpose of "to build leaders who uplift the lives of people by simple acts of love" is only possible through promoting such unique corporate culture within the organisations. Subsequently, we have consciously carried out activities that contribute towards this effort such as continuous training sessions, singing of the Theme Song prior to the commencement of each working day at all locations and at corporate events of the Company, wearing Value Badges, and holding events such as Value Day.

A key event relating to our Shared Values is the 4th Value Day of the Company which was held on the 9th February 2019 with the participation of all staff members across the island at the Sugathadasa Indoor Stadium in Colombo. At this event, Value Badges of 284 staff members were upgraded symbolising their commitment towards Shared Values of the Company. Besides, the employee's remuneration and promotions are influenced by the value badge earned by the employee based on their practice of Shared Values within and outside the Company. The Company's Enterprise Resource Planning system is utilised to carry out a quarterly 360 Degree Evaluation in measuring these aspects of employee performance.

Furthermore, the Company is also inspired by "The 7 Habits of Highly Effective People" authored by late Dr. Stephen Covey, the Founder of the World-renowned personal development organisation Franklin Covey. Thereby, significant efforts were taken in communicating these 7 habits to the employees in enabling them to have a holistic and integrated approach to achieve success in their professional and personal lives. In inculcating these habits, comprehensive residential workshops and training programs were organised across the Company at all locations with the participation of a significant number of employees at all levels with enthusiasm. As a result, we were able to achieve remarkable results in this critical front while making a positive impact on all our internal and external stakeholders that is reflected in every aspect of our business operations.

IT INFRASTRUCTURE

We have kept our IT infrastructure updated to cater to the changing requirements of our customers. Therefore, during the year, the IT infrastructure was enhanced regularly through software-related updates apart from adding new modules to the Enterprise Resource Planning (ERP) system. Further, the Company encouraged the use of Business Intelligence Tools to extract in-depth information to support various management decisions. Besides, the Company is also in the process of obtaining ISO 27001 accreditation which would further validate our commitment towards ensuring better IT infrastructure and processes within the organisation.

ONE TEAM ONE GOAL

Showing resilience to overcome macroeconomic adversity, we initiated the theme "One Team One Goal" going by the humane approach the company has been adopting towards its business. The purpose of this exercise is to rehabilitate the company's customer base that has been affected by the economic and industry headwinds, seeking a win win solution by being sensitive to their perspective. This enabled the company to weather through a challenging year with satisfactory results for all the efforts rendered by the members of the Commercial Credit family.

PERFORMANCE

Considering the below par economic growth and regulatory pressures on the Microfinance industry, the Company continued to consolidate by moderating credit offerings during the year. Besides, wavering regulatory environment also forced finance companies to restructure their product offerings while retraining staff accordingly.

The asset base of the Company shrunk by 2.3% during the year owing to the 5.5% decline in the loan portfolio. This decline in the loan portfolio is the result of the reduction in non-asset backed credit offerings such as Microfinance, cash loans and factoring products due to adverse economic and liquidity conditions during the year. On the asset backed front, the leasing & hire purchase and gold loan products grew by 15.8%, 16.9% and 36.2% gross of impairment respectively while the deposit base declined by 4.3% in line with the decline in the loan portfolio during the year.

The Gross Non-Performing Accommodation (NPA) ratio improved to 6.5% compared to 7.0% recorded in the previous year. This compared well with the industry Gross NPA which stood at 7.7% The Net NPA was at -1.1% compared to last year's 1.5% following impairment provision under SLFRS 09/Financial Instruments adopted during the year while the industry Net NPA worsened from 1.6% to 2.4%.

The Net Interest Income remained stagnant during the year while the asset base dropped, resulting in an improvement in the NIM from 13.1% to 13.4%. This was mainly due to the Company's focus on investing in high yielding asset backed products with longer durations while downsizing on non-asset backed products with shorter durations. Subsequently, this led to a lower asset growth while retaining the yield also supported by low cost of funds.

Furthermore, the Company saw a 11.6% decline in profitability during the year with a Profit After Tax of Rs. 2.08 Bn. This decline was mainly due to the newly implemented debt repayment levy which had a pretax impact of Rs. 221.6 Mn resulting in an increase in the cost to income ratio from 46.8% to 53.9%.

During the year, the company entered into a strategic partnership with TVS Lanka (Pvt) Ltd investing Rs. 390 Mn for an equity stake of 19.5%. This decision was backed by the synergies the transaction will have on both entities and also the company wide drive to promote motor bikes. It gives us great pleasure to joins hands with TV Sundaram Iyengar & Sons (Pvt) Ltd which is a well-established organisation in India with a rich history of over 100 years, in co-owning TVS Lanka (Pvt) Ltd.

Considering the continuous growth over the years, the Company also earned its position ranking 27th amongst the Business Today Top 30 best performing corporates during the year. This is the second consecutive year the Company has retained its position, an indication of our service excellence and the trust we have built amongst the Sri Lankan public.

> SHOWING RESILIENCE TO OVERCOME MACROECONOMIC ADVERSITY, WE INITIATED THE THEME "ONE TEAM ONE GOAL" GOING BY THE HUMANE APPROACH THE COMPANY HAS BEEN ADOPTING AS ITS BUSINESS AS USUAL.

We consider sports as an important aspect of our life at Commercial Credit. Therefore, taking part in sports event have constantly been encouraged where several sports teams regularly participate at both local and international events. Those employees who display a keen interest and ability in any type of sport were given the freedom, resources and support to nurture their talent and achieve their dreams. Considering this extremely supportive environment, we were able to witness several remarkable sports achievements of our employees during the year.

CORPORATE GOVERNANCE, COMPLIANCE AND RISK MANAGEMENT

At Commercial Credit, we strongly believe that the path to excellence is embedded within the Shared Values of the Company. Therefore, we are steadfast to go beyond the standard rules and regulations set out by the regulators and to invest in inculcating the concept of Shared Values in our employees. It is these Shared Values that has laid a strong foundation for our processes and structures, instilling passion and determination amongst all our team members in adhering to high ethical standards.

Our Risk Management Committee conducts meetings both at Board level as well as at Operational level on a regular basis throughout the year thereby ensuring that the Company is well informed of both internal and external factors that may impact the business operations.

Additionally, during the year, the state-of-the-art Data Centre and Disaster Recovery (DR) Site of Commercial Credit was further upgraded with the latest technologies, enabling them to remain above the accepted industry standards. In addition, the Company adheres to the highest level of risk standards laid by the regulators.

FUTURE FOCUS

Considering the progress made in asset quality and the growth in asset backed portfolio, the Company can look towards the future with renewed confidence as one of the key players in the local financial services industry. Moving into the future, we will continue our ongoing consolidation plan with moderate asset growth coupled with increased asset quality, while also widening our network in reaching out to different customer segments.

We strongly believe that the people of Commercial Credit will realise the Company's future potential towards progression amidst the opportunities and challenges that we will encounter in the years to come. Therefore, in preparing these individuals to face challenges ahead, we have taken necessary steps to invest in their personal and professional development.

Further, the Company will continue to invest in providing an effective learning infrastructure for all the employees across the country in obtaining further knowledge on the 7 habits teachings, Company's Shared Values and job-related technical trainings.

The Company also intends to focus on further improving its Performance Management System to obtain a better assessment of the performance of the workforce, to probe new avenues for product and channel development and development of IT systems to enable high levels of effectiveness and efficiency when serving the customer.

APPRECIATION

I am proud to acknowledge that Commercial Credit has had a successful run during the past several years becoming one of the leading companies in the Non-Bank Financial Institutions (NBFI) sector of the country. In this regard, I want to thank our valued customers and shareholders for placing their trust in us. They have given us the strength to power our plans and take the Company to unprecedented heights.

I am also very grateful to the Chairman and the Board of Directors for their continued support and guidance throughout the year. My gratitude goes out to the Governor and Officials of the Central Bank of Sri Lanka for their invaluable advice and assistance.

Last but not the least, I would like to pay tribute to the incredible team at Commercial Credit. They have continued to amaze me with their wonderful work ethic, professionalism and innovation, like they have repeatedly done over the past few years. Undoubtedly, it is their tenacity and hard work that have made Commercial Credit shine ever so brightly. With such amazing individuals driving us forward, I have no doubt that Commercial Credit will continue to lead towards remarkable achievements in the financial services sector in Sri Lanka while being a benchmark for others to follow well into the future.

R.S. Egodage
Chief Executive Officer

22nd July 2019

Board of Directors

Seated Left to Right

Mrs. G. R. Egodage - Executive Director, **Mr. R.S. Egodage** - Chief Executive Officer, Executive Director,
Mr. K.J.C. Perera - Chairman, Independent Non-Executive Director

Standing Left to Right

Mr. K. D. Vander Weele - Non-Executive Director, **Mr. M.S.D. Pinto** - Independent Non-Executive Director,
Mr. Alain Dufes - Non-Executive Director, **Mr. Lasantha Wickremasinghe** - Independent Non-Executive Director,
Mr. R. C. Chitty - Chief Operating Officer, Executive Director, **Mr. B.B. Zschorsch** - Non-Executive Director,
Mr. P. T. Fisher - Non-Executive Director, **Mr. E.D.P. Soosaipillai** - Independent Non-Executive Director

Profiles of the Board of Directors

Mr. K.J.C. Perera
Chairman, Independent
Non-Executive Director

During a career spanning almost 37 years as an Attorney-at- Law of the Supreme Court, Mr Perera has gained a high degree of expertise in Corporate Banking, Leasing & Finance, Capital Market & Fund Management Services, Corporate Debt Financing Services and Intellectual Property Advisory Services. Mr Perera joined the Board of Commercial Credit and Finance PLC in March 2011. A well-respected figure within corporate circles, Mr Perera is currently a partner of Legal Inc., Attorneys-at-Law & Notaries Public. Prior to joining Legal Inc., he served as Head of the Legal Department at Merchant Bank of Sri Lanka PLC for a period of 10 years, as well as at LB Finance PLC and The Finance Company PLC as a Legal Officer. Presently he serves as a Director of Thilanka Hotels (Private) Limited, Legal Inc. Secretarial & Management Services (Private) Limited, Legal Inc Trustee Services (Private) Limited, Thilanka Resort & Spa (Private) Limited and 99X Technology Limited.

Mr. R.S. Egodage
Chief Executive Officer
Executive Director

Mr. Egodage took over the reins of Commercial Credit in October 2009 following the takeover of the Company by BG Investments (Private) Limited and joined the Board of Commercial Credit in March 2011. As Chief Executive Officer, he has been the driving force behind the Company's stellar success, charting a visionary course of leadership and growth.

Prior to taking over the stewardship of Commercial Credit, Mr. Egodage held several senior management positions in the finance industry including the Deputy Chief Executive Director of The Finance Company PLC in 2006, while serving on the Boards of several group of companies at the same time.

Mr. Egodage has previously been General Manager – Finance, Planning and Administration at Kotagala Plantations PLC and General Manager – Projects and Planning at Agalawatte Plantations PLC. He currently serves on the privately held companies registered in Sri Lanka, Philippines and Singapore. Having earned a BSc. Eng. Degree from the University of Peradeniya and initially embarking on a career in engineering, he then set his sights on a career in business management, earning an MBA from the University of Colombo. He is a fellow member of the Chartered Institute of Management Accountants, UK (FCMA), an associate member of the Chartered Institute of Marketing, UK (ACIM) and an associate member of the Institute of Certified Management Accountants, Sri Lanka (ASCMA).

Mr. E. D. P. Soosaipillai

Independent
Non-Executive Director

Mr D Soosaipillai is a fellow of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka and is considered a pioneer in the leasing and financial services industry both in Sri Lanka and the Maldives. He has served on the boards of several leading specialised leasing companies in the capacity of Finance Director, Chief Executive Officer and Managing Director.

He was appointed a Director of Commercial Credit and Finance PLC in January 2014. He functions as Chairman of the Board Audit Committee and a member of the Board Integrated Risk Management Committee. He chaired the Board Audit Committee of Trade Finance and Investments PLC, the subsidiary of Commercial Credit and Finance PLC during the period January to October 2015.

He is an Independent Non-Executive Director on the Board of Hatton National Bank PLC and chairs the Board Integrated Risk Management Committee of the Bank and is a member of the Board Strategy & Investment Review Committee, the Board Procurement and Assets Disposal Committee and the Board Recoveries Committee of the Bank. He is an Independent Non-Executive Director on the Boards of Udapussellawa Plantations PLC and Hapugastenne Plantations PLC and chairs the Board Audit Committees of both these Plantation Companies. He is also a member of the Related Party Transaction Review Committee and the Remuneration Committee of these two Plantations Companies.

Mr Soosaipillai has over 30 years of experience in Financial Services and in Risk Management and Compliance, both at the operational and strategic levels. He was engaged by the World Bank as a Short Term Consultant on a Payables Assessment assignment in the Maldives as part of a wider Public Finance Management Project in 2012. Mr Soosaipillai also served as the Managing Director of the Maldives Finance Leasing Company (Private) Limited for more than 7 years and as the Chief Executive Officer of Ceylease Financial Services Limited, a subsidiary of the Bank of Ceylon.

Mr. M.S.D. Pinto

Independent
Non-Executive Director

Mr Pinto started his career as a Trainee Planter in 1986 with Balangoda Estate, which is the part of Sri Lanka State Plantation Corporation and later functioned as Assistant Superintendent and Superintendent in leading plantations. He then served at Solar Electric Light Company (SELCO), USA as the Director Operations, where he contributed in many ways towards the improvement of operations in finance and after sales services of Solar Photo Voltaic in Sri Lanka, India and Vietnam. He was them Chief Executive Officer/Director of Ceylinco Renewables (Private) Limited for a period of two years and is the Chairman of the Green Earth Group (Private) Limited.

He serves as Group Chief Executive Officer at KDU Group which is the single largest orthodox black tea production company in the world. The Group has diversified into mini hydro power generation, hospitality and real estate sectors both in Sri Lanka and abroad. Mr Pinto serves as a Board member of S & H Holdings (Private) Limited, Green Earth Management Services (Private) Limited, KDU Exports (Private) Limited and KDU Group Singapore (Pte) Ltd.

Mr Pinto joined the Board of Commercial Credit and Finance PLC in May 2011. He holds a Diploma in Plantation Management (DIPM) and is a Consultant for ISO 9000 Certification and Plantation Management. He also holds a Diploma offered by the Institute of Hospitality Management, UK and PhD from the University Aldersgate, Philippines.

Profiles of the Board of Directors

Mrs. G. R. Egodage
Executive Director

Mrs Egodage joined Commercial Credit as an Executive Director following the takeover of the management by BG Investments (Private) Limited in December 2009. Presently, she serves as a Director of BG Investments (Private) Limited and BG Capital (Private) Limited.

Mrs Egodage began her career as an Assistant Lecturer at the Department of Chemistry, University of Peradeniya. She served for a period of 4 years as a Process Chemist at Ansell Lanka. From 1996 to 2005 she held the post of Assistant Director for Quality Control and Quality Assurance at the Coconut Development Authority. She brings the experience and dedication to her role as an Executive Director of Commercial Credit and is an integral component of the success story of the Company. She holds a BSc. (Hons) Degree in Chemistry from the University of Peradeniya and a Post Graduate Diploma in Business Administration from the Open University of Sri Lanka.

Mr. K. D. Vander Weele
Non-Executive Director

Mr Kenneth D Vander Weele is a co-founder and partner in Creation Investments Capital Management, LLC, an Impact Investment Fund Manager and Transaction Advisory group. He is also the Founder and Managing Partner of Creation Investments Sri Lanka, LLC, a Delaware Company. He joined the Board of Commercial Credit and Finance PLC in March 2014.

From 2000 until 2009, Mr Vander Weele served as the President of the Investment Services Division at Opportunity International, a major Microfinance network, during which time he was involved in forming three Microfinance banks in Eastern Europe (Forus Bank-Russia, Opportunity Bank-Montenegro and Opportunity Bank-Serbia) and served as the Board Chair of each bank. Between 1991 and 2000, Mr Vander Weele held various positions with the Opportunity International Network, including Global COO, Regional Vice President for Eastern Europe and Interim CEO. From 1975 to 1981, Mr Vander Weele held various positions at Grant Thornton, CPAs, in their Madison, Boston, Chicago and US National Office. From 1981 to 1991, he was the Senior Vice President, CFO and a founding shareholder of Graphisphere Corporation, a graphic arts holding Company with private equity shareholders, until it was sold to a strategic buyer.

Mr Vander Weele has a PhD in International Economics from Oxford University and a BBA in Accounting from the University of Wisconsin. He is also a Certified Public Accountant (CPA, USA). He currently serves in the Boards of NOA Holdings NV - Holland, Sonata Finance Private Limited - India, Fusion Microfinance Private Limited - India, Creation Investments Social Venture Funds I, II, III and IV - USA, Sohan Lal Commodity Management – India, Muthoot Microfin –India, and Vivriti Capital-India.

Mr. R. C. Chitty
Chief Operating Officer
Executive Director

Mr. A.J.P. Dufes
Non-Executive Director

Mr Rajiv Casie Chitty is a fellow member of the Association of Chartered Certified Accountants (ACCA), UK and an Associate Member of the Chartered Institute of Management Accountants (ACMA), UK and a Chartered Financial Analyst, USA. He obtained his Masters in Economics from the University of Colombo and won the Janashakthi Gold at the 2006 CIMA Pinnacle Awards. Mr. Casie Chitty is an Independent Non-Executive Director of ACL Cables PLC, Tangerine Beach Hotels PLC, Royal Palms Beach Hotels PLC, Ceylon Printers PLC and Office Equipment PLC. He is the former President of the ACCA Sri Lanka panel. Mr. Casie Chitty has over 26 years experience in the private sector of which 15 years has been at senior management level.

Mr. Dufes started his career as a Tennis coach in 1985 in France, following which he moved to field of Financial Advisory in 1999. From 2000 to 2011, he served as Portfolio and Asset Manager at French Securities Company (Dubus SA).

He worked to develop IT solutions for financial markets while he was Managing Director of Dubus Lao IT from 2011 to 2014. He served as General Manager and Chief Financial Officer in GL Lao leasing from 2014 to 2016.

He served as Deputy Managing Director and Chief Financial Officer of BG Microfinance.

He joined the board of Group lease PCL in 2016 in Thailand and currently serving as Group CFO of Group lease PCL.

Mr Dufes joined the Board of Commercial Credit and Finance PLC in May 2019.

Mr. P. T. Fisher

Non-Executive Director

Mr Patrick T Fisher is the Founder and Managing Partner of Creation Investments Capital Management, LLC, an Impact Investment Fund Manager and Transaction Advisory group. With over $700 Mn in assets under management, Creation Investments focuses on private equity investments in financial services and Microfinance, serving the Bottom of the Economic Pyramid (BOP). He is also the Founder and Managing Partner of Creation Investments Sri Lanka, LLC, a Delaware Company.

Mr Fisher has led investments or provided advisory services on transactions in over 25 countries in other industry verticals, including health care, affordable housing, agriculture, clean energy and technology, as well as evaluating social ventures and impact investments in many others.

Mr Fisher serves on the Boards of CAME Sofipo De CV–Mexico, NOA Holdings-Netherlands, Capital Float Private Limited-India, Caja Rural Los Andes-Peru, Creation Investments Social Venture Fund I - USA, Creation Investments Social Venture Fund II – USA, Creation Investments Social Venture Fund III – USA, Creation Investments Social Venture Fund IV - USA, Promus Holdings, LLC - USA, KVPF, LLC - USA, Vitruvian Corporation - USA and Creation Investments Capital Management, LLC - USA. He joined the Board of Commercial Credit and Finance PLC in March 2014. Prior to founding Creation Investments, Mr Fisher spent the majority of his career working for JPMorgan Chase.

His relevant work experience includes years of service in International Banking and Global Treasury and Trade services, primarily covering Asia and Latin America. Mr Fisher worked for the Bank in China, specifically in Hong Kong and Beijing. In addition, Mr Fisher has trading experience, working on Bank One's Chicago trading floor, marketing interest rate, commodity and foreign exchange derivatives. He received his credit training from American National Bank in Chicago.

He has started numerous businesses and established three previous investment funds in real estate and private equity. He has served on the Boards of several domestic and international for-profit and not for-profit organisations. Mr Fisher is a graduate of the JL Kellogg School of Management at Northwestern University, where he received a Master of Business Administration degree. He earned his Bachelor of Arts, Magna Cum Laude, at the University of Notre Dame. He is a member of Mensa and is continuing his studies in Spanish, Mandarin and Koine Greek.

Mr. B.B. Zschorsch
Non-Executive Director

Mr. Boris Zschorsch is the Group Deputy CFO of Group Lease Public Company Limited, one of the leading finance companies in ASEAN providing leasing and Microfinance services targeting rural and unbanked population in emerging markets. With a presence in Thailand, Cambodia, Laos, Myanmar and Indonesia, the Company is listed on the Stock Exchange of Thailand. Group Lease PCL acquired a 29.99% stake of Commercial Credit and Finance PLC through its holding subsidiary.

Mr. Zschorsch joined Group Lease PCL in 2015 as a Financial Analyst working on due diligence assignments as well as financial analysis on the multi- national group level. He was then promoted to Group Deputy CFO in charge of the Group Consolidation in Thailand as well as involved in the operations of the subsidiary holding company. He took part in the rapid expansion of cross-country operations in the last few years.

Mr. Zschorsch has been working in Southeast Asia since January 2015 when he joined Price Water House Coopers Singapore, after having worked for the Professional Service Company in Luxembourg as an Audit Senior for more than 4 years.

He is a graduate of J.W. Goethe University at in Frankfurt, Germany, where he received the title Diploma - Kaufmann as well as of University Paris Dauphine IX, France where he received a Masters in Finance and Accounting.

Mr. Lasantha Wickremasinghe
Independent Non-Executive Director (Appointed with effect from 26th June 2019)

Mr. Lasantha Wickremasinghe, FCA is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Association of Accounting Technicians of Sri Lanka (AAT). He is the immediate Past President of the Institute of Chartered Accountants of Sri Lanka. He is a partner at B R DE SILVA & COMPANY Chartered Accountants since 1997 and specialized in Audit, assurance Services, Forensic Investigations and Income Tax. He is a Member of the Board of Directors and Governance and Audit Committee of Confederation of Asia Pacific Accountants (CAPA), Member of Board of Management and Audit Committee, Chairman - Postgraduate Institute of Management, University of Sri Jayawardenepura (PIM), Member of the Board of Directors and the Audit Committee, Chairman of the Sri Lanka Accounting and Auditing Standards, Monitoring Board (SLAASMB) since 2016, Governing Council and Audit Committee, Member of the Sri Lanka Institute of Advanced Technological Education (SLIATE), Board of Management Member of the Api Wenuwen Api Fund. He was also a Consultant to the Audit Committee of Board of investment of Sri Lanka and the Treasurer of Sri Lanka Cricket. He has served as The Technical Advisor to the Chairperson of the SMP committee of the International Federation of Accountants (IFAC) 2016 to April 2019.

Executive Management Team

Roshan Egodage

Geya Egodage

Rajiv Casie Chitty

K.L.A. Senevirathne

Janaka Deshapriya

Prasanna Wickramasinghe

Lawrence Fernando

Lalith Karunarathna

Anuradha Ranaweera

D.G. Jayaratne

Piyal Salwathura

Nirosh Madawala

Sisira Atthanayake

Ayesh Pitigala

Shammi Jayathilake

MANAGEMENT DISCUSSION AND ANALYSIS

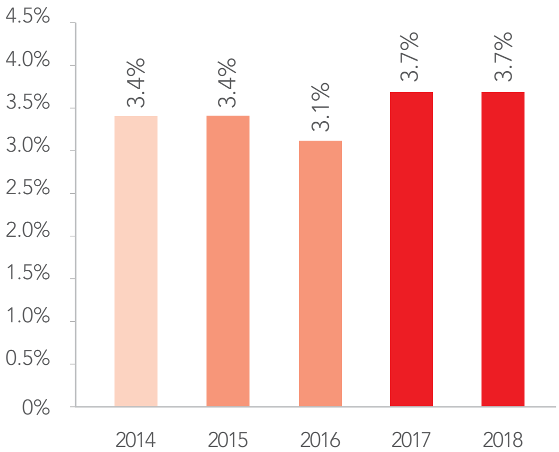
Management Discussion and Analysis

GLOBAL ECONOMY

The global economic growth remained steady at 3.7% in 2018 despite losing strong momentum in the second half of 2017. However, this growth was less synchronised as some advanced economies witnessed a more moderate growth compared to the previous year while emerging and developing markets continuing to grow at the same pace.

However, global trade witnessed a slowdown mainly due to the escalating trade tensions, particularly between the US and its main trading partners and the tighter credit market conditions in major economies. Besides, global inflation also accelerated during the year owing to rising commodity prices including mounting oil prices. Tightening of monetary policy across the global economy continued against a backdrop of strengthening economic activity and labour markets and rising inflationary pressures in key advanced economies.

World Economic Growth

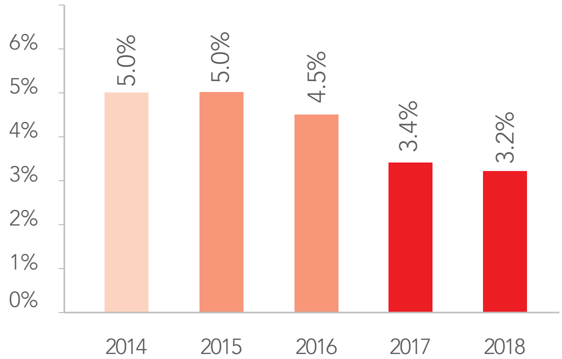


Source: International Monetary Fund

SRI LANKAN ECONOMY

The susceptibility of the Sri Lankan economy due to global and domestic disturbances became increasingly visible during the year, with a modest expansion in real economic activity amidst a low inflation environment. Hence, the real GDP growth was recorded at 3.2% in 2018, as opposed to the 3.4% in the previous year. This growth was largely owing to the services activities that expanded by 4.7% and the recovery in agriculture activities that recorded a growth of 4.8% during the year. Nevertheless, the Industry sector activities slowed down significantly to 0.9% mainly as a result of the contraction in construction activities.

Real GDP Growth Rate



Source: Central Bank of Sri Lanka Annual Report

Amidst the moderate growth in economic activity, a marginal increase was also observed in the unemployment rate while a decrease was observed in the labour force participation rate.

Furthermore, the exchange rate came under significant pressure in 2018 due to both domestic and external pressures. A widening trade deficit at the domestic front was aggravated by heavy foreign investment outflows, due to broad-based strengthening of the US dollar in the global market as well as the political uncertainly that prevailed during the last quarter of the year. As a result, the Rupee depreciated by almost 15.9% against the US dollar during the year up to December 2018.

In December 2018, Sri Lanka's sovereign rating was downgraded on the premise of heightened political uncertainty and concerns regarding possible fiscal slippage.

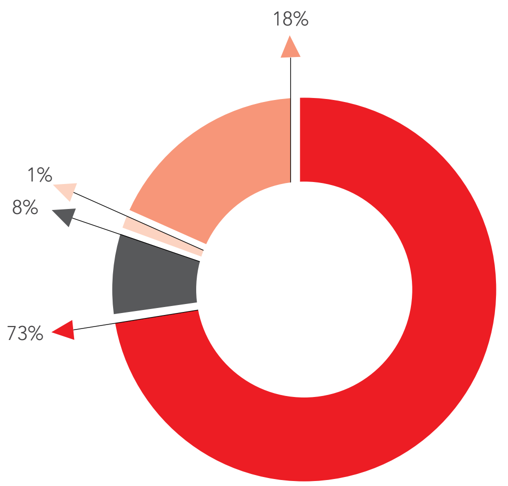
This subdued inflation and lower than potential growth in real economic activity prompted the Central Bank to signal an end to the monetary tightening cycle in April 2018 by reducing the Standing Lending Facility Rate (SLFR) by 25 basis points. Thereafter, the Central Bank maintained a neutral monetary policy stance throughout the year, in view of the continued pressure on the external sector amidst the subpar performance in the domestic economy.

FINANCIAL SECTOR

The financial sector continued to expand moderately during the year without causing any major macro prudential concerns, amidst challenging market conditions both at global and domestic fronts. However, credit quality of the banking sector and the Licensed Finance Companies (LFCs) & Specialised Leasing Companies (SLCs) sector deteriorated considerably during 2018 with non-performing loans and advances increasing compared to the previous year. The challenging global and domestic market conditions, unfavorable weather conditions in 2017 and slowdown of economic activities in 2018 contributed significantly to this deterioration of credit quality.

The banking sector showed a moderate expansion during the year while maintaining capital and liquidity levels above the regulatory minimum requirements. The growth of the asset base of the banking sector was moderate during the first half of the year but accelerated in the second half due to high growth in credit. This expansion in credit growth was broad-based with diversified lending across major sectors of the economy. However, the profitability of the banking sector, as reflected by Return on Assets (ROA) ratio and Return on Equity (ROE) ratio declined mainly due to the deterioration in assets quality, rise in operating costs and increase in taxes.

Composition of the Total Assets in the Financial System



Source: Central Bank of Sri Lanka Annual Report

LICENSED FINANCE COMPANIES AND SPECIALISED LEASING COMPANIES (LFCS AND SLCS) SECTOR

The performance of the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector moderated during the year in terms of credit growth, profitability and non-performing loans. The fiscal and macro prudential policy measures taken to curtail importation and credit granted for purchasing motor vehicles negatively affected the demand for core lending products in the sector.

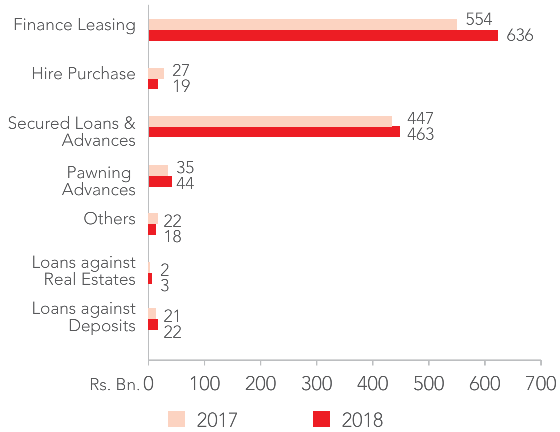
Further, it is observed that the LFCs and SLCs are gradually moving away from vehicle financing to other secured lending activities. The sector expanded in 2018 with an asset growth of 5.6% and represented 7.6% of Sri Lanka's financial sector assets by end of 2018. The sector as a whole maintained capital at a healthy level along with adequate liquidity buffers above the regulatory minimum levels. Further, the sector also exhibited a shift in the funding mix, as increased assets were mainly funded through borrowings leading to only a marginal increase in deposits compared to high growth recorded during the previous year.

Assets

The expansion of total assets slowed down in 2018 recording a growth rate of 5.6% (Rs. 76.3 Bn.) reaching Rs.1,431.3 Bn. in comparison to the 11.8% growth reported in 2017. The asset base of the sector mainly consists of loans and advances which accounted for 79.4% of the sector assets. The finance leases accounted for the highest share of loans and advances, representing 52.8% followed by other secured loans (38%).

Nevertheless, lending activities of the sector showed signs of slowing down in response to fiscal and macro prudential policy measures taken to curtail importation of motor vehicles and lending towards vehicles and the slowdown in economic activities. The credit provided by the LFCs and SLCs sector grew by 7.6% (Rs. 79.9 Bn.) to Rs.1,137 Bn. compared to the growth of 9.8% in the corresponding period of 2017. The expansion in finance leases contributed to 84.5% of credit growth while 16.1% of credit growth was due to secured loans and advances. However, the hire purchase portfolio contracted during the year by Rs. 8 Bn. (29.7%) while finance lease portfolio increased by 14.7% compared to the 13% growth recorded in the previous year.

Productwise Gross Loans and Advances



Source: Central Bank of Sri Lanka Annual Report

Liabilities

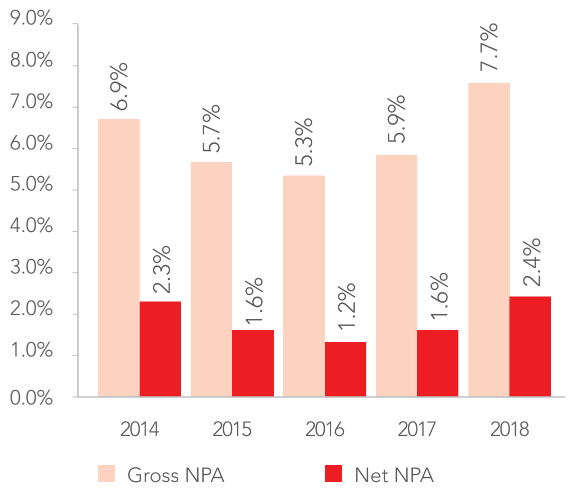
Customer deposits however dominated a major portion of liabilities within the sector accounting for 50.1% of the total sector liabilities. Nevertheless, borrowings witnessed a growth of 17.1% (Rs. 67.8 Bn) in 2018, shifting from the negative growth recorded in the year 2017 while deposit growth slowed down to 4.4%, compared to the 29.4% growth recorded in the corresponding period of 2017. This growth in deposits were mainly attributed to the declining trend in deposit interest rates. However, the sector showed increased reliance on bank borrowings over deposits due to its flexibility and negative public perception towards LFCs that led to a reduction in fund mobilisation through deposits.

The capital elements of the sector also increased by 8.2% to Rs.183.7 Bn. at the end of 2018, mainly as a result of increase in capital due to steps taken by LFCs to enhance the minimum core capital to meet the Rs. 1.5 Bn. requirements by 01st January 2019 as well as due to accumulation of profits for the financial year 2017/18.

Credit Quality

The gross non-performing advances (NPAs) ratio increased to 7.7% in 2018 compared to 5.9% reported in 2017. This is the highest NPA ratio recorded since February 2015 which can be attributed to the unfavorable weather conditions during 2017 and slowing down in economic activities in 2018. Moreover, the provision coverage ratio declined to 57% in 2018 compared to 64% reported in 2017.

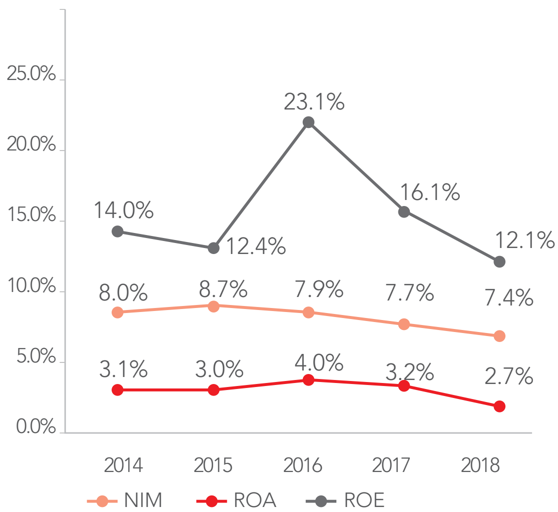
As a result, net NPA ratio also increased to 2.4% in 2018 from 1.6% in 2017 indicating signs of deterioration in the asset quality of the sector. The NPA is expected to rise further if extreme weather conditions prevail and due to spillover effect of the Debt Relief program that was introduced by the Ministry of Finance and Mass Media in August 2018.



Source: Central Bank of Sri Lanka Annual Report

Profitability

The net interest income of the sector increased at a slower rate than in 2017, recording a growth of 6% reaching to Rs. 108.8 Bn. This was mainly due to the increase in interest income by 4.3% and the growth of interest expenses by 2.9%. As a result, the net interest margin (net interest income as a percentage of average assets) of the sector declined marginally to 7.4% in 2018 from 7.7% in 2017. However, non-interest income increased by 11.9% mainly due to increase in default charges and other service charges while non-interest expenses also increased by 1.5% mainly due to increase in staff costs adversely affecting the sector profitability. The loan loss provisions made against NPLs increased by Rs.12.4 Bn. during 2018 when compared to the provision of Rs. 13.5 Bn. made in 2017.



Source: Central Bank of Sri Lanka Annual Report

The sector posted a Profit After Tax of Rs. 21.4 Bn. which declined by 17.2% compared to the profit recorded in year 2017 mainly due to increased funding cost and higher loan loss provisions. Return on Assets (ROA) also decreased by 51 basis points during the year, reporting a ratio of 2.7% and Return on Equity (ROE) declined nearly by 400 basis points, reporting a ratio of 12.1% which shows sign of stress towards profitability of the sector.

ORGANISATIONAL PROFILE

About the Company

Commercial Credit and Finance PLC was established on the 4th of October 1982 following its incorporation under the Companies Act No. 17 of 1982 as a Private Limited Liability Company in Sri Lanka's hill capital, Kandy, as Commercial Credit (Pvt) Ltd. Subsequently, it was registered as a Public Limited Liability Company under the provisions of the above Act on the 16th of December 1989 as Commercial Credit Ltd. The Company was then re-registered under the Companies Act No. 07 of 2007 on the 8th of April 2008 and under the Finance Business Act No. 42 of 2011 on the 6th of August 2012. When the shares of the Company were listed on the Dirisavi Board of the Colombo Stock Exchange on the 1st of June 2011, the Company's name underwent another change and became Commercial Credit PLC. In compliance with the provisions of the Finance Business Act No. 42 of 2011, the Company changed its name to Commercial Credit and Finance PLC with effect from 17th May 2012.

The Company was originally established with the prime focus on agricultural lending. From its inception, the Company inculcated a strong process and system driven culture reaping numerous benefits over the years. However, the Company underwent a change in its majority shareholdings in October 2009 resulting in a new management team. This dynamic team brought with it a new philosophy; a value driven culture that drives the Company towards greater success in the longer term thereby contributing to the meaningful development of the overall society.

FINANCIAL REVIEW

Assets

The total asset base of the Company dropped by 1.9% ending up at Rs.80.1 Bn. owing to below par economic growth over the last 2 years and the curtailed credit growth as a result of the new regulations introduced on Microfinance products during the year. This was evident from the decline of the loan portfolio during the year by 4.9% which accounts for 76.0% of the asset base while the sector asset growth was at 5.6%.

The drop in the loan portfolio was due to investments being curtailed during the year as a result of deteriorating credit quality and liquidity. Furthermore, the unsecured lending segment was severely affected by the debt relief scheme and the interest rate cap imposed on Microfinance products. On the other hand, the Company made progress in the secured lending front with significant growth in the Leasing & Hire Purchase and Gold Loan products.

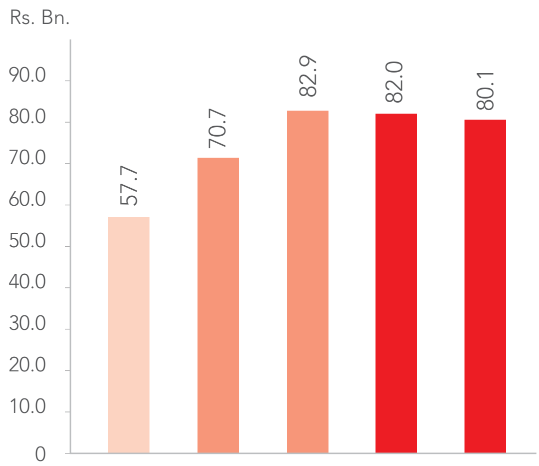
Lending Portfolio

The lending portfolio dropped by 4.9% during the year mainly due to 28.4% drop in the loans and advances category, in contrast to the sector loan portfolio growth which stood at 7.6%. The main contributor to this was Microfinance products which contracted by 50.0% on the face of adverse regulatory pressures. In addition, cash loans and factoring portfolios were also consolidated during the year due to it's credit risk.

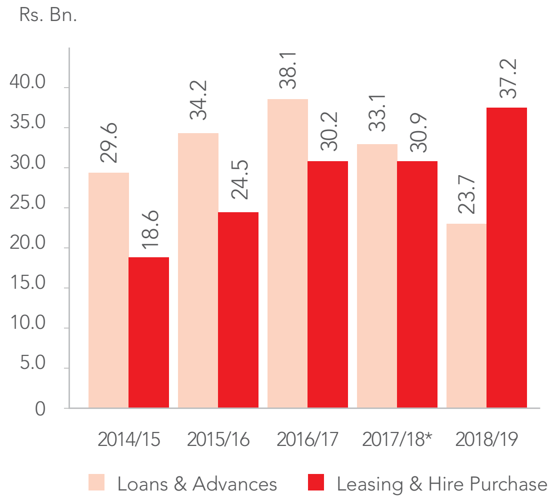
However, gold loans and deposit backed loans improved during the year by 36.2% and 19.0% respectively going by the management's decision to promote asset backed products.

On the other hand, Leasing and Hire Purchase products grew by 16.0% overall with both portfolios growing by 15.8% and 16.9% respectively before impairment.

Total Assets



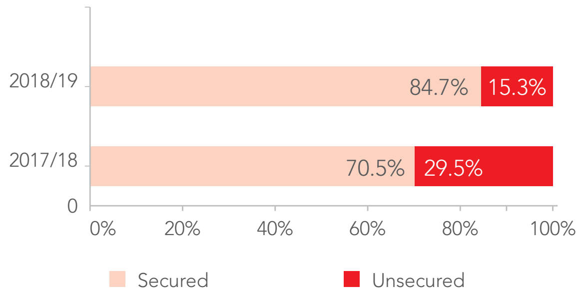
Source: Company Data



Source: Company Data

*There was a Rs.2.93 Bn. reduction to the opening lending portfolio following the first-time adaptation of SLFRS 09/ Financial Instruments.

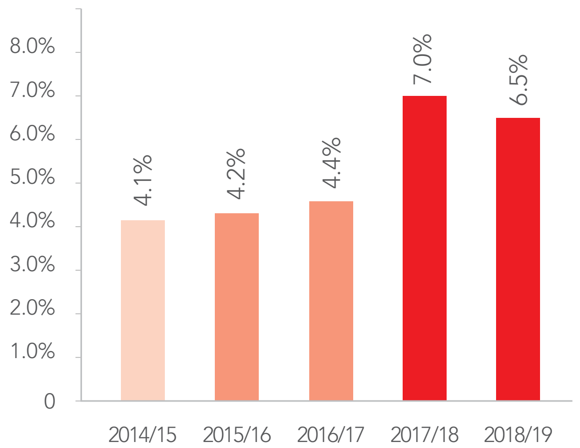
In its path to consolidation, the Company made progress by growing the asset backed portfolio by 11.8%. However, the non-asset backed portfolio contracted by 51.9% due to adverse macro-economic conditions in the Microfinance sector resulting in the non-asset backed composition shrinking to 15.3% from 29.5% at the end of the year.



Source: Company Data

Asset Quality

The Gross Non-Performing Accommodation (NPA) ratio improved to 6.5% compared to 7.0% recorded in the previous year. This compared well with the industry Gross NPA which stood at 7.7%, marking a 180 basis points deterioration. The Net NPA was at -1.1% compared to last year's 1.5% following impairment provision under SLFRS 09/Financial Instruments adopted during the year. The industry Net NPA also worsened from 1.6% to 2.4% as at the year-end reiterating deterioration of credit quality.

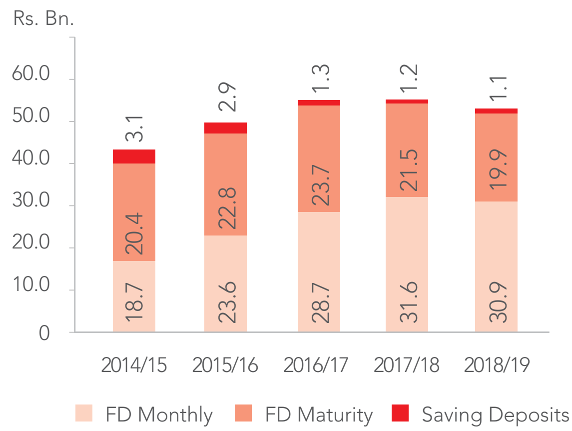


Source: Company Data

Deposits

The deposit portfolio stagnated during the year declining by 4.3% to be in line with the depleting loan portfolio. Industry headwinds caused by discontinuation of operations and mobilisation of funds of well-established finance companies have also created a negative public perception stifling growth. The industry deposit base however grew at 4.4% to match with the loan portfolio growth.

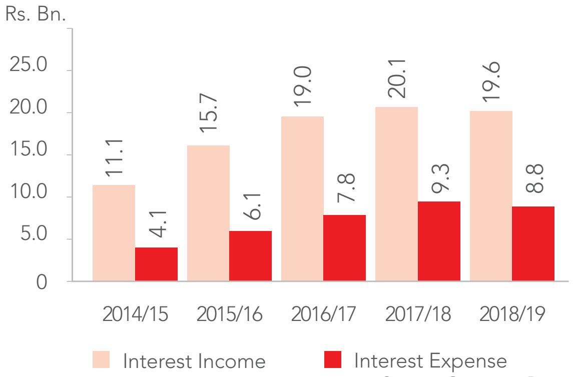
In contrast, there was a 7.7% and 1.3% increase in Company's bank borrowing and debentures which marginally reduced the dependence on the Company's deposit base. Similar trends were also observed in the industry.



Source: Company Data

Net Interest Income

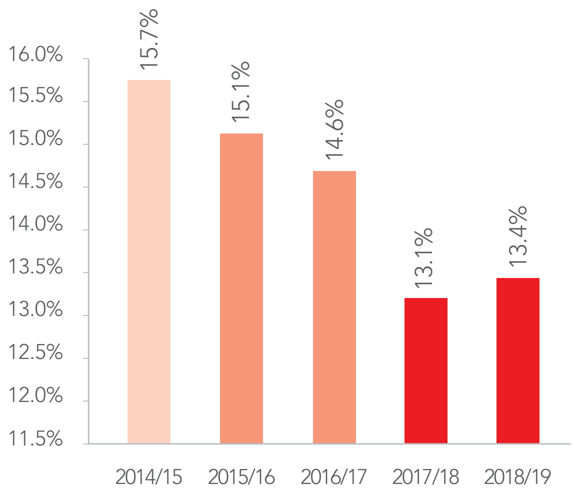
Net interest income of the Company remained par with last year with both interest income and interest expense declining during the year by 2.6% and 5.8% respectively. The interest income declined as the Company cut down on investing in Microfinance products whereas the interest expense declined due to lower cost of funds and the decline in the deposit base during the year.



Source: Company Data

Net Interest Margin

The net interest margin (NIM) of the company improved during the year from 13.1% to 13.4% due to the reduction in average assets while the net interest income remained constant. This is due to the Company's focus on asset backed products with longer durations while downsising on non-asset backed products with shorter durations. Hence the net interest income remained constant while the asset base dropped as the loan cycles of the new investments in the asset backed products are longer compared to non-asset backed products with shorter cycles. In contrast the sector NIM dropped from 7.7% to 7.4%.

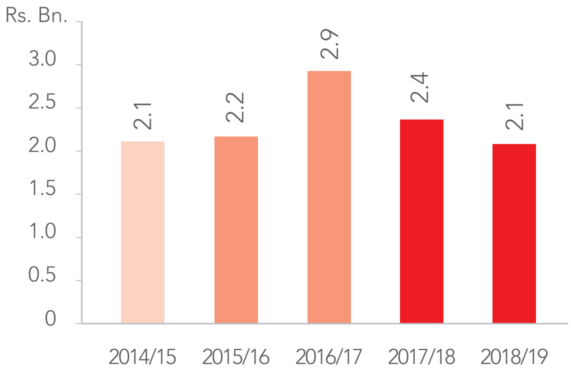


Source: Company Data

Profitability

The Company saw a 11.6% decline in profitability during the year with a Profit After Tax of Rs. 2.08 Bn. The main cause of the decline in profitability was the newly imposed debt repayment levy which had a pretax impact of Rs. 221.6 Mn resulting in an increase in the cost to income ratio from 46.8% to 53.9%.

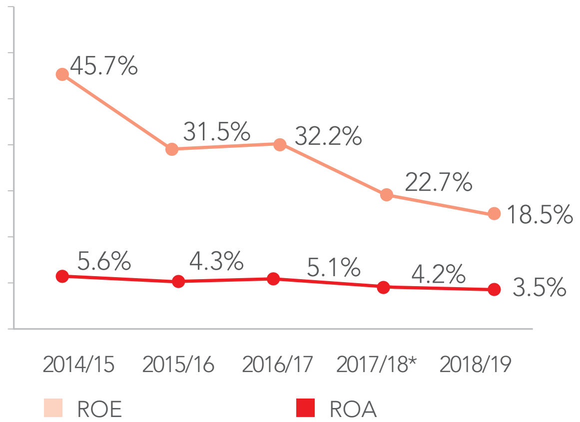
The industry also experienced a 17.2% decline in profitability owing to declining NIMs, increasing staff costs and high loan loss provisions due to deteriorating credit quality. The Company's sister Company, Trade Finance & Investment PLC recorded the highest ever Profit After Tax of Rs. 623.5 Mn. which resulted in a consolidated Profit After Tax of Rs. 2.64 Bn.



Source: Company Data

The Company recorded a ROA of 3.5% compared to 4.2% last year due to reduction in profitability. However, this compared well with the industry ROA of 2.7% dropping from 3.2%. ROE also dropped to 18.8% from 23.0% due to the reduction in profitability while the ROE of the industry stood at 12.1% declining from 16.1%. It is noteworthy that the opening equity of the Company dropped by Rs.2.11 Bn. post tax due to SLFRS 09/ Financial Instruments adjustments.

The core capital ratio was at 11.4% which was well above the minimum regulatory requirement of 6%. The Tier 2 capital ratio was 12.9% comfortably above the minimum regulatory capital requirement of 10%.



Source: Company Data

*There was a Rs.2.11 Bn. reduction to the opening total equity following the first-time adaptation of SLFRS 09/Financial Instruments.

PRODUCT PORTFOLIO

We strongly believe that the customer is our most important stakeholder who drives our business success. Therefore, our product portfolio, being our main link with our customer base, have been designed to include features that address the unique financial needs of our customer keeping in mind our primary objective of uplifting their lives.

- LEASING AND HIRE PURCHASE PRODUCTS
- GOLD LOANS
- MICROFINANCE AND ABHIWURDHI SME LOANS
- TERM LOANS
- REVOLVING BUSINESS LOANS
- EDUCATIONAL LOANS
- FACTORING
- DEPOSITS
- REPAYMENTS

LEASING AND HIRE PURCHASE PRODUCTS

Overview

Commercial Credit offers a wide array of Leasing and Hire Purchase products that are tailored to meet the diverse needs of various customer segments who seek to acquire their dream vehicle. The Company has always been steadfast in introducing pioneering Auto products that have been well-received by the customer so far and have resulted in continued success for the organisation. These products have been helpful in uplifting all our market segments by enabling customers from all parts of the island to acquire registered and unregistered vehicles through the Company's branch network. A key feature in the Leasing and Hire Purchase product category is their customer centricity. Consequently, the prospective customers are constantly provided an efficient service through a friendly, professional agent who will go to the customer's doorstep, communicate clearly and openly and understand his or her need thereby providing a flexible leasing or hire purchase solution that meets the customer's requirements.

Highlights of the Year

The Company's leasing and hire purchase portfolio grew by 16.0% during the year, gross of impairment, mainly due to the 16.9% growth in the hire purchase segment. This was fueled by the increase in motor bike and three-wheeler investments. Further, the leasing and hire purchase portfolio made a positive impact on the Company's overall NIM due to the high yielding nature of these vehicle categories. Moreover, utilising its branch network and workforce, the Company was able to penetrate into the rural parts of the island with its registered motor bike and three-wheeler products. In doing so, the staff at the branch level were provided with comprehensive industry specific training on the leasing & hire purchase industry, adding further value to their professional careers. The Company was also able to penetrate deeper into the dealer network boosting the registered motor bike business while laying the foundation for future business opportunities. In this sense, a new product by the name of 'Flexi Draft' was launched during the year targeting professionals where it allows the customer to pay the interest and the capital portion simultaneously.

Looking Ahead

In the year to come, the Company intends to continuously expand the leasing and hire purchase product portfolio. In this regard, the Company plans to introduce new products targeting the registered and unregistered mini truck category where high demand exists in both sub urban and rural areas.

GOLD LOANS

Overview

In line with the Company's objective, Commercial Credit plays a significant role in the lives of many customers who are in urgent need of cash. This was made possible by the various products that was made available under the Company's Gold Loan category. The Gold Loan business provides customers with a variety of products including Pawn Broking, Gold Loans, Gold Investments, and Ran Sahana Loans to meet their varied needs.

Highlights of the Year

The gold loan and pawning advances portfolio grew by 36.2%, ending the year at Rs. 5.55 Bn. This was fueled by the expansion which took place within the existing branch network where gold loan network expanded from 88 locations to 105 locations. A new 6-month product was also launched during the year to further boost investment while maintaining shorter cycles.

Looking Ahead

The Company plans to maintain the growth trajectory into the future by expanding the gold loan scheme throughout its branches across 119 locations. Furthermore, as a part of the Company's expansion strategy, the management plans to open 15 new branches during the year, targeting the customers in the northern and eastern provinces of the country where gold possession is relatively high.

MICROFINANCE AND ABHIWURDHI SME LOANS

Overview

Microfinance is a financial assistance concept that provides small loans to individuals or communities who have no access to banking facilities, for the purpose of establishing or developing their own enterprise. Consequently, the Company has been successful in providing such Microfinance services to its customers for the past several years through leveraging on its efficient client servicing practices. The Company has offered Microfinance products with minimum documentation requirement and convenient payment methods while offering a faster service delivery via our latest technology platform.

Highlights of the Year

The Microfinance industry came under severe strain during the year due to the drought relief scheme initiated by the Ministry of Finance and the 35% interest rate cap applied by the Central Bank of Sri Lanka for the businesses that recorded an annual revenue of less than Rs. 15 Mn. or that employs less than 10 employees. While the Company was affected by the interest rate cap applied by the Central Bank, the drought relief scheme introduced by the Ministry of Finance also forced NBFIs to write off all micro-finance loans granted below Rs.100,000 in the 12 districts that were affected by the drought during FY18, resulting in disruption of loan repayments in the entire country. As a result, the Company's Microfinance and Abhiwurdhi SME loan portfolio shrunk by 43.1%. Due to the low investments made during the year, a portion of the Microfinance cadre was trained to promote leasing and hire purchase products targeting motor bikes and three wheelers, making best use of the Customer Service Units (CSU) network spread across rural and sub urban parts of the island. Despite stifling industry conditions, the Company launched 2 new short-term products targeting government servants to fulfill their short-term financial needs and entrepreneurs.

Looking Ahead

The Company anticipates the industry conditions to settle down during the year. However, owing to the low economic growth during the year, the opportunity for growth will remain minimal. Hence, the Company plans to restructure the staff within the division thereby creating space for continuous training and development in promoting leasing & hire purchase products.

TERM LOANS

Overview

The Term Loan product is a type of Cash Loan specifically designed to provide financial assistance to customers who can demonstrate repayment capacity through their existing earnings. Granted for a maximum period of 60 months, Term Loans have been a popular product amongst business people and a wide range of fixed income earners such as Professionals and Executives.

The Term Loans Division works towards understanding the customer's loan requests and providing them with the best available service to fulfill their financial needs on time. This process is in line with the Company's purpose of uplifting the lives of the customer by identifying the requirements accurately and providing sound and unbiased advice in a timely manner. The Division has the ability to provide quick evaluation of a loan request and assisting the customer obtain a loan. With multiple security features and a hassle-free documentation process, customers are provided with a comprehensive solution for their loan requirements.

Highlights of the Year

With challenging conditions in terms of economic growth and liquidity, new investments were curtailed during the year in the non-asset backed category while the asset backed term loans were consolidated. As a result, the term loan portfolio dropped by 55.3% during the year. However, the asset backed portfolio composition improved during the year from 28.1% to 46.2% owing to investments made in the mortgage loan product while stagnating the non-asset backed portfolio.

Looking Ahead

Following the Company's strategy to consolidate, the management plans to further increase the asset backed portfolio with the composition to exceed 50% during the next year. Investments will be made in the asset backed category following prudent evaluation by the centralised evaluation committee.

REVOLVING BUSINESS LOAN (RBL)

Overview

Commercial Credit's Revolving Business Loan (RBL) is a product that was introduced to boost the Small and Medium-scale Enterprise (SME) sector of Sri Lanka by providing much-needed funds without any collateral.

As there was a significant growth in the SME sector during the past few years as a result of key economic indicators portraying an upward trend, the Company was able to develop innovative products such as RBL to provide the required funding. The RBL customer base includes a wide array of small and medium-sized businesses such as retail shops, small-scale supermarkets, hardware shops, pharmacies, retail garments stores and motor spare parts shops, among many others. Collections are done on a daily basis by a large team of agents who visit each and every customer and use their Point of Sale (POS) for collection.

Highlights of the Year

During the year, the Microfinance industry was faced with numerous challenges, especially with the interest rate cap imposed on businesses that recorded an annual revenue of less than Rs. 15 Mn. or that employs less than 10 employees. This move had a significant impact on the RBL product since a considerable portion of the Company's customer base fell into this category of "micro businesses".

These regulatory changes forced companies to restructure existing products to meet the new requirements thereby impacting the new investments during the period. As a result, the RBL portfolio shrunk by 65.3% during the year.

Looking Ahead

The management plans to take a twofold approach in dealing with the interest rate cap assigned by the Central Bank of Sri Lanka. This involves reallocation of staff to cater to higher value loans and loans with longer collection periods.

EDUCATIONAL LOANS

Overview

The Educational Loan Scheme of Commercial Credit was launched as a product that is focused on providing a viable and sustainable loan scheme to meet the aspirations of the student community. Therefore, its main objective is to provide financial support for students who intend to pursue higher education in Sri Lanka and abroad. This loan scheme is built upon the concept that a student, irrespective of their financial standing, must be provided with an opportunity to pursue higher studies through a sound financial support package that consists of reasonable & affordable terms and conditions. These loans are provided in a speedy and flexible manner with minimum documentation and hassle. Over the years, it has come to light that Educational Loans are one of the most important products offered by the Company as they provide the students with a vital resource in their quest for knowledge. This loan product allows the employees of the Company to engage with young customers to enable them to realise their full potential in the selected avenues. Therefore, the Company presume these loans as their first step towards building a long-term relationship with this customer segment.

Highlights of the Year

Low economic growth over the last few years and the inconsistent policy decisions in the higher education trade has encouraged many students and professionals to study abroad. This has led to a growth in the education loan schemes by 2.5% despite the liquidity crunch witnessed during the third quarter of the year.

Looking Ahead

The management expects this trend to continue into the future allowing the product to grow at a moderate pace within Colombo and its suburbs. Our team will continue to participate in leading educational events and exhibitions that will be organised across the island in order to better connect with prospective customers and agents of foreign universities. Furthermore, there will be a continuous drive to build strong affiliations with educational institutes in all the major cities.

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FACTORING

Overview

The factoring operations of Commercial Credit commenced in September 2014 and since then the Company has been providing working capital solutions to businesses that operate on credit terms. This division was created to provide services to the SME sector by purchasing their debt at a discounted rate, giving them much-needed funds to sustain and expand their businesses. Factoring services are currently offered in Colombo and a few other locations around the country and is instrumental in providing the working capital requirements of the SME sector.

A typical profile of a Factoring client is an individual or a business that sells a product or a service on credit and has a good debtor base and the potential to grow. However, they lack the necessary working capital and are therefore, unable to provide tangible security to obtain necessary funding for the business.

Highlights of the Year

With below par economic growth and liquidity in the financial system, the management decided to reduce cheque discounting and consolidate on pure factoring and invoice discounting. This resulted in a portfolio drop of 62.4% during the year.

Looking Ahead

Continued focus will be rendered to invest in pure factoring and invoice discounting products. Furthermore, the management also plans to initiate dealer financing arrangements with authorised dealers.

DEPOSITS

Overview

Public Deposits are the main source of funding at Commercial Credit where the Company's wide range of deposit products has been supportive in expanding the customer base across the island. The product range includes fixed deposits, general savings and minor savings that provide numerous benefits to the customer. While the fixed deposits are accepted for a period ranging from 1 month to 5 years with interest being paid either monthly or at maturity, the 'Hari' Minor Savings Account is accepted for a longer period.

In par with the Company culture, customer deposits are handled with utmost care and are managed through a framework of ethical fund management. Besides, all funds received are re-invested into the various lending products offered by the Company thereby adding further value to all stakeholders.

Highlights of the Year

With few prominent finance companies weakening during the year, public perception on depositing with non-banking finance companies was rather pessimistic. Further, the Company's credit growth was also affected by the industry headwinds. Increased reliance on bank borrowings helped reduce the dependence on customer deposits. These factors resulted in a 4.3% decline in the deposit base during the year.

Looking Ahead

The management plans to achieve an equal split between monthly and maturity fixed deposits into the future which would result in better mobilisation of funds. Moreover, the Company also plans to introduce a new minor savings product with attractive gifts during the year.

REPAYMENTS

Overview

The Repayments Department of Commercial Credit is instrumental in monitoring and maintaining the recovery process and procedures of the Company and therefore, maintains numerous recovery KPIs such as debtors, bad debt provision, non-performing loans percentage etc. As the Company understands the necessity for ethical collections, we are mindful of genuine customer grievances and hence, in the event the customer is unable to repay, the department looks at alternative solutions to assist the client amicably without causing further distress. However, in relation to willful defaulters, the department takes all necessary steps to ensure that the due amount is properly recovered.

The Repayments Department spearheads collections for the main products offered by the Company via the Call Centre in Colombo and Recovery Officers at the field level, who follow up on the customers in their allocated locations. These officers have been trained to listen to the genuine grievances of the customer and handle such situations in a delicate, compassionate manner. Therefore, the team has been successful in utilising their relationship management skills coupled with open communication and fair negotiations thereby effectively finding solutions for customers to settle the payment in a flexible manner.

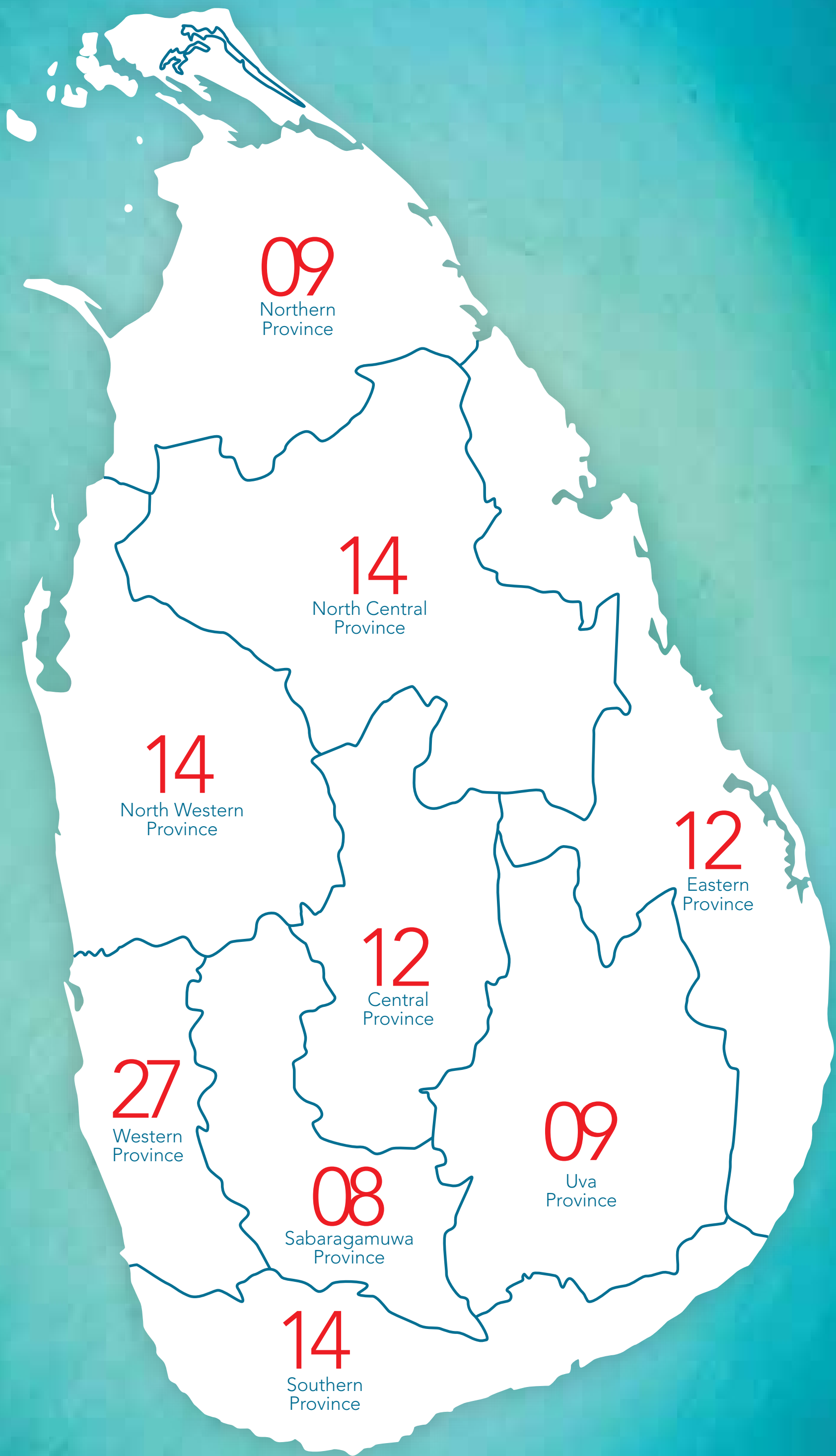
Highlights of the Year

With asset quality coming under threat across the industry, the Company was also forced to act considerately in terms of recoveries. Therefore, the recovery structure within the Company was altered to meet the demands of the SLFRS 09 accounting standards which the Company adopted during the year. Further, a special recovery team was formed to attend to write off collections while vehicle yard processes were expedited to accommodate more frequent vehicle auctions, linear documentation and efficient counter sales. Moreover, a centralised credit evaluation team was established during the year to evaluate the new investments methodically prior to being granted.

Looking Ahead

Considering the dynamic industry in which the Company operates, the management is aware of the need for further change in the recovery front in adjusting into a future where the economic growth is expected to below. Therefore, the Company intends to make continuous improvements to the recovery team and the centralised credit evaluation team to meet the future demands of the business.

Service Network



Province	CENTRAL
Province Count	12
District	KANDY
District Count	8
	• Gampola • Kandy City Centre • Kandy • Nawalapitiya • Pilimathalawa • Pussellawa • Rikillagaskada • Theldeniya
District	NUWARA ELIYA
District Count	2
	• Hatton • Nuwara Eliya
District	MATALE
District Count	2
	• Dambulla • Matale

Province	SOUTHERN
Province Count	14
District	GALLE
District Count	6
	• Ambalangoda • Galle • Baddegama • Elpitiya • Neluwa • Udugama
District	HAMBANTOTA
District Count	4
	• Tissamaharama • Angunakolapelessa • Tangalle • Ambalantota
District	MATARA
District Count	4
	• Akuressa • Matara • Deniyaya • Weligama

Province	WESTERN
Province Count	27
District	COLOMBO
District Count	13
	• Avissawella • Battaramulla • City Office • Homagama • Kotahena • Kaduwela • Maharagama • Mount Lavinia • Moratuwa • Nugegoda • Piliyandala • Wellawatte • Borella
District	GAMPAHA
District Count	8
	• Gampaha • Ja-Ela • Negombo • Wattala • Divulapitiya • Kiribathgoda • Kirindiwela • Nittambuwa
District	KALUTARA
District Count	6
	• Horana • Kalutara • Panadura • Aluthgama • Beruwela • Matugama

Province	NORTH WESTERN
Province Count	14
District	KURUNEGALA
District Count	8
	• Kuliyapitiya • Kurunegala • Nikaweratiya • Kurunegala • Giriulla • Melsiripura • Polpithigama • Wariyapola
District	PUTTALAM
District Count	6
	• Chilaw • Puttlam • Wennappuwa • Anamaduwa • Kalpitiya • Nattandiya

Province	NORTH CENTRAL
Province Count	14
District	ANURADHAPURA
District Count	9
	• Anuradhapura • Galnewa • Galenbindunuwewa • Thambutthegama • Horowpathana • Kekirawa • Medawachchiya • Nochchiyagama • Padaviya
District	POLONNARUWA
District Count	5
	• Hingurakgoda • Polonnaruwa • Aralaganwila • Bakamuna • Welikanda

Province	EASTERN
Province Count	12
District	AMPARA
District Count	6
	• Ampara • Dehiattakandiya • Akkaraipattu • Kalmunai • Mahaoya • Pottuvil
District	BATTICALOA
District Count	3
	• Batticaloa • Kalavanchikudy • Valaichenai
District	TRINCOMALEE
District Count	3
	• Kanthale • Trincomalee • Muthur

Province	SABARAGAMUWA
Province Count	8
District	KEGALLE
District Count	3
	• Kegalle • Warakapola • Deraniyagala
District	RATNAPURA
District Count	5
	• Balangoda • Embilipitiya • Ratnapura • Godakawela • Kalawana

Province	UVA
Province Count	9
District	BADULLA
District Count	4
	• Badulla • Bandarawela • Mahiyanganaya • Welimada
District	MONARAGALA
District Count	5
	• Monaragala • Bibile • Siyambalanduwa • Thanamalwila • Wellawaya

Province	NORTHERN
Province Count	9
District	JAFFNA
District Count	5
	• Jaffna • Nelliady • Chunnakam • Chavakachcheri • Velan
District	KILINOCHCHI
District Count	1
	• Kilinochchi
District	MANNAR
District Count	1
	• Mannar
District	MULLAITIVU
District Count	1
	• Mullaitivu
District	VAVUNIYA
District Count	1
	• Vavuniya

Summary

CENTRAL	**12**
Kandy	8
Matale	2
Nuwara Eliya	2
EASTERN	**12**
Ampara	6
Batticaloa	3
Trincomalee	3
NORTH CENTRAL	**14**
Anuradhapura	9
Polonnaruwa	5
NORTH WESTERN	**14**
Kurunegala	8
Puttalam	6
NORTHERN	**9**
Jaffna	5
Kilinochchi	1
Mannar	1
Mullaitivu	1
Vavuniya	1
SABARAGAMUWA	**8**
Kegalle	3
Ratnapura	5
SOUTHERN	**14**
Galle	6
Hambantota	4
Matara	4
UVA	**9**
Badulla	4
Monaragala	5
WESTERN	**27**
Colombo	13
Gampaha	8
Kalutara	6
GRAND TOTAL	**119**

SPORTS

Athletics

Commercial Credit athletes had an outstanding year demonstrating their prowess in the event they took part both locally and internationally. In the Masters Athletics Open Championship held in Kandy, Gampaha & Nuwara Eliya, Commercial Credit athletes bagged a total tally of 6 Gold Medals and 1 Bronze Medal. The 35th Annual Mercantile Athletic Meet also saw Commercial Credit athletes bagging a tally of 1 Gold Medal and 2 Silver Medals. In the international arena, Commercial Credit Athletes excelled in the National Masters Athletics Championship held in India with 4 Gold Medals.

Weightlifting

Commercial Credit weightlifter achieved impressive heights during the year with many national and international victories. He became the National Champion for the 14th consecutive year. He won Gold in the Asian Championship held in Mongolia and Singapore Open. He was placed 9th in the World Championship held in Canada with an Asian record to his name. He was awarded the Most Outstanding Sportsman at the SLT SILK Awards.

Football

Commercial Credit Football team was runner up in the Mercantile Football League Tournament (C Division).

Basketball

The men's basketball team of Commercial Credit won the championship in the MSBA league tournament and MSBA 3X3 tournament while being placed runner up in the MSBA Knockout tournament. The women's team also was equal to the task winning the championship in the MSBA knockout tournament and placing runner up in the MSBA league tournament and MSBA 3X3 tournament. In term on Sri Lanka representations 5 men's and 4 women's Commercial Credit ballers represented the lion flag during the year in 11 international tournaments. 3 men's and 4 women's Commercial Credit ballers were a part of the MSBA basketball team which won the championship at the Senior National Basketball Championship.

"Business Today, "Top 30" Award is a well recognised standard in the business community of Sri Lanka since 1997. It's recognition of Corporate Excellence and contribution of the Private Sector to the Nations Economy is a much valued and sort after standard of value by all business entities. It is with great pleasure that Commercial Credit and Finance PLC is able to report its ranking at number 27."

Regain Your Life

Regain your life focuses on providing a workable solution to a troubled customer with the intention of reviving the customer's life which will enable him/her to look into the future with a positive mind set.

Grow with Quality

Grow with quality emphasis the importance of meticulous lending which fits the requirement of the customer and uplifts his/her life in a meaningful manner.

Rebuild Relationships

Under this theme, the Company took the approach of renewing the relationship with the customer through constant engagement, while adding value to the customer's livelihood in the long run. The result will be a healthy co-existence which is the formula for a win win solution.

Stand Up Together

Standing up together focuses on providing an interactive solution to customers who are faced with setbacks. A helping hand is extended, allowing the customer to get his/her life back on track. This generosity will automatically help the customer to stand up beside the company.

Caring for Other's Lives

Caring for other's lives stresses the importance of better managing resources available within the organisation by streamlining its systems and procedures. This saving will benefit the society that we live in.

oneteam onegoal

This sevenfold theme based initiative was launched with the intention of yielding effective long term results that are in line with the Company's purpose, **"to build leaders who uplift the lives of people by simple acts of love".**

Enhance Humanity

Enhance humanity emphasis on obtaining greater satisfaction in contributing through funding business activities that will uplift the lives of the customer base. This surpasses the financial benefits that a customer obtains by depositing his/her wealth in the company.

Respect the Sacrifice

This theme is set forward to acknowledge and appreciate the sacrifice made by the employees and the wider community that encompasses them in this exercise.

SUSTAINABILITY REPORT

Stakeholder Engagement

Commercial Credit and Finance PLC believes that genuine sustainability requires engaging closely with stakeholders in mutually beneficial relationships. As a Value-driven organisation, the Company has formed valuable relationships with its stakeholders and maintains a routine of checks and balances to ensure these relationships are sustained. Much of our interactions take place during conducting our daily operations, while also structured activities are also conducted to bring stakeholders closer. This association helps us gain vital feedback on our products and services in a bid to exceed the expectations of our stakeholders.

Investors

Mode of Engagement and Frequency

- The Company prepares its Annual Report for each financial year and circulates to its shareholders.
- The Annual General Meeting of the Company is held annually providing opportunities to shareholders to discuss matters on which they may have concerns.
- Investor feedback forms are sent to the shareholders along with the Annual Report in order to obtain their views.
- Extraordinary General Meetings are called as and when required.
- Interim Financial Statements are published quarterly through the CSE.
- Press Releases are published as and when required.
- Announcements are made to the CSE as and when required.
- Regularly updated corporate website, www.cclk.lk is used to communicate effectively with the shareholders.

Key Topics Discussed

- Interim and annual financial and operational results.
- Changes to the capital structure.
- Changes to Directorate (appointments, resignations and retirements).
- Business expansion plans.
- CSR activities and other donations.
- Level of compliance with the regulatory requirements.
- Dividends declared during the period.

Concerns Raised

- Maintenance of adequate level of profitability by the Company.
- Continuing stability of the Company.
- Asset quality of the Company.
- Liquidity levels maintained by the Company.

Methodologies Employed to Respond

- Addressing shareholder concerns is a primary motivator for all important decisions made by the Company.

Customers

Mode of Engagement and Frequency

- Customer interactions on all working days through our widespread service network across all districts in the country.
- A large number of staff of the Company are primarily responsible to meet the requirements of customers and engage with them on a continuing basis to consistently meet their requirements and to develop strong and long-lasting relationships with them.
- Customer trainings and workshops are arranged for customers in order to improve the quality of their lives and to create awareness of financial management.
- Media advertising campaigns were carried out emphasising principle based Values.
- Leaflets, banners and hoardings are used to create awareness of the products and services.
- Press releases and press conferences are held to launch and announce new products and services.
- Company's website is used to communicate about the Company, its activities and features of products and services offered.

Key Topics Discussed

- New products and services introduced.
- Products and services offered.
- Importance of the culture aligned with Shared Values of the Company.
- Access and reach.
- Deposit rates and lending rates.
- Economic indicators such as interest rate movements.
- Type and quality of service provided.
- Benefits, fees and charges.
- Level of compliance with regulatory requirements.

Concerns Raised

- Customer service excellence.
- Customer satisfaction.
- Customer expectations and needs.
- Effective resolution of customer complaints.
- Extended working hours.

Methodologies Employed to Respond

- Expectations of customers are considered in formulating and implementing new strategies on Company procedures and product innovations. In all activities, customer satisfaction is the main focus.

Employees

Mode of Engagement and Frequency

- Satisfaction Surveys are carried out bi-annually.
- Quarterly appraisals are conducted with 360 degree evaluation.
- Social events such as Sports Day, Value Night, family get-together are organised annually for the staff and their families.
- Regional Review Meetings are held to discuss operational results and matters related to the respective region.
- Internal memos are circulated to communicate important matters related to operations.
- Widely published open door policy for communication.
- Code of Conduct and Whistle Blower Policy.

Key Topics Discussed

- Culture aligned with Shared Values of the Company.
- Expectations of employees such as training needs, financial benefits, employee welfare and etc.
- Future plans of the Company.
- Regulatory requirements.
- Company policies and procedures.
- Methods to improve efficiency and effectiveness.
- Safety measures.

Concerns Raised

- Need for further guidance in living the Shared Values of the Company on a day-to-day basis.
- Request for additional training and coaching related to operational aspects of the Company

Methodologies Employed to Respond

- Training and familiarisation and guidance programs are conducted on a continuous basis on the Shared Values of the Company
- Regular external and internal training programs on operations and related systems and procedures.

Government Institutions

Mode of Engagement and Frequency

- On-site surveillances conducted by the Department of Supervision of Non-Bank Financial Institution of Central Bank of Sri Lanka.
- Laws and regulations, & directives and circulars issued by the legislators and regulatory bodies.
- Filing of various tax returns and employee related returns as required by applicable regulations.
- Submission of routine information to Central Bank of Sri Lanka and further information as requested.
- Meetings with regulatory bodies as and when required.
- Official e-mails, media conferences and press releases.

Key Topics Discussed

- Clarification and furnishing of information on compliance with regulatory requirements.
- Performance of the sector and that of the Company.
- Various issues faced by the sector and the Company.
- Maintenance of fair competition within the industry.

Concerns Raised

- Progress on action points agreed based on findings during on-site examination.

Methodologies Employed to Respond

- Regular follow up of action plan and completion of tasks agreed.
- Taken necessary action to fully comply with applicable regulatory requirements.

Society and Environment

Mode of Engagement and Frequency

- Sponsorship of various social activities by the Company.
- Media advertising campaigns emphasising principle based values.
- Company website.
- Public events and gatherings.
- Employee involvement in local community projects.
- Providing job opportunities for the community in rural areas.

Key Topics Discussed

- Corporate social responsibility initiatives.
- Principle based values.
- Energy conservation.
- Areas where the Company and staff members could assist local communities.

Concerns Raised

- Lack of infrastructure and facilities in certain rural areas.
- Lack of job opportunities.
- Lack of knowledge and skills to obtain suitable employment.

Methodologies Employed to Respond

- Development of the Monaragala model farm.
- Training programs for school children in the Monaragala model farm and surrounding areas.
- Vocational and other training programs for small and medium scale entrepreneurs.
- Encourage staff on energy conservation.
- Reducing e-waste and its carbon footprint.

Suppliers

Mode of Engagement and Frequency

- Regular on-site visits and meetings.
- Official e-mails and other written communications.
- Review of performance by suppliers for quality of goods, services and value for money.

Key Topics Discussed

- Clearly defined expectations of the Company.
- Responsible procurement opportunities.
- Terms and conditions applicable for suppliers.
- Support to become sustainable businesses.
- Development of long term relationships with suppliers.

Concerns Raised

- Short lead time given for providing goods and services.
- Need for improved communication with service locations.

Methodologies Employed to Respond

- Developing strong relationships with suppliers.
- Involving suppliers at early stages of planning activities.

MARKETING AND BRANDING

Overview

The Marketing Department of Commercial Credit and Finance PLC primarily focuses on executing strategies that build the corporate image and enhance brand awareness while promoting the Company's Value-driven culture in uplifting the lives of those associated with the Company.

Therefore, the main focus of the Company's marketing and branding campaigns is to highlight the inherently good qualities in all human beings through their acts of kindness. In this way, the society is expected to understand the extent to which the qualities such as kindness and compassion play in uplifting the lives of others. Hence, the marketing department is mindful in communicating any message to the mass media by carrying out scrutiny and planning prior to communicating.

Highlights of the Year

The Company's focus on ethics and integrity has been instrumental in making it a leading player in the financial services industry. In keeping with the Shared Values of the Company, transparency has been encouraged at every level of the organisation when dealing with all stakeholders. Further, during the year, the Company invested in both 'above the line' and 'below the line' marketing activities in equal proportions which allowed the Company to remain competitive in terms of brand visibility while promoting its key products.

The Company also gained recognition at the recent 'SLIM-Neilson Peoples Awards' by winning the award for the 'People's Advertisement of the Year for the Year 2019 for the 'Loved Ones' commercial. This was the fourth year that the Company has won this prestigious award, having previously won the award in 2015, 2016, and 2018.

Looking Ahead

Being a well-established brand over the years owing to the Company's humanity and purpose-driven branding campaigns, the management now plans to reach out to specific audiences through a marketing effort that is more below the line dominant. In this sense, we plan to carry out more product driven marketing campaigns which includes leaflets, handbills, stickers, promotions and brochures placed in branches, road-side banners, hoardings and public noticeboards.

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DELIVERING TECHNOLOGY - BACKED PRODUCTS AND SERVICES

Overview

The Information & Communication Technology (ICT) Department of Commercial Credit and Finance PLC was formed to provide state-of-the-art, innovative IT solutions for various departments within the Company. Therefore, a key objective of the ICT Department is to provide an efficient and effective service to its large customer base through utilising modern ICT solutions.

Highlights of the Year

During the year, several important ICT-related developments and enhancements were carried out in both software and hardware fronts. Apart from adding finance and minor saving modules to the ERP system, measures were also taken to enhance the existing modules. In addition, phase 01 of HRIS was completed with automated HR functions besides adding new features to the business intelligence tool based on the requirements of the management. In the hardware front, enhancements were carried out to the data center while the ICT department continued to work towards ISO 27001 certification with the support of the management.

Looking Ahead

The ICT department will continue to drive innovation while catering to the dynamic needs of the Company. The final set of modules will be added to the ERP system during the next year marking the successful completion of the project. Following which the second phase of the HRIS will also be initiated with the establishment of Learning Management System to support the activities of the Learning & Development Department.

Further, revamping of the corporate web site will be another priority where the website will be transformed to an information platform with payment options. In addition, the Company also plans to introduce online and mobile banking modules in allowing customers to connect with the Company at their convenience.

EMPLOYEES

The human capital is the Company's most prized asset and therefore, it is the exceptional talents, discipline, and passion of the individuals that has driven the Company to new heights during the past several years. Hence, the Human Resources Department (HRD) is responsible for nurturing and developing the key attributes of the Company – its unique culture in enhancing the capabilities of its human resource pool. The Company strongly believes that this culture plays a pivotal role in producing and grooming effective, fair-minded leaders who contributes to the progress of the Company and the society at large. The Company relentlessly makes efforts to enhance the capabilities of the HR Department and fine-tune the HR practices in order to create a positive environment for all those concerned.

Maintaining Compliance

The Company has put in place a range of policies and procedures related to employees, their rights and privileges as well as their duties and responsibilities. The employees are aware of how to conduct themselves in their day-to-day situations as well as in the event of unexpected situations. The Company adheres to the Shop and Office Employees Act No. 15 of 1954 in practicing its HR activities. Additionally, the Company has also introduced its own operating procedure manuals covering a wide array of key HR-related topics including handling of grievances, attendance and leave, disciplinary action, performance evaluation, recruitment, resignation, termination and retirement, staff facilities, staff planning, training & competencies, transfers and promotion, and user registration. Being a progressive organisation, the Company has also introduced its Anti-Sexual Harassment Policy and Ethical Working Framework in order to establish a conducive working environment through developing self-disciplined individuals.

Maintaining Effective Infrastructure for People

The health and well-being of the Company's employees are of utmost importance and therefore, numerous positive steps have been taken in this regard. A fitness centre (Gymnasium) membership have been offered to employees at a concessionary rate in encouraging them to make use of these facilities regularly to improve their physical fitness. Besides, the Company also offers medical insurance schemes to all employees and their dependents. The Company practices an "open door policy" across all levels of the organisation paving the way for any employee – even from the lowest levels of the Company – to meet directly with the Chief Executive Officer and Executive Directors at any time. This has been well-received by the employees and resulted in a consistently high level of employee satisfaction as shown in the bi-annual employee satisfaction surveys carried out by the Company. Such levels of employee satisfaction have translated into a high degree of commitment and motivation, which in turn has led to extraordinary results for the Company. Further, the removal of traditional hierarchical designations had a positive impact on the development of the unique culture based on Shared Values within the Company.

Further, the Human Resource Department collaborated with the ICT Department to internally develop a HRIS during the year where phase 01 of the project was completed automating HR functions providing an end to end solution to its users.

Managing and Assessing Employee Satisfaction

The Company clearly comprehends the many advantages of a satisfied workforce. A satisfied employee often equates to a happy and productive employee which in turn leads to improved productivity generating better results for the Company. While the Company's Human Resources department is proactively working towards creating the best possible workplace environment for all employees, an employee satisfaction survey was carried out periodically to extract views from the employees about their job satisfaction levels. This has enabled the Company to keep track of workforce concerns and address them accordingly in a timely manner. Further, this has also enabled the Company to get a better understanding of the varying motivations of the employees and support them in their future growth and development.

During the year, two satisfaction surveys – The On-Board Satisfaction Survey and The Employee Satisfaction Survey – was carried out to effectively gauge the employee satisfaction based on the relevant employee category. The On-Board Satisfaction Survey was created primarily to obtain feedback from employees who are new to the Company and are in the process of completing their probationary period. Therefore, this survey was carried out at the end of the third month from the date of joining and consists of 20 questions relating to employee working conditions, peer and supervisor conditions, the Company culture and learning environment.

The General Employee Satisfaction Survey was conducted twice a year during the months of June and December and focuses on obtaining feedback from permanent employees to get an understanding of their perception on employee conditions at the workplace. This survey provides 15 key questions to employees in the form of a questionnaire where the duly-filled questionnaires were used as a source of primary survey data. Further, the Company uses 360 Degree Appraisal System to evaluate the performance of the employees thereby enhancing employee satisfaction through giving an opportunity for them to rate his/her superior, peer and subordinate.

SHARED VALUES

The Launch of Our Shared Values

The Shared Values of Commercial Credit were launched during the Value Day held on 4th March 2012 at BMICH with the participation of all employees of the organisation. The highlight of the Value Day included the institution of a "Value Policy" together with unveiling the Company's Theme Song, Value Oath and the Value Badge. These initiatives were introduced to promote a value-driven culture within the Company. Continuous efforts have been made through the years to ensure that the Company's unique culture is steeped in the Shared Values that we advocate.

Instilling Our Shared Values

In order to instill our Shared Values among our team, including the newcomers, various programs were conducted during the year. While some of these programs were continuations of earlier programs, several new initiatives were also introduced in broadening the scope of training.

Our 360 Degree Value Appraisal System is one such initiative that has been in existence since the year 2015. This system which is based on the Company's Shared Values is more compatible with the Company's Purpose

"To build leaders who uplift the lives of people by simple acts of love". Moreover, this system also plays a key role in nurturing the desired value-based culture and to identify the various Value Champions of the Company who are instrumental in driving the Company's desired culture.

Furthermore, the Company utilises an ERP system to evaluate every member of the Company who practice in the 360 Degree Value Appraisal on a quarterly basis. As a Value-driven Company, Commercial Credit has given a higher weightage for this appraisal in determining an individual's performance. The subjective appraisal evaluates the extent to which an individual possesses the key talents required by him/her in engaging in their daily work processes.

Theme Song and Value Badges

The Theme Song is aired at all Company offices at 8.30 a.m. before the commencement of each working day and at all Commercial Credit events. Each employee is expected to wear a Value Badge with bronze being the entry level badge. Over time, the bronze Value Badge would be upgraded to silver, gold and subsequently to platinum in recognition of the degree of commitment the employee demonstrates towards practicing Shared Values.

Value Day

It is a Company policy to hold a Value Day once every 2 years in order to recognise and reward the employees who have excelled in practicing the Company's Shared Values. This also provide the Company with another opportunity to highlight and appreciate the staff members who have truly absorbed the Company's Shared Values. While it portrays these employees as role models, it also encourages others to follow the same. The system to recognise such employees involves a detailed process where each staff member is given an opportunity to nominate colleagues to be considered for upgrading of Value Badges. Subsequently, based on the 360 Degree Value Appraisal results and number of votes received, staff members are selected and are recognised for their excellence by upgrading their Value Badges from bronze to silver, gold or platinum. During the Value Day held on 09 February 2019, which was the fourth value day in the Company's history, 207 silver badges, 70 gold badges and 7 platinum badges were awarded.

Value Policy

The commitment of Commercial Credit towards its Shared Values is captured in the "Value Policy" which provides guidelines and procedures on the development and implementation of a Value-based culture. This policy, which applies to all employees and all activities, contains a detailed framework and course of action to ensure the adherence of employees, by embedding the Values into the performance evaluation process.

Value Register

The Value Register is a record of good conduct and excellence relating to the level of commitment to Shared Values by employees at workplace or otherwise. When a noteworthy action of an individual is observed by a team member, the Value Register will be used as a platform to communicate and highlight such action throughout the Company. Following which, the employees post their comments of appreciation on their colleagues anonymously in the Value Register, which is the internal social networking system of the Company. As each employee receives the comments of appreciation from colleagues, a Value profile is created.

Learning and Development

A considerable number of training programs and workshops were held regarding the culture development throughout the year at all locations of the Company. The "7 Habits of Highly Effective People" authored by the late Dr. Stephen Covey, continues to be a major source of inspiration for the Company. The Company believes that the blend of fundamental principles and practical experience, and the wisdom and compassion contained in these 7 Habits teachings will be a powerful force in enabling personal change. Therefore, the employees were encouraged to practice the 7 Habits in creating a holistic and integrated approach for them to achieve effectiveness in each role they play in both their professional and personal lives.

The Company also believes that the practice of the 7 Habits by employees will allow internalisation of the Shared Values within the Company. In this regard, Value Mentors, working together with the location heads are expected to conduct Value Hours in each location on a monthly basis in providing the staff members with regular opportunities to clarify matters regarding the issues they encounter in living according to the Shared Values on a day-to-day basis.

During the year, the Learning & Development Department in collaboration with the Human Resource Department recruited and nurtured two special task forces. This consists of school leavers who have undergone comprehensive training on all product offering of the Company, as well as on Shared Values. In an industry that has a high staff turnover rate, the management expects this move to improve employee loyalty while encouraging multitasking.

The department also initiated a management trainee program where a team of graduates were recruited with the intention of nurturing & transforming them into future leaders of the Company through providing them with training in operational and management aspects of the Company.

As the second phase of the HRIS, the department plans to collaborate with the ICT department to develop a learning management system. Furthermore, the department also plans to develop a competency matrix which identifies an employee's competency deficits which will be addressed through provision of learning & development opportunities.

INTERNAL AUDIT

Overview

The Internal Audit Department of Commercial Credit and Finance PLC functions as an independent function, guided by the philosophy of adding value to the Company as enumerated in its Charter. Over the years, the Department has initiated various strategic measures that has helped in improving the quality of service while keeping with current trends in the discipline.

The Department carefully evaluates the performance of each branch, taking into account the Internal Audit findings such as documentation completeness, statutory & regulatory compliance and the identified risk factors. It also grades the branches based on how well each branch has practiced the Company's Shared Values. Any abnormalities identified from the approved policies and procedures during these reviews are immediately communicated to the Board Audit Committee, selected members of the Executive Management, Regional Head and the Location Head.

Highlights of the Year

During the year, the Internal Audit Department initiated customer visits on a sample basis to verify the effectiveness of the service delivery aspect of the Company. Progress was also made with the contribution of the department with regards to vehicle yard evaluation procedures. Further, sample selection criteria was expanded during the year enabling the department to identify abnormalities and outliers in the current systems and procedures. Theme based audits were also carried out based on themes such as cash management, while making credit and deposits more frequent during the year.

Looking Ahead

The department intends to engage in gold article evaluation that will strengthen the gold loan product in the years to come. Furthermore, the department also plans to review the credit evaluation procedure which is a critical area in terms of sustainable growth.

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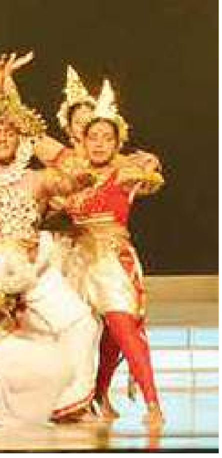

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Company's 4th Value Day was held on 9th February 2019 at the Sugathadasa Indoor Stadium with the participation of all staff members of the Commercial Credit family. The highlight of the event was Value Badges of 284 staff members being upgraded, symbolising their commitment towards Shared Values of the Company

RISK MANAGEMENT AND CORPORATE GOVERNANCE

Risk Management

In general, financial institution operates in an intensely competitive and changing industry faster rate rather than other industries. Change in market conditions due to business and economic environment, convergence, consolidation, globalisation and a rapidly changing regulatory framework pose numerous challenges to the industry. Therefore this new norm requires the company to enhance risk management capabilities and insights to facilitate more robust and better risk decision making processes in order to ensure that the finance institution continues to create value to business partners. The ability to manage multiple risk factors arising out of this complexity across multiple locations, product categories, asset classes, customer segments and functional departments is one of the key factors that determines the degree of success and sustainability of each financial institution. Risk is inherent in the complex and ever changing Sri Lankan financial industry, in view of which the company has established a solid framework to diligently manage such risks. Risk Management involves identifying, assessing, avoiding or reducing the negative impacts arising from current or future hazards. The Risk Management process encompasses the identification, measurement, controlling and monitoring of each risk.

The Risk Management framework of the company is designed to ensure that the Company can take a considerate amount of calculated business risks. It is recognised that managing risk is an essential part of profit making. Business decisions are made in a manner in order to safeguard of stakeholders interest of the Company and ensure profitability arising from various sources of risk. Underlying systems and processes permit the creation of risk awareness across the entire Company and to identify, measure, analyze and evaluate risks. Processes are also in place to develop and implement appropriate response strategies according to the set risk appetite in order to manage such identified risks. As in the case of all activities of the Company, it could be said that the efforts made to develop a culture based on the Shared Values of the Company form a very fundamental aspect of Risk Management at Commercial Credit.

Risk Governance Committees

Following risk governance committees have been operating at board level and executive level

Board Level Committees

- Board Audit Committee
- Board Integrated Risk Management Committee
- Board Related Party Transaction Committee
- Board Remuneration Committee

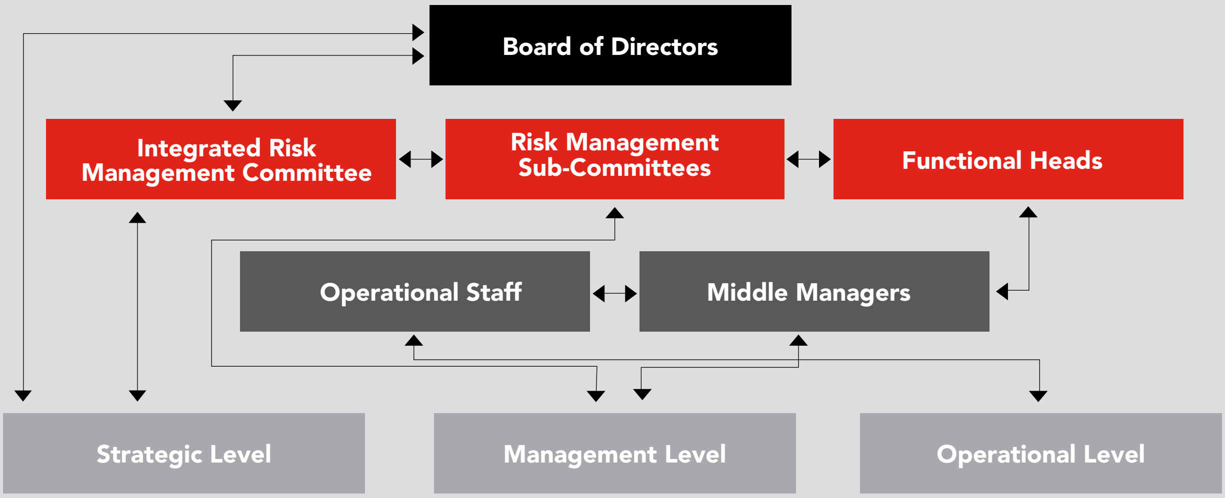
Executive Level Committees

- Assets and Liability Committee (ALCO)
- Credit Committee
- FD Subcommittee
- Investment Committee
- HR Sub Committee
- IT Steering Committee

2018/2019- Key Achievements

- Implementation of SLFRS 9
- Strengthening of risk and compliance activities
- Increase in assets backed lending portfolio
- Revision of risk subcommittee policies
- Establishing & monitoring risk appetite limits

The activities of Commercial Credit's Risk Management system take place at three broad levels as follows:



Strategic Level

At the strategic level, Risk Management functions are performed by the Board of Directors and the Integrated Risk Management Committee (IRMC). Tasks include defining risks, ascertaining risk appetite, formulating strategies and policies for managing risks and establishing adequate systems and controls to ensure that overall risk remains within the risk appetite.

Management Level

At the management level, Risk Management within business areas or across business lines ensures that strategies, policies and directives approved at the strategic level are operationalised. Development and implementation of underlying procedures, processes and controls are ensured at the management level. Assuring the compliance with laid down policies, procedures and controls, reviewing the outcome of operations, measuring and analyzing risk related information are also performed at this level.

Operational Level

At the operational level, Risk Management activities are performed by individuals who take risks on Company's behalf, which includes front, middle and back office personnel. They are required to comply with approved policies, procedures and controls. Operational level personnel give valuable inputs to continuously improve risk related activities undertaken in day-to-day operations.

Risk Management Process

A comprehensive Risk Management process has been developed and is continuously reviewed by the Integrated Risk Management Committee (IRMC) together with the Operational Management.

The Company has established risk subcommittees in the areas of Fixed Deposits, Investments, Human Resources, Information Technology and Credit, in addition to the Assets and Liabilities Committee (ALCO). The effectiveness of these sub-committees are assessed by the IRMC annually. The Risk Management process of the Company can be elaborated as follows: The risk subcommittees comprise of selected representatives from the Operational Management, Middle Management and Operational Staff from respective disciplines. These subcommittees meet regularly and are responsible for identifying and analyzing risks.

The identified risks are taken up for discussion at risk subcommittee meetings where issues are discussed in detail. The minutes of the subcommittee meetings are submitted for approval of the IRMC. The decisions and directives of the IRMC are communicated to the Operational Management through subcommittees for operationalisation of such decisions and directives. The IRMC meets on a regular basis to review and discuss various reports related to Risk Management presented to the Committee by the Management and the findings of the risk subcommittees.

Risks related to areas under each subcommittee have been identified and a Risk Grid is developed. Each identified risk has been categorised based on the probability of occurrence and expected impact. The impact has been categorised as critical, high, medium and low. The frequency has been categorised as certain, likely, possible and remote. Control activities will be developed for all risks, and such control activities will be communicated to the IRMC. IRMC will initially consider the risks that have critical or high impact and certain or likely probability.

TYPES OF RISKS

In achieving the Company's desired objectives, Commercial Credit is exposed to several risks which have been categorised as follows.

Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company. Credit risk management objective is to minimise credit risk while ensuring optimal risk rewards pay off for the finance institution and maximise the return and maintain the quality of the portfolio by minimising the non-performing loans and probable losses.

Mitigation

The Credit Policy plays a central role in managing daily business activities. The policy is reviewed at least once in two years and approved by the Board of Directors ensuring consistency with the Company's business strategy. Also Credit Risk subcommittee meetings drive policy decisions and implementation plans. Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to Credit Risk Management in terms of analysing customer credit worthiness through rigorous customer investigations before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organisation as well as for each product and operational location. The Company manages credit risk by focusing on following stages.

Credit Origination and Risk Appraisal

The credit facility origination process comprises initial screening and credit appraisal. The evaluation focuses on the borrower's ability to meet his/her obligations in a timely manner. Efforts are made to ensure consistent standards are maintained in credit approval. Collateral and guarantees form an important part of the credit risk mitigation process. Furthermore, an internal customer rating model is developed. The incorporation of the customer evaluation process into the ERP system has enabled the system itself to propose possible interest rates to be charged for customers within the guidelines.

Credit Measurement and Monitoring

To safeguard the Company against possible losses and problem in credit facilities need to be identified early. The Credit Risk subcommittee measures and tracks the status of the credit portfolio. Credit reports prepared monthly without failing to review high level credit portfolio concentration and assess performance of the facilities granted.

Recoveries

Default loans are managed by the Recoveries and Credit Division. This unit is responsible for all aspects of an overdue facility, restructuring of the credit, scrutiny of legal documents and liaising with the customer until all recovery matters are finalised. Regular meetings are held in order to ensure smooth functioning of recoveries.

The Company also has a substantial portfolio of loans and advances granted under pawn broking and related activities. These facilities are granted mainly based on gold articles obtained as security. In the event the price of gold in the local market reduce substantially, this would lead to a reduction in the value of the security obtained thereby exposing the Company to the risk that some customers may not redeem the articles retained by the Company. In such a situation in respect of the cases where the articles are not so redeemed, the difference between the realizable value of the article held and the total of the capital, interest and other charges due would result in a loss to the Company. In order to manage this risk, Company has adopted the following practices: Frequent review of gold prices in the local and international markets and adjusting the amount of the loans granted for each sovereign of gold contained in the article are undertaken. Further, close follow up of the payment of capital and interest due on loans and advances granted and structuring of the loans and advances granted in a manner that recovery action is possible, are also undertaken.

Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, equity prices and gold prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

Mitigation

Movements in interest rates are closely monitored. Further, the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

Liquidity Risk

Liquidity risk is the risk of only being able to meet liquidity obligations at increased cost or, ultimately, being unable to meet obligations as they fall due. In the case of the Company, this relates mainly to the ability to meet refund of deposits obtained from the public as they fall due and settlement of installments on bank and other borrowings.

Mitigation

Special attention is given on the liquidity of the Company as it provides critical defense against this and several other risks such as reputation, compliance, and financial risks. A liquidity policy has been enveloped and integrated into risk policy to provide necessary guidelines. The Company's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise. The Company also strives to ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with. As per the requirements of Finance Companies (Liquid Assets) Direction No. 04 of 2013, the Company has to maintain minimum.

Liquid assets as follows:

a) 10.0% of the outstanding value of time deposits received by the Company and accrued interest payable at close of business on such day; and

b) 15.0% of the outstanding value of savings deposits accepted by the Company and accrued interest payable at close of business on such day; and

c) 10.0% of total outstanding borrowings and any other payable that may be determined by the CBSL excluding the borrowings that are included in the capital funds of the Company and borrowings which are secured by the mortgage of any assets of the Company.

Operational Risk

Operational risk is the probability of loss occurring from the internal inadequacies of a firm or a breakdown in its controls, operations or procedures.

Commercial Credit, it is the possible failure in the IT System and failure to fully comply with policies and procedures laid, that would be mainly attributable to new recruits absorbed to facilitate rapid expansion.

Mitigation

Sound operational policies, processes and controls have been put in place to be followed by staff to mitigate operational risks and the effectiveness of the same is assessed on a continuous basis.

The degree of compliance of staff with such operational policies processes and controls is regularly reviewed. The Company maintains risk registers which include possible operational risks and appropriate controls. Awareness building and comprehensive training sessions are undertaken to educate staff on the significance of the compliance with operational policies, processes and controls. In this context, the Value driven culture which is rigorously promoted across all levels of Commercial Credit in ensuring that employees are self-disciplined, plays a key role.

The Company is fully compliant with the regulatory requirements pertaining to IT system maintenance with special emphasis on Disaster Recovery Plans.

Reputational Risk

Reputation risk, is a risk of loss resulting from damages to a firm's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value, consequent to an adverse or potentially criminal event even if the company is not found guilty. For Commercial Credit, this relates to the borrowers' negative perception about the Company and a loss of confidence on the part of depositors. Further, with the emergence of the Company as a major player among NBFIs, it is critical that due attention is given to safeguard the high reputation the Company has earned among all stakeholders. In today's highly inter connected world with instant communication capability, an excellent reputation carefully built over a long period could be at risk instantly.

Mitigation

Strong Corporate Governance and Risk Management practices are promoted across all levels of the Company while significant investments have been made in enhancing the Company's brand image through well thought out marketing strategies, which are in keeping with the Company's Shared Values. Further, promotion of the Value driven culture within the organisation and customer confidence building initiatives employed enhance the reputation of the Company. The Company pays close attention to ensure that there is no reputation-reality gap for any stakeholder group of Commercial Credit.

Risk Appetite

Risk Appetite is defined as the quantum of risk the Commercial Credit is willing to assume in different areas of business in achieving its strategic objectives and ensuring maintenance of desired risk profile. The Risk Appetite framework and Risk Tolerance limits have been defined by the Board in consultation with the Senior Management of the Commercial Credit in-line with the Commercial Credit's overall business strategy, providing clear direction to the business units for ongoing operations and risk management. The Risk Appetite framework and Risk Tolerance limits are reviewed and adjusted by the Board when required, based on developments in the operating environment. In the event the risk appetite threshold has been breached, risk management and business controls are implemented to bring the exposure level back within the accepted range. Risk appetite, therefore, translates into operational measures such as limits or qualitative checkpoints for the dimensions of capital, earnings volatility and concentration risk etc. In order to effectively implement Risk Appetite, Commercial Credit has defined quantitative indicators (e.g., capital adequacy level and risk limits) or qualitatively embedded same in the policies and procedures.

Corporate Governance

Corporate Governance is about promoting transparency and accountability, and it defines systems and structures in relation to decision making and their execution through which Commercial Credit and Finance PLC (Company) is managed in the best interest of our stakeholders. It has been designed and developed in a way it will influence the behaviour of everyone assigned with the responsibility of managing the affairs of the Company, ensuring that the interests of all stakeholders are effectively served on a consistent basis.

Good Corporate Governance helps in moving the Company towards performance excellence while complying with external and internal regulations, guidelines and ethical standards.

We recognise that controls and procedures play an integral part in maintaining high standards and that transparency, disclosure, financial controls and accountability are essential components of any good system of Corporate Governance. The Company is committed to high standards of Corporate Governance and we are constantly seeking ways to making our Corporate Governance even more effective and reliable. We believe that the emphasis the Company consistently makes in instilling the Shared Values of the Company among all members of the Commercial Credit team will play a critical role in this regard.

The Company's Corporate Governance model has been built and enhanced based on the following requirements and guidelines.

1. The Companies Act No. 07 of 2007.
2. The Listing Rules issued by Securities and Exchange Commission(SEC)
3. Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and Securities and Exchange Commission of Sri Lanka (SEC).
4. The Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka.

Board of Directors

The Board of Directors of the Company comprised of nine members as at the end of the financial year under review. The Company's Board of Directors consists of professionals in varied fields who collectively possess a vast wealth of knowledge and experience and are thus eminently suitable to provide the leadership and direction required.

One third of the Directors retire by rotation at each Annual General Meeting and those eligible are recommended for re-election. The Board meets approximately once a month or as and when the need arises to discuss any prevailing issues and to take appropriate action as required. There were total of twelve Board meetings during the financial year under review.

The Board of Directors jointly provides strategic leadership and direction to the Company. The Board ensures that strategies are formulated and implemented so that consistent progress is made by the Company towards its approved Purpose, Vision and Mission in keeping with our Shared Values. The Board issues directions and guidelines to the Chief Executive Officer (CEO) and the Executive Management of the Company as it deems necessary.

The Chairman has no financial or any other relationship with any other member of the Board. One Executive Director of the Company is the spouse of the CEO.

The policies and guidelines required are approved by the Board and periodically reviewed to ensure that they remain relevant and meet the requirements of the Company. Further, members of the Board have appointed to the Sub-Committees covering specified areas and its Terms of Reference have been approved by the Board of Directors.

The Board of Directors through their regular meetings and operation of Board Sub-Committees reviews the performance of the Company in the context of the interests of all stakeholders. The financial performance compliance with rules and regulations and risk management receive close attention of the Board. The financial budget and other plans and indicators together with related resource requirements are reviewed and approved by the Board for the ensuing financial period.

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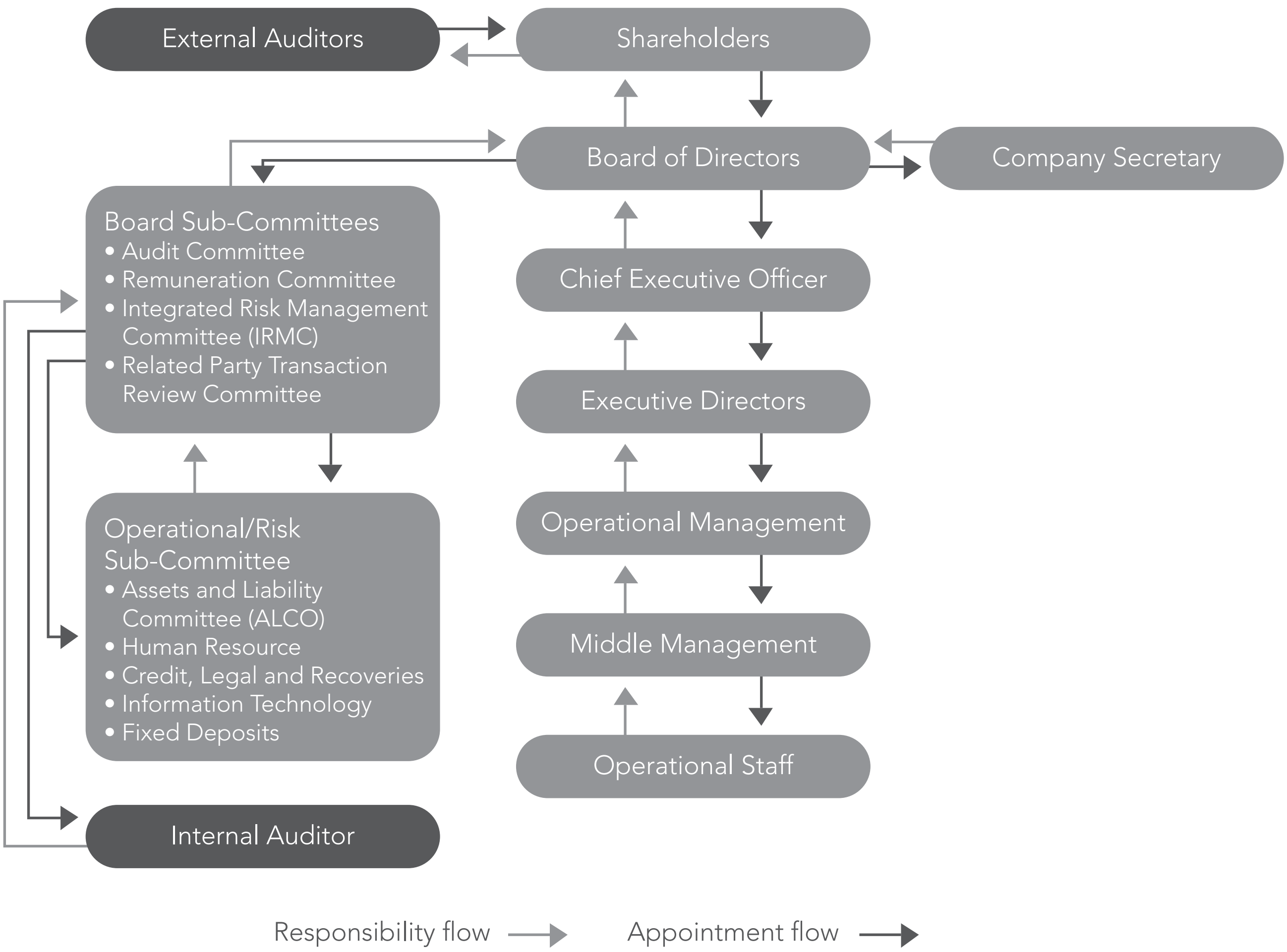
The Board's attention is also given to the proper functioning and effectiveness of the Company's System of Internal Controls, Management Information System (MIS) and Corporate Governance practices. In reviewing the performance of the Company, the Board meets the CEO and Executive Management.

A Statement of Directors' Responsibilities for Financial Reporting is set out in this Annual Report.

Governance Structure



Board Sub-Committees

In accordance with the requirements of the Listing Rules of the Colombo Stock Exchange (CSE) and the related Directives of the Central Bank of Sri Lanka the Board has constituted four Sub-Committees, namely, Board Audit Committee (BAC), Remuneration Committee, Related Party Transaction Review Committee and Integrated Risk Management Committee (IRMC). These Committees are made up of members of the Board and the Operational Management of the Company.

The Board Sub-Committees scrutinise and analyse the areas under their purview and assist and advise the Board of Directors. The Board Sub-Committees obtain information and explanations and any other assistance required from the Management and staff of the Company.

The composition of the Board during the period under review is set out in the table in this section together with a record of the attendance of every Director at Board and Sub-Committee meetings.

Name of the Director	Category	Board		Audit Committee		Remuneration Committee		Integrated Risk Management Committee		Related Party Transaction Review Committee	
		Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend	Eligible to attend	Attend
Mr K J C Perera	Independent Non-Executive	**12**	12	**12**	12	**1**	1	**12**	12	**3**	3
Mr R S Egodage	Executive	**12**	12	Not Applicable		Not Applicable		**12**	12	Not Applicable	
Mrs G R Egodage	Executive	**12**	12	Not Applicable		Not Applicable		Not Applicable		Not Applicable	
Mr I G S K Gunarathne (Resigned w.e.f 28th August 2018)	Non-Executive	**4**	4	**6**	6	**1**	1	**6**	6	**1**	1
Mr M S D Pinto	Independent Non-Executive	**12**	11	**6**	6	**1**	1	**6**	6	**4**	4
Mr E D P Soosaipillai	Independent Non-Executive	**12**	12	**12**	12	Not Applicable		**12**	12	Not Applicable	
Mr P T Fisher	Non-Executive	**12**	11	Not Applicable		Not Applicable		Not Applicable		Not Applicable	
Mr K D Vander Weele	Non-Executive	**12**	10	Not Applicable		Not Applicable		Not Applicable		Not Applicable	
Mr P S R C Chitty	Executive	**12**	12	Not Applicable		Not Applicable		**12**	12	**4**	4
Mr. B. Zschorsch	Non-Executive	**8**	8	Not Applicable		Not Applicable		Not Applicable		Not Applicable	
Mr R R Martin (Resigned w.e.f 14th August 2018)	Non-Executive	**4**	4	Not Applicable		Not Applicable		Not Applicable		Not Applicable	

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Company Secretaries

Jacey & Company provides corporate secretarial services to the Company. The Company Secretaries play a key role in compliance matters by ensuring that the Company complies with the requirements of the Companies Act No. 07 of 2007, the Rules of the Colombo Stock Exchange and other regulatory bodies. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis. Jacey & Company has also been appointed by the Board to function as Secretaries for the Board Sub-Committees.

Operational and Risk Sub-Committees

In order to facilitate the implementation of the policies and various operational decisions made by the Board and the Executive Management, regular meetings are held with the Operational Management team, functional heads and heads of the various branches and service centers of the Company. These meetings focus on achievement of operational targets, resource requirements and underlying processes and risks. Assets and Liabilities Committee (ALCO) and Risk Sub-Committees covering the areas of Fixed Deposits, Human Resources, Information Technology, Credit, Legal and Recoveries have been formed with the intention of identifying and reviewing the related risk aspects of the operations of the Company and actions required to deal with such risks. These Sub-Committees are represented by risk management and operational personnel and meet approximately once in three months. Matters discussed and decisions made are communicated to the Integrated Risk Management Committee (IRMC).

Operational Structure

In order to effectively execute the strategies and plans approved by the Board, the Company has an operational structure which manages its product portfolio and the geographical locations at which it is present. Members of the Executive Management are assigned with responsibilities to manage the specific products and functions of the Company. The next level of management is responsible for delivering of results at regional and at the level of individual locations. Formal lines of communication and reporting flow from the CEO and Executive Director to the Executive Management and from them to the regional and branch management, and then to the operational staff are in place. However, in keeping with the open culture of the Company, all employees have open lines of communication across the organisation where even the most junior staff have direct access to the CEO and the Executive Directors.

Compliance with Legal Requirements

All Directors have access to the advice and services of the Company Secretaries as well as to the financial information of the Company. The Directors make every endeavour to ensure that the Company complies with applicable laws and regulations.

HIGHLIGHTS FOR 2018/19

1. Directors' Retirements during the year and Re-appointment at the Annual General Meeting.

- Mr. Ihala Gamaralalage Samantha Kumara Gunaratne, Non-Executive Director of the Company who was first appointed to the Board on 29 August 2009, was retired after completion of 9 years of service on 28 August 2018.

- Mr. Kalugamage John Cecil Perera , Independent Non-Executive Director of the Company who was first appointed to the Board on 15 March 2011, was re-elected at the Annual General Meeting held on 13 August 2018.

- Mr. Kenneth D. Vander Weele, Non-Executive Director of the Company who was first appointed to the Board on 23 March 2014, was re-elected at the Annual General Meeting held on 13 August 2018.

- Mr. Eugen Duliksha Pratharp Soosaipillai, Independent Non-Executive Director of the Company who was first appointed to the Board on 22 January 2014, was re-elected at the Annual General Meeting held on 13 August 2018.

- Mr. Prasanna Senani Rajiv Casie Chitty, an Executive Director of the Company who was first appointed to the Board on 26 December 2009, was re-elected at the Annual General Meeting held on 13 August 2018.

2. Re-appointment of Auditors
Messrs. Ernst & Young, Chartered Accountants were re-appointed as the Auditors of the Company at the AGM held on 13 August 2018.

3. Re-appointment of Messrs. Ernst & Young, Chartered Accountants for assessment of Corporate Governance and Compliance.

   The Company engaged the services of Messrs. Ernst & Young, Chartered Accountants to seek their assessment of the Company's compliance with the requirements of the Finance Business Act Direction No. 03 of 2008 on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka and subsequent amendments thereto.

4. Re-appointment of Messrs. Ernst & Young, Chartered Accountants for certification on the process adapted by the Directors on the system of Internal Controls over Financial Reporting.

   The Company also engaged the services of Messrs. Ernst & Young, Chartered Accountants to seek an assurance on the process adopted by the Directors on the system of internal control over financial reporting.

The following table indicate the status of compliance on the contents of Annual Report in terms of the listing rules of the CSE Rule No. 7.6.

Rule No	Disclosure Requirement	Section/Reference
7.6 (i)	Names of the Directors who held duties during the financial year	Refer "Report of the Board of Directors on the Affairs of the Company" in this Annual Report.
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year and any changes therein	Refer "Report of the Board of Directors on the Affairs of the Company" in this Annual Report.
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	Refer "Investor Information" in this Annual Report
7.6 (iv)	The public holding percentage	Refer "Investor Information" in this Annual Report
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 "Investor Information" in this Annual Report
7.6 (vi)	Information pertaining to material foreseeable risk factors	Refer "Risk Management and corporate governance" in this Annual Report
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	There were no material issues pertaining to employees and industrial relations.
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Company's land holdings and investment properties	Refer Note 19 and 20 of the Audited Financial Statements in this Annual Report.
7.6 (ix)	Number of shares representing the stated capital	Refer "Investor Information" in this Annual Report
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Refer "Investor Information" in this Annual Report
7.6 (xi)	Ratios and market price information: • **Equity** 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year) • **Debt (only if listed)** 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. The market prices and yield during the year 6. Any changes in credit rating	Refer "Investor Information" in this Annual Report Refer "Investor Information" in this Annual Report

Rule No	Disclosure Requirement	Section/Reference
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	Not Applicable
7.6 (xiii)	Details of funds raised through a Initial Public issue, Rights Issue and private Placement	Not Applicable
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Scheme • Total number of shares allotted during the financial year • Price at which shares were allotted • Highest, lowest & closing price of the share recorded during the financial year • Details of funding granted to employees • (if any)	Not Applicable
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules	Refer "Report of the Board of Directors on the Affairs of the Company", "Report of the Board Audit Committee", "Report of the Remuneration Committee and "Risk Management and Corporate Governance" in this Annual Report.
7.6 (xvi)	Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Not applicable as it has not exceeded the stipulated limit.

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Companies compliance with Direction No. 03 of 2008 on Corporate Governance issued by the Central Bank of Sri Lanka.

Rule Reference	Rule Description	Compliance Status
2. The Responsibilities of the Board of Directors		
2.(1).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;	A three year strategic plan covering financial years 2019 – 2021 that encompasses the strategic objectives and corporate values of the Company prepared by the Management was approved by the Board
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;	The Company's three year strategic plan is based on the overall risk policy and risk management procedures and mechanism approved by the Board
c)	Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	The Board has appointed an Integrated Risk Management Committee (IRMC), which met twelve (12) times during the financial year 2018/2019. The IRMC has appointed Sub-Committees to identify the risks in the areas of Assets and Liabilities Management, Fixed Deposits, Information Technology and Human Resources
d)	Approving a policy of communication with all Stakeholders, including Depositors, Creditors, Share-holders and Borrowers;	A Board approved detailed policy on communication with the relevant Stakeholders is in place. The Company has assigned a designated person to handle communication with all Stakeholders, including Depositors, Creditors, Shareholders and Borrowers
e)	Reviewing the adequacy and the integrity of the finance Company's internal control systems and management information systems;	The Board Audit Committee reviews the adequacy and the integrity of the Company's internal control systems. Minutes of such meetings circulated to the Board. Various reviews have been carried out in relation to the Management Information System (MIS) of the Company by internal and external parties which has been presented to the Board Audit Committee (BAC). Based on the BAC review and recommendation Board has reviewed the adequacy and integrity of MIS

Rule Reference	Rule Description	Compliance Status
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;	Board of Directors (including Chief Executive Officer (CEO) and Chief Operating Officer (COO)) and selected Genius Operations have been designated by the Board as "Key Management Personnel"
g)	Defining the areas of authority and key responsibilities for the Board and for the Key Management Personnel;	Board approved areas of key responsibilities of Board of Directors and Key Management Personnel are in place
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;	The affairs of the Company are reviewed and monitored by the Board of Directors through CEO and it ensures that the Key Management Personnel and other members of the Executive Management exercise appropriate oversight on the activities of the Company
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;	The Board ensures that it periodically assesses its own governance practices including selection, nomination and election of Directors and appointment of Key Management Personnel, management of conflicts of interests and the determination of weaknesses and implement changes where necessary
j)	Ensuring that the finance Company has an appropriate succession plan for Key Management Personnel;	Board approved succession plan for Key Management Personnel is in place
k)	Meeting regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	Members of the Executive Management are invited to Board meetings where they are required to explain matters relating to their areas of responsibility and to assist the Board in reviewing related policies
l)	Understanding the regulatory environment;	The Directors and Key Management Personal are informed of all changes to the regulatory environment
m)	Exercising due diligence in the hiring and oversight of External Auditors	The Board exercised due diligence in hiring and oversight of External Auditors with the assistance of the BAC. The External Auditors are appointed by the Shareholders at the Annual General Meeting
2.(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.	The Chairman and the CEO are appointed by the Board and their functions and responsibilities are separated and further defined and approved by the Board of Directors

Rule Reference	Rule Description	Compliance Status
2.(3)	There shall be a procedure determined by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the 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.	A procedure approved by The Board of Directors to obtain independent professional advice where necessary at the Company's expense is in place
2.(4)	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	A procedure has been put in place to avoid conflicts of interest and Directors abstain from voting when matters in which he or any of his/her relatives or a concern in which he/she has substantial interest is discussed
2.(5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance Company is firmly under its authority.	A formal schedule of matters specifically reserved for the Board is in place
2.(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.	No such situation has arisen in the past or nor is one foreseen in the foreseeable future
2.(7)	The Board shall include in the finance Company's annual report, an annual Corporate Governance Report setting out the compliance with this Direction.	An Annual Corporate Governance Report setting out the compliance with this direction is included in this annual report
2.(8)	The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessments.	A scheme of self-assessment of Directors is in place to be undertaken by each Director annually and the records of such assessments are maintained by the Company Secretary
3. Meetings of the Board		
3.(1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/ papers shall be avoided as far as possible.	Twelve (12) Board meetings were held during the year 2018/19 at approximately monthly intervals and details of Directors' individual attendance are provided under "Corporate Governance" in this annual report. There were 98 instances where the Board's consent has been obtained through circulation of resolutions/papers during the financial year under review, which were subsequently ratified by the Board at their meetings

Rule Reference	Rule Description	Compliance Status
3.(2)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance Company.	Agendas of regular meetings are included with matters and proposals from all Directors with regard to promotion of business and management of risk and other relevant areas of the business of the Company. Further, a Board approved procedure is in place in this regard
3.(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.	Meaningful discussions are facilitated at both Board meetings and other meetings where adequate time and at least 7 days of notice is given to Directors prior to the Board Meeting. Further, sufficient time period is offered in studying the relevant papers and proposals
3.(4)	A Director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended 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.	No such situation has arisen in financial year 2018/2019. Details of Directors' individual attendance are provided under the "Corporate Governance" in this annual report
3.(5)	The Board shall appoint a Company Secretary whose primary responsibilities shall be to handle the secretarial services to the Board and Shareholder meetings and to carry out other functions specified in the statutes and other regulations.	For carrying out the secretarial functions and other functions required by the statutes, the Board has appointed a professional Secretarial Company as the Board Secretary
3.(6)	If the Chairman has delegated to the Company Secretary the function of preparing the agenda for a Board meeting, the Company Secretary shall be responsible for carrying out such function.	The Company Secretary prepares the agenda for the Board meeting and the Chairman approves the same
3.(7)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Such advice and services of Company Secretary are available to all Directors and a Board approved process is in place in this regard
3.(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.	Board minutes are maintained by the Company Secretary and the same is available for Directors' Inspection

Rule Reference	Rule Description	Compliance Status
3.(9)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of 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.	Minutes of the Board meetings are recorded in sufficient details including the requirements mentioned in this section
4. Composition of the Board		
4.(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.	The Board consists of nine (9) Directors as at 31 March 2019
4.(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.	None of the Non-Executive Directors have held office for over nine years

Rule Reference	Rule Description	Compliance Status
4.(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.	There are six (06) Non-Executive Directors and three (03) Executive Directors (including CEO)
4.(4)	With effect from three years commencing 01.01.2009, the number of Independent Non-Executive Directors of the Board shall be at least one fourth of the total number of Directors.	Three (3) out of a total of nine (9) Directors are Independent Non-Executive Directors
4.(5)	In the event an alternate Director is appointed to represent an Independent Non-Executive Director, the person so appointed shall also meet the criteria that apply to the Independent Non-Executive Director.	No such situation has arisen during the financial year 2018/19
4.(6)	Non-Executive Directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	A brief profile of each Director is disclosed in this annual report
4.(7)	With effect from three years from the date of this Direction, a meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless at least one half of the number of Directors that constitute the quorum at such meeting are Non-Executive Directors.	Details of Directors' individual attendance are provided in the "Corporate Governance" section in this annual report. The Board meeting attendance was prepared by the Company Secretary for the financial year 2018/19 evidence the required quorum has been complied with at all Board meetings
4.(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.	The Independent Non-Executive Directors have expressly identified in all corporate communications

Rule Reference	Rule Description	Compliance Status
4.(9)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	The required procedure for appointment of Directors is in place
4.(10)	All Directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first General Meeting after their appointment.	Two (2) Non-Executive Directors were appointed since last AGM & will be reelected at AGM for 2019
4.(11)	If a Director resigns or is removed from office, the Board shall announce to the Shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the Director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant Director's disagreement with the Board, if any.	During the year 2018/19 two (2) Directors tendered their resignations and such resignations were duly communicated to the Shareholders through Colombo Stock Exchange after obtaining necessary approvals from the Department of Supervision of Non – Bank Financial Institutions of the Central Bank of Sri Lanka
5. Criteria to Assess the Fitness and Propriety of Directors		
5.(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.	No Director currently serving on the Board is above the age of seventy (70)
5.(2)	A Director of a finance Company shall not hold office as a Director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance Company. Provided that such Director shall not hold office of a Director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	No Director holds Directorship in more than 20 Companies/Societies/Bodies/Corporates Including Associate Companies and Subsidiaries of the Finance Company. No Director holds Directorship in more than 10 Companies that are classified as Specified Business Entities
6. Delegation of Functions		
6.(1)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board does not delegate matters to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions

Rule Reference	Rule Description	Compliance Status
6.(2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance Company.	The delegation process is periodically reviewed
7. The Chairman and the Chief Executive Officer		
7.(1)	The roles of Chairman and Chief Executive Officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from 2009 January 1.	The roles of Chairman and CEO are separated and held by two different individuals appointed by the Board
7.(2)	The Chairman shall be a Non-Executive Director. In the case where the Chairman is not an Independent Non-Executive Director, the Board shall designate 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.	The Chairman is an Independent Non-Executive Director
7.(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.	The Chairman has no financial or any other relationship with any other member of the Board. One Executive Director of the Company is the spouse of CEO. The names of the Chairman and the CEO are given in this annual report
7.(4)	The Chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	The requirements specified are adhered to by the Chairman in discharging his duties. The self-evaluation process of the Company ensures that the said requirements are fulfilled
7.(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.	The Company Secretary prepares the agenda for the Board meeting and the Chairman approves the same
7.(6)	The Chairman shall ensure that all Directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	The requirement specified are adhered to by the Chairman in discharging his duties
7.(7)	The Chairman shall encourage each Director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance Company.	The requirement specified are adhered to by the Chairman in discharging his duties

Rule Reference	Rule Description	Compliance Status
7.(8)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relationships between Executive and Non-Executive Directors.	The requirement specified are adhered to by the Chairman in discharging his duties
7.(9)	Subject to the transitional provisions contained herein, the Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	The Chairman dose not directly get involved in the supervision of key management personal or any other executive duties.
7.(10)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with Shareholders and that the views of Shareholders are communicated to the Board.	Shareholders are given the opportunity to express their views on matters of interest to them at Annual General Meetings
7.(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.	CEO functions as the apex executive of the Company supported by the Executive Management
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.	The BAC and IRMC have been established and directly report to the Board. The Company Secretary has been appointed to arrange meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the Chairman of the said Committees. The performance, duties and functions of each Committee are included in this Annual Report
8. Audit Committee		
(2) a)	The Chairman of the Committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	The name, qualifications and experience of the Chairman of BAC who is an Independent Non-Executive Director, are given in the profiles of the Board of Directors in this Annual Report
b)	The Board Members appointed to the Committee shall be Non-Executive Directors.	The Board members appointed to the Committee are Non-Executive Directors

Rule Reference	Rule Description	Compliance Status
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.	The Committee makes recommendations to the Board on: • The appointment of the External Auditor for audit services provided in compliance with the relevant statutes; • The implementation of the Central Bank guidelines issued to Auditors from time to time; • The application of the relevant accounting standards; and • The service period, audit fee and any resignation or dismissal of the Auditor The engagement of the audit partner has not exceeded five years
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.	The required functions are performed by the Committee. Refer "Report of the Board Audit Committee" in this annual report

Rule Reference	Rule Description	Compliance Status
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.	A Board approved policy on the engagement of an external auditor to provide non-audit services is in place. The Committee ensures that the external auditors are able to maintain objectivity and independence and are suitable to perform the required non-audit services
f)	The Committee shall, before the audit commences, discuss and 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.	The Committee has discussed the nature and scope of the External Audit with the External Auditor including the matters referred in point No " f "

Rule Reference	Rule Description	Compliance Status
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.	The Committee has process in this regard and reviews all financial information published by the Company with a focus on the areas required under the direction
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.	The Committee met with External Auditors twice (2) in the financial year under review in the absence of Key Management Personnel
i)	The Committee shall review the External Auditor's management letter and the management's response thereto.	The management letter and the management's response is reviewed and oversight given to any corrective actions

Rule Reference	Rule Description	Compliance Status
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; (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;	The Committee reviews and appraises the performance and functions of the internal audit department. The internal audit scope and the procedures are reviewed by the BAC. Internal audit findings of audits carried out during the year were reviewed by the BAC. The appraisal of the head of the internal audit functions is reviewed and approved by the BAC On the recommendation of the BAC, the Board of Directors approved the senior manager – internal audit, to be act as the head of internal audit function. Senior Manager – internal audit reports directly to the BAC and is independent and the audits are performed with impartiality and professional due care
k)	The Committee shall consider the major findings of internal investigations and management's responses thereto;	The Committee considers the major findings of the internal audit department and the management's responses thereto
l)	The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditors may normally attend meetings. Other Board members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least once in six months, the Committee shall meet with the External Auditors without the Executive Directors being present.	The meetings of the Committee are held as required including meeting with the External Auditors without the Executive Directors Two (2) meetings were held as required with the External Auditors without the Executive Directors being present

Rule Reference	Rule Description	Compliance Status
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.	As per the terms of reference of Board Audit Committee, the required authority and resources are available to the Committee
n)	The Committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	There were twelve (12) meetings held by the Committee during the financial year 2018/19 and comprehensive minutes recorded. Refer the "Report of the Board Audit Committee" in this annual report
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.	Such information is discussed in the "Report of the Board Audit Committee" and "Corporate Governance Report" in this annual report of the Company.
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.	Detailed minutes of the meetings are maintained by the Company Secretary who is the Secretary to the Committee
q)	The Committee shall review arrangements by which employees of the finance Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the Committee shall ensure that proper arrangements are in place for 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.	The Committee has in place a procedure by which employees of the Company may raise concerns A Board-approved whistle blower policy and a code of ethics are also in place

Rule Reference	Rule Description	Compliance Status
8. Integrated Risk Management Committee		
(3) 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	Refer the "Report of the Board Integrated Risk Management Committee" in this annual report
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	Risk Sub-Committees such as Assets and Liability Committee, Human resource, Fixed deposits and IT have been formed under the purview of IRMC to assess the risks of the Company. The Company will assess the subsidiary Company risk.
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	The Committee reviews the adequacy and effectiveness of all Management Level Committees
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	Establishing specific quantitative and qualitative risk limits is in progress. Once established, the Committee will review the actual risk indicators which have gone beyond the said limits
e)	The Committee shall meet at least quarterly to assess all aspects of Risk Management including updated business continuity plans	The Committee has met twelve (12) times during the financial year 2018/19. Refer the "Report of the Integrated Risk Management Committee"

Rule Reference	Rule Description	Compliance Status
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-Banking Financial Institutions of the Central Bank of Sri Lanka	Specific risks are identified by relevant Committees such as assets and liability, human resources, fixed deposits and information technology.
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	Minutes of the meetings or Risk assessment reports have been tabled at the Board meetings
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	The Company has appointed a Compliance Officer designated as a KMP approved by the CBSL to carry out the compliance function and report to the committee periodically. Quarterly Compliance reports has been presented to the BIRMC by the Compliance Officer on the compliance with laws, regulations, regulatory guidelines which has been noted by the committee. Compliance officer has obtained confirmations ensuring that the company has complied with approved policies on all areas of business operations.

Rule Reference	Rule Description	Compliance Status
9. Related Party Transactions		
(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) 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 exceeding10% 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	A Board approved policies and procedures in relation to Related Parties & Related Party Transactions are in place.
(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, 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	A Board approved policies and procedures in relation to Related Parties & Related Party Transactions are in place

Rule Reference	Rule Description	Compliance Status
(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 favorable treatment" than that is accorded to other similar constituents of the finance Company. For the purpose of this paragraph, "more favorable 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. (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 counter party; (c) Providing preferential treatment, such as favorable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with un related parties; (d) Providing or obtaining services to or from a related party without a proper evaluation procedure; 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	A detective monitoring system is in place at the Company where the Company extracts quarterly reports on all RPT transactions which has been verified by the Compliance Officer to ensure that the Company does not engage in transactions with Related Parties that are deemed as more favourable treatments. The monitoring mechanism will be further strengthened.

Rule Reference	Rule Description	Compliance Status
10. Disclosures		
10. (1) a)	The Board shall ensure that: 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	The prescribed formats are used in the preparation and publication of Financial Statements
b)	Such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English	Annual audited Financial Statements and semi annual unaudited Financial Statements are published in the newspapers as required
10. Disclosures Made in the Annual Report		
(2) 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	Refer the "Report of the Board of Directors on the Affairs of the Company" in this annual report
b)	A report by the Board on the finance Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements has been done in accordance with relevant accounting principles and regulatory requirements	Refer the "Directors' Statement on Internal Controls over Financial Reporting" in this annual report
c)	The External Auditor's certification on the effectiveness of the internal control mechanism	Refer the "Directors' Statement on Internal Controls over Financial Reporting" in this annual report
d)	Details of Directors, including names, transactions with the finance Company	Refer the "Report of the Board of Directors' on the Affairs of the Company" and Notes to the Financial Statements on Related Party Transactions in this annual report
e)	Fees/remuneration paid by the finance Company to the Directors in aggregate.	Refer the "Report of the Board of Directors' on the Affairs of the Company" and Notes to the Financial Statements on Related Party Transactions in this annual report
f)	Total net accommodation as defined in paragraph 9 (4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance Company's capital funds	Accommodations outstanding as a percentage of the company's capital funds; Directors: NIL KMPs: LKR.21.8 Mn, (0.18 %) Relatives of Directors: NIL Relatives of KMPs: NIL Subsidiaries and Associates: NIL

Rule Reference	Rule Description	Compliance Status
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	Remuneration paid to Key Management Personnel (including Executive Directors) : LKR 243 Mn Accommodations to Key Management Personnel (including executive Directors : LKR 21.8 Mn Deposits made by Key Management (including Executive Directors : LKR 38.9 Mn
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	Refer the "Report of the Board of Directors' on the Affairs of the Company" and "Risk Management" in this annual report
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-Banking 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	In view of the non-compliances and violations with the directions issued under the Finance Business Act No.42 of 2011, the Company has been requested to submit quarterly reports on the progress of rectification to the regulatory authority.
j)	The External Auditor's certification of the compliance with the act and rules and directions issued by the Monetary Board in the annual Corporate Governance Reports published after 01.01.2011	The External Auditors have carried out an agreed upon procedure engagement on Corporate Governance and have issued the factual findings report in this regard

The Company's compliance with 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 (SEC).

ICASL Code Reference	Corporate Governance Principle	Status
A 1	**THE BOARD**	
A.1	Effective Board	As at 31 March 2019 the Board of Directors comprised of 9 members, 6 of whom including the Chairman function as a Non-Executive Director. The members of the Board of Directors consists of professionals in the fields of banking and finance, Management and Law and possess the skills, experience and leadership required to direct, lead and control the company. The Board has appointed several Sub Committees to assist in the discharging of their collective responsibilities.
A 1.1	Regular Board Meetings	The Board met 12 times during the year at approximately monthly intervals. Attendance at Board and Sub Committee meetings are provided on page 87 of this annual report.
A.1.2	Ensure formulation and implementation of a sound strategy and effective systems	
	The Board is responsible to Stakeholders for creating and delivering sustainable shareholder value through management of the company's business. Refer description given in 2.1 (a) and 2.1 (b) of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section.	
A.1.2	Appointing the Chairman and the Senior independent Director if relevant	The Board has appointed the Chairman of the company who is an independent non-executive director.
A.1.2	The CEO and Management team possess the skills, Experience and Knowledge to implement the strategy	The Executive Management consists of competent members who have skills, knowledge and experience to carry out their respective functions effectively. The CEO is responsible in effective implementation of the policies approved by the Board with the assistance of the Executive Management.
A.1.2	Effective Succession Planning for the CEO and Executive Management	A Board approved succession plan for CEO and Executive Management is in place.
A.1.2	Approving budgets and major capital expenditure	Annual budget is approved along with the strategic plan of the Company. Major capital expenditure requires the approval of the Board.

ICASL Code Reference	Corporate Governance Principle	Status
A.1.2	Determining the matters expressly reserved to the Board and those delegated to the management including limits of the authority and financial delegations.	A Board approved formal schedule of matters specifically reserved to the Board for decision is in place.
A.1.2	Ensuring effective systems to secure Integrity of Information, Internal Controls, Business Continuity and Risk management	Board Audit Committee reviews internal audit reports submitted by the internal audit department and monitors the follow up actions. Further, based on the assessment of internal control over financial reporting, Directors conclude that the company's internal control over financial reporting is effective.
A.1.2	Compliance with laws, regulations and ethical standards	The Company has appointed a dedicated Compliance Officer who is a Key Management Personnel to head the compliance function of the company. The Compliance Officer submits to the IRMC a report on the compliance status of the Company on quarterly basis.
A.1.2	Ensuring all Stakeholder interests are considered in corporate decisions	The Board of Directors consider views/impact on all Stakeholders of the Company when decisions are made at board meetings
A.1.2	Recognising sustainable business development in Corporate Strategy, decisions and activities	Sustainable business development is one of the key areas of focus considered by the Board when taking decisions. Please refer to the Company's sustainability report on page 63 of the annual report.
A.1.2	Ensuring that the Company's value and standards are set with emphasis on adopting appropriate accounting standards	The Board Audit Committee and the Board review accounting policies annually to ensure that the financial reporting model of the Company is in line with such policies, financial regulations, evolving international and local accounting standards and industry best practices.
A.1.2	Establishing a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks	The Management monitors budgets on frequency intervals (daily/monthly/quarterly) and is reviewed by the Board of Directors on a monthly basis.
A.1.2	Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company	Annual audited financial statements and quarterly financial statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards.
A.1.2	Fulfilling such other board functions as are vital. Given the scale, nature and complexity of the business concerned	The Board is committed to fulfill its functions in line with the laws, regulation and good governance practices adopted by the company.
A.1.3	Procedure for Directors to obtain independent professional advice at the company's expense	A Board approved policy is in place, enabling Directors to seek and obtain independent professional advice.

Corporate Governance

ICASL Code Reference	Corporate Governance Principle	Status
A.1.4	Directors access to advice and services, appointment and removal of the Company secretary	All Directors have the opportunity to obtain the advice and service of the Company secretary who is responsible for ensuring following up of Board procedures.
A 1.4	Insurance cover for Board of Directors and KMPs	An insurance policy is in place to cover the Board of Directors and KMPs of the Company
A 1.5	All Directors to bring independent judgment to matters submitted to the Board for discussion	All Directors bring their independent judgment to matters discussed at Board meetings.
A 1.6	Every Directors to dedicate adequate time and effort to matters of the Board and Company	Every Director of the Company has dedicated adequate time and effort for the affairs of the Company by attending Board meetings, Board Sub-Committee meetings and by making decisions via circular resolutions.
A 1.7	One third of Directors can call for a resolution to be presented to the Board where they feel it is in best interest to the Company to do so	A Board approved procedure is in place enabling all Directors to include proposals in the agenda.
A 1.8	Training for Directors	The Board of Directors attend for necessary training sessions seminars. During the year under review, there were several knowledge sharing initiatives to inform the Board on the latest trends and developments of the industry and the economy.
A 2	**CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)**	
A 2	Division of responsibilities between Chairman and CEO	The posts of Chairman and CEO of the Company are held by two separate persons and there is a clear division of responsibilities and the Chairman and CEO thereby maintaining the balance of power between two roles
A 3	**CHAIRMAN'S ROLE**	
A 3	Conducting Board proceedings in a proper manner	The Board approved code of corporate governance formally details the role of the Chairman. The Chairman ensures that the affairs of the Board are conducted in an effective manner. The Chairman approves the agenda for each meeting
A 4	**FINANCIAL ACUMEN**	
A4	Availability of financial acumen and knowledge to offer on matters of finance	5 of the 9 Directors of the Board have a finance background ensuring a sufficiency of financial acumen and knowledge within the Board on matters of finance

ICASL Code Reference	Corporate Governance Principle	Status
A 5	**BOARD BALANCE**	
A 5.1	Non-Executive Directors of sufficient caliber and number	6 of the 9 Directors of the Board are Non-Executive Directors. The Chairman is an Independent Non-Executive Director
A 5.3	Independence of Non Executive Directors	3 of the Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
A 5.4/A 5.5	Annual declaration of independence or non independence of Non-Executive Directors	Annual declaration have been obtained from each Non Executive Director as to the status
A 5.6	Executives of the Company shall not be appointed as Alternate Directors of Non-Executive Directors of the Company. Any alternate of an Independent Director should also meet the criteria of independence.	No alternate Directors has appointed for Non-Executive Directors of the Company.
A 5.7/A 5.8	Appointment of Senior Independent Director	The posts of Chairman and CEO of the Company are held by two separate persons
A 5.9	Chairman to meet only with Non- Executive Directors as necessary and at least once each year.	As and when needed the Chairman discusses matters related to the Executive Director only in the presence of Non-Executive Directors.
A 5.10	Directors concerns regarding the matters of the Company, which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes cording of a dissenting view.	Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.
A 6	**SUPPLY OF INFORMATION**	
A 6.1/A 6.2	The Board to be provided appropriate and timely information by management. Agenda, Board Papers and Minutes of previous meetings to be circulated 7 days in advance of a meeting. The minutes of the meeting should ordinarily be provided to Directors at least two weeks after the meeting date.	The management provides comprehensive information including both quantitative and qualitative information for the monthly Board meetings generally 7 days prior to the Board meetings. The Directors also have access to management to obtain further information or clarify any concerns they may have.
A 7	**APPOINTMENTS TO THE BOARD**	
A 7.1/A 7.2	A Nominations Committee to be established to make recommendations on new appointments and should annually assess Board composition against pre-defined criteria of skills and knowledge to ensure that Board appointees are fit and proper.	The Board has established a Nominations Committee to make recommendations on new appointments to the Board.
A 7.3	Disclosure to Shareholders on new appointments to the Board	Disclosures made to Shareholders in terms of the Listing Rules issued by the Colombo Stock Exchange (CSE).

ICASL Code Reference	Corporate Governance Principle	Status
A 8	**RE-ELECTION**	
A 8.1	Non-Executive Directors should be appointed for specified terms and re-election should not be automatic.	As per the article of the Company,1/3 of the Directors should retire at each AGM and be subject to re-election.
A 8.2	All the Directors including Chairman should be subject to election by Shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than at their.	All the Directors who appointed to fill casual vacancies retires at AGM and be subject to re-election.
A 8.3	Resignation of a Director prior to completion of his appointed term, the Director should provide a written communication to the Board with the reasons for resignation.	One Director resigned prior to completion of his term and the relevant communication to the Board was made in relation to said resignation.
A 9	**APPRAISAL OF BOARD AND COMMITTEE PERFORMANCE**	
A.9.1 –A 9.4	The Board should have a formal process to annually appraise itself on its performance and that of its Sub-Committees and should address any matters that may arise from such reviews.	The Board carried out its self-evaluation process in respect of the year ended 31st March 2019. The process was led by the Chairman. All Directors were required to complete a detailed questionnaire. A summary of results of the evaluation was tabled at the Board meeting for the consideration of the Board of Directors.
A 10	**DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS**	
A 10.1	The Annual Report of the Company should set out the information in relation to each Director.	The Annual Report contains the required information to be disclosed in relation to the Directors.
A.11	**APPRAISAL OF THE CEO**	
A. 11.1-A.11.2	Setting Annual Targets and the appraisal of performance of the CEO	The Board sets financial targets at the commencement of each financial year in consultation with CEO. The Remuneration Committee reviews the performance of the CEO against the set targets.
B	**DIRECTORS' REMUNERATION**	
B1.1	Establishment of a Remuneration Committee	The Board has established a Remuneration Committee to develop policy and determine remuneration for the Directors
B1.2 – B1.3	Composition and disclosures related to the Remuneration Committee	The Remuneration Committee consists exclusively of Non-Executive Directors. Please refer page 126 for the report of the Remuneration Committee for more details on the composition and activities carried out by the Committee.

ICASL Code Reference	Corporate Governance Principle	Status
B1.4	Determination of remuneration for Non-Executive Directors	The Remuneration Committee determines the remuneration for Non-Executive Directors.
B1.5	Ability to consult the Chairman and/ or CEO and to seek professional advice by the Committee	The Remuneration Committee has access to professional advice from within and external consultants.
C	**RELATIONSHIP WITH SHAREHOLDERS**	
C 1.1	Notice of the AGM	Notice of the AGM is circulated 15 working days in advance with the Annual Report and Accounts.
C.1.2.	Separate resolutions to be obtained for substantially separate issues and adoption of Annual Report and Accounts	Separate resolutions are obtained for substantially separate matters to provide Shareholders with an opportunity to deal with each significant matter separately.
C.1.4.	Chairpersons of all Board Sub-Committees to be available to respond to questions of any Shareholder at AGM.	The Chairman of the Board functions as the Chairman of IRMC. He ensures that the Chairpersons of the other Board Committees are present at the AGM to answer all queries that may be raised
C.1.5	Adequate notice of all meetings to Shareholders together with the summary of the procedure to be adopted by Shareholders	The notice of meeting and related documents are circulated to the Shareholders 15 working days prior to the AGM.
C 2	**COMMUNICATION WITH SHAREHOLDERS**	
C.2.1	Communication with Shareholders	The Company has in place a communication policy, which sets out many channels of communication to reach all Shareholders of the Company in order to disseminate timely information.
C.2.2 - C.2.3	Disclosure of the policy and methodology for communication with Shareholders and implementation.	The Company has in place a communication policy, which sets out many channels of communication to reach all Shareholders of the Company in order to disseminate timely information.
C.2.4 – C.2.7	The Company to disclose to Shareholders the contact person for communication with Shareholders matters and process of making all Directors aware of Shareholders major concerns/issues.	Details of the contact personnel are provided in the "Corporate Information" section of this report. In addition, Shareholders are encouraged to provide their feedback to the Chairman and/or the Board Secretary.

ICASL Code Reference	Corporate Governance Principle	Status
C.3	**MAJOR AND MATERIAL TRANSACTIONS**	
C 3.1	Disclosure of major and material transactions	During the period of 2018/19, there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007 which materially affected the Company's net asset base. Further, all material transactions will be disclosed in the quarterly /annual Financial Statements as well as the disclosure made to the CSE.
C.3.2	Disclosure requirements and Shareholder approval by special resolution	The Company being a public listed Company complies with the disclosure requirements and Shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission and by the Colombo Stock Exchange as well as the Companies Act and the Company's articles of association.
D	**ACCOUNTABILITY AND AUDIT**	
D.1.1	Present an Annual Report including Financial Statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations	Declarations by the Directors as required by the Code of Best Practice on Corporate Governance are provided in the 'Report of the Board of Directors on the Affairs of the Company'.
D.1.2.	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	The Board is aware of its responsibility to present regulatory and statutory reports in a balanced and understandable manner. Please refer "Statement of Directors Responsibilities for Financial Reporting in this Annual Report.
D1.3	Declarations by the CEO, Chief Financial Officer (CFO) and the Board that the financial statements comply with the appropriate accounting standards and give a true and fair view and that the system of risk management and internal control was operating effectively	Please refer the Chief Executive Officer's and Chief Financial Officer's Responsibility Statement on pages 129 to 130 and the Directors' Statement on Internal Control Over Financial Reporting on page 132.
D.1.4	Declarations by the Directors' in the Directors' Report,	Please refer "Report of the Board of Directors on the Affairs of the Company"
D.1.5	Responsibilities of the Board for preparation of Financial Statements and reporting responsibilities of auditors	Please refer, "Directors Statement of Internal Control Over Financial Reporting"
D. 1.6.	Inclusion of a "Management Discussion and Analysis" report in the Annual Report	Please refer," Management Discussion and Analysis" in this annual report.

ICASL Code Reference	Corporate Governance Principle	Status
D.1.7	Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss in Net Assets and periodically reporting to Shareholders of the progress and remedial actions taken	This situation has not arisen
D.1.8	Disclosure of Related Party Transactions	A detailed Board approved documented process is available and has been circulated to all staff Refer "Related Party Transaction Review Committee Report" in this annual report
D.2	**RISK MANAGEMENT AND INTERNAL CONTROL**	
D.2.1	The Board should conduct an annual review of Risk Management and Internal Controls systems	The Board is responsible for formulating and implementing appropriate and adequate internal control systems. The BAC has responsibility to the Board to ensure that the system of internal controls are sufficient and effective
D.2.2	The Board should carry out a robust assessment of the principal risks facing the Company and manage or mitigate the risks	The Board is responsible for determining the risk appetite for achieving the strategic objectives and formulates and implements appropriate processes for risk management and internal control systems to safeguard Shareholder investments and assets of the Company
D.2.3	The Company should have an internal audit function	The Company has a fully-fledged internal audit function which the BAC has oversight
D.2.4	The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board	The BAC reviewed the internal controls and procedures at twelve meetings held during the year
D.2.5	The Schedule to this Code contains guidance on the responsibilities of Directors in maintaining a sound system of internal control and the contents of the Statement of Internal Control	Please refer "Directors' Statement of Internal Control Over Financial Reporting" in this annual report.

ICASL Code Reference	Corporate Governance Principle	Status
D.3	**AUDIT COMMITTEE**	
D.3.1	Composition of Audit Committee	The Board Audit Committee consists of three Independent Non-Executive Directors including the Chairman of the Committee. Members are selected to provide a broad set of financial, commercial and other relevant experience to meet the Committee's objectives. The Chairman has relevant experience in financial reporting and control.
D.3.2	Terms of reference of the Audit Committee	Board approved terms of reference is in place. This clearly explains the purpose of the Committee, its duties and responsibilities together with the scope and functions of the Committee. The Committee mainly deals with matters pertaining to statutory and regulatory compliance in financial reporting, and matters with regard to the External Auditors and Internal Audit.
D.3.3	Disclosures regarding Audit Committee.	Please refer the Report of Board Audit Committee in this annual report.
D.4	**RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**	
D.4.1	A Related Party and Related Party Transactions will be as defined in LKAS 24.	Board approved related party policy which ensures that necessary processes are implemented by the Company to identify, approve, monitor and disclose related party transactions as required under • Corporate Governance Direction No. 3 of 2008 (as amended) • Section 9 of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions. • Identification and disclosure requirements in accordance with LKAS 24 • Companies Act No 7 of 2007

ICASL Code Reference	Corporate Governance Principle	Status
D.4.2	Composition of the Related Party Transactions Review Committee	In terms of Section 9 of the Listing Rules issued by Colombo Stock Exchange (CSE) the Company has constituted a Board appointed Related Party Transactions Review (RPTR) Committee. The RPTR Committee consists two Independent Non-Executive Directors and one Executive Director
D.4.3	Terms of Reference of the Related Party Transactions Review Committee	A Board approved terms of reference for Related Party Transaction Review Committee is in place
D.5	**CODE OF BUSINESS CONDUCT AND ETHICS**	
D.5.1	Code of Conduct to be developed for Directors and Senior Management	A Board approved Ethical framework is in place
D.5.2	Process to ensure that material and price sensitive information is promptly identified and reported	The Company Secretary identify and report price sensitive information to Company Secretary
D 6.	**CORPORATE GOVERNANCE DISCLOSURES**	
D.6.1	Disclosure of Corporate Governance	Please refer Report of Corporate Governance in this annual report
E.	**INSTITUTIONAL INVESTORS**	
E. 1.1	Regular and structured dialogue with Shareholders	All Shareholders are encouraged to participate at General Meetings and cast their votes. The AGM is used as an effective channel to create a dialogue between the Shareholders and the Board of Directors.
E.2	Evaluating of governance disclosures	Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition.
F.	**OTHER INVESTORS**	
F.1	Encourage the Individual Shareholders, to carry out adequate analysis or seek independent advice for decisions making when investing or divesting directly in shares of the company.	The Annual Report contains sufficient information for a potential investor to carry out his/her own analysis.
F.2	Encourage Voting by Individual Shareholders in General Meetings	Individual Shareholders are encouraged to participate at the Annual General Meetings of the Company and exercise their voting rights.

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

The Directors have the pleasure in presenting to the shareholders the Annual Report of the Board of Directors for the Year Ended 31st March, 2019.

This Report contains information required by Section 168 of the Companies Act No. 7 of 2007 and other necessary information required by the Listing Rules of Colombo Stock Exchange.

Principal Activities

The principal activities of the Company were acceptance of deposits, granting lease facilities, hire purchase, personal loans, micro loans, pawning, other credit facilities and related services.

Changes to the Nature of Business

There were no significant changes to the principal activities of the company during the financial year ended 31st March, 2019.

Financial Statements

The Financial Statements for the year ended 31st March, 2019 are set out in this Annual Report.

Auditors' Report

The Auditors of the Company Messrs Ernst & Young, Chartered Accountants have carried out an audit on the Financial Statements prepared for the year ended 31st March, 2019 which is set out in this Annual Report.

Director's Responsibility for the Financial Statements

The Directors are responsible for preparing and presenting the Financial Statements, which are set-out in this Annual Report. The Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka and the Companies Act No.7 of 2007.

The Directors are satisfied that the Financial Statements give a true and fair view of the state of affairs of the Company as well as the profit for the year then ended.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages149 to 241 as required by section 168 (1) (d) of the Companies Act.

The accounting policies adopted in the preparation of the Financial Statements are given in this Annual Report under Notes to the Financial Statements. The Directors consider that, in preparing these Financial Statements, suitable accounting policies have been used which are applied consistently and supported by reasonable and prudent judgment and that all applicable accounting standards have been followed. The Financial Statements are prepared on a Going Concern basis.

Corporate Governance

A description of the Company's Corporate Governance practices is set out in this Annual Report.

Directorate

The names of the Directors as at date are indicated under Corporate Information in this annual report.

The changes to the Directorate during the year under review are indicated below:

- Mr. B.B. Zschorsch (Appointed w.e.f. 25th May, 2018)
- Mr. R.R. Martin (Resigned w.e.f. 14th August, 2018)
- Mr. I.G.S.K. Gunaratne (Resigned w.e.f. 28th August, 2018)
- Mr. L.L.S. Wickramasinghe (Appointed w.e.f. 26th June, 2019)
- In terms of Article 24 (2) of the Articles of Association of the Company, Mr. B.B. Zschorsch, Director, retires and being eligible is recommended by the Board of Directors for election by the Members at the Annual General Meeting for the year 2019.
- In terms of Article 24 (2) of the Articles of Association of the Company Mr. L.L.S. Wickramasinghe, Director, retires and being eligible is recommended by the Board of Directors for election by the Members at the Annual General Meeting for the year 2019.
- In terms of Article 24 (2) of the Articles of Association of the Company, Mr. A.J.P. Dufes, Director, retires and being eligible is recommended by the Board of Directors for election by the Members at the Annual General Meeting for the year 2019.
- In terms of Article 24 (6) of the Articles of Association of the company, Mr. K.D. Vander Weele, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2019.
- In terms of Article 24 (6) of the Articles of Association of the company, Mr. P.T. Fisher, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2019.

- In terms of Article 24 (6) of the Articles of Association of the company, Mr. M.S.D. Pinto, Director, retires by rotation and being eligible is recommended by the Board of Directors for re-election by the Members at the Annual General Meeting for the year 2019.

Board Sub-Committees

The following Board Sub-Committees have been established by the Company:

Audit Committee

Mr. E.D.P. Soosaipillai - Chairman

Mr. K.J.C. Perera

Mr. M.S.D. Pinto

Remuneration Committee:

Mr. M.S.D. Pinto - Chairman

Mr. K.J.C. Perera

Integrated Risk Management Committee

Mr. K.J.C. Perera - Chairman

Mr. M.S.D. Pinto

Mr. E.D.P. Soosaipillai

Mr. P.S.R.C. Chitty

Mr. R.S. Egodage

Related Party Transactions Review Committee

Mr. M.S.D. Pinto - Chairman

Mr. K.J.C. Perera

Mr. P.S.R.C. Chitty

The Functions/Responsibilities and Reports of the Board Audit, Remuneration, Integrated Risk Management and Related Party Transactions Review Sub-Committees are set out in this Annual Report.

Related Party Transactions

A Board approved Related Party Transactions Review Policy has been adopted and a Related Party Transactions Review Committee formed by the Board of Directors in compliance with the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange, and in line with the Sri Lanka Accounting Standards (LKAS 24) and the Directions issued by the Central Bank of Sri Lanka.

The Directors and Key Management Personnel of the Company have disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24 - 'Related Party Disclosures' which is adopted in the preparation of the Financial Statements. Those transactions disclosed by the Directors are given in Note 53 to the Financial Statements.

Interest Register

An Interest Register is being maintained by the Company as required in terms of the Companies Act No. 7 of 2007.

Directors' interest in contracts or proposed contracts with the company is as follows

Name	Fixed deposit accepted during the year (Rs.)	Fixed deposit outstanding as at 31 March 2019 (Rs.)	Interest paid
(LKR)			
Mr. R.S. Egodage	-	208,479	19,267
Mrs. G. R. Egodage	-	7,660,000	1,080,994

Directors' Shareholding

The shares held by the Directors at the beginning and at the end of the financial year were as follows. (The Articles of Association of the Company do not stipulate a share qualification for Directors):

Directors	31.03.2019	31.03.2018
Mr. K.J.C. Perera	NIL	NIL
Mr. R.S. Egodage	NIL	NIL
Mrs. G. R. Egodage	NIL	NIL
Mr. M.S.D. Pinto	42,000	42,000
Mr. E.D.P. Soosaipillai	NIL	NIL
Mr. P.T. Fisher	NIL	NIL
Mr. K.D.Vander Weele	NIL	NIL
Mr. P.S.R.C. Chitty	429,808	429,808
Mr. B.B. Zschorsch	NIL	NIL
Mr. A.J.P. Dufes	NIL	NIL

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

Directors' Fees and Emoluments

Directors' fees and emoluments for the financial year ended 31st March, 2019, is Rs. 6,112,040/- (2018 – Rs. 8,551,500/-)

Donations

During the year the Company has made Rs. 4,026,761/- as charitable contributions (2018 – Rs. 5,877,206/-)

Property, plant & equipment

The details of the Property, plant & equipment of the Company, additions during the year and the depreciation charges for the year are shown in Note No. 20 to the Financial Statements. The Directors consider the market value of the Property, plant & equipment as at 31st March, 2019 not to be significantly different to the amounts disclosed.

Stated Capital

The Stated Capital of the Company remains at Rs. 2,150,640,315/- consisting of 318,074,365 Ordinary (Voting) Shares. The Shares of the Company are listed on the Colombo Stock Exchange.

Shareholders

The total Shareholder base of the Company as at 31st March, 2019 was 1564 (2018 – 1607). The distribution of the shareholding and a list of the 20 major Shareholders are given under Investor Information in this Annual Report.

The Directors obtained a Report in terms of Section 56 (2) of the Companies Act No.7 of 2007 from the Company's Auditors confirming that the Company will, immediately after the payment of the above Interim Dividend satisfy the Solvency Test.

The Directors recommend the payment of a Final Dividend of Rs. 1/- per Share for the financial year ended 31st March 2019.

The Directors have taken appropriate measures to obtain a Report in terms of Section 56 (2) of the Companies Act No.7 of 2007 from the Company's Auditors confirming that the Company will, immediately after the payment of the above Final Dividend satisfy the Solvency Test.

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.

Post Balance Sheet Events

The Directors recommend subject to the approval from Shareholders at the Annual General Meeting, a final cash dividend of Rs. 1/- per share to be paid for the financial year ended 31st March 2019.

Compliance

We certify that the Company complies with the prudential requirements, regulations, laws and internal controls and are taking measures to rectify any non-compliance.

Auditors

The Financial Statements for the period under review have been audited by Messrs Ernst & Young, Chartered Accountants. Rs. 5,601,750/- has been paid as Audit Fee and other Assurance Services for the year ended 31st March, 2019. (2018 – Rs. 5,601,750/-)

A resolution re-appointing Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Auditors' Relationship with the Company

Messrs Ernst & Young, Chartered Accountants, also provided non-audit services, in relation to LKR 3,197,002/- during the year ended 31st March, 2019, 2018- LKR 2,591,871/-

By Order Of the Board

Sgd.

JACEY & COMPANY
Secretaries

K.J.C. Perera
Director

R.S. Egodage
Director

22nd July 2019

Report of the Board Audit Committee

The Audit Committee comprising of three Independent Non-Executive Directors, assists the Board of Directors in fulfilling its responsibilities in relation to the oversight of the Company's Accounting and Financial Reporting, and in ensuring that the Company's processes related to Internal Control is adequate. The Committee also reviews the independence of External Auditors, and the scope, results and effectiveness of their activities. The Management is responsible for the preparation, presentation and integrity of the Financial Statements of the Company, the design and implementation of Internal Controls and procedures to assure compliance with accounting standards, applicable laws, regulations and best practice.

In discharging its responsibilities, the Audit Committee also:

- Makes recommendations on matters connected with the appointment of the External Auditors, implementation of Central Bank's guidelines issued to Auditors, application of relevant accounting standards and other matters connected with the Auditors of the Company such as audit fees, limitation on service period of the Audit Partner and resignation or dismissal of Auditors.
- Monitors the External Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and best practices. The Committee is also required to discuss and agree with the External Auditors on the nature and the scope of the audit before its commencement.
- Develops and implements a policy with the approval of the Board on the engagement of an External Auditor to provide non-audit services in accordance with the applicable regulations, guidelines and best practice.
- Reviews the financial information of the Company in order to monitor the integrity of the Financial Statements and other reports issued by the Company in terms of various disclosure requirements
- Reviews the adequacy of the scope, functions, resources and authority of the Internal Audit function of the Company.

The Audit Committee is comprised of three Members who are Independent Non-Executive Directors of the Company, namely, Mr. E.D.P. Soosaipillai – Chairman, Mr. K.J.C. Perera and Mr. M.S.D. Pinto .

The Company has an Internal Audit Function that reports to the Audit Committee on matters of internal control compliance. The charter of the Internal Audit Department is approved by the Audit Committee. The Head of Internal Audit together with his senior staff are invited to participate at Audit Committee Meetings together with the Company's External Auditors, Chief Operating Officer, Compliance Officer and the Chief Financial Officer. Members of the Operational Management are also invited to participate as deemed necessary.

The Internal Audit Department presents a summary of the findings of all Internal Audits and investigations carried out to the Audit Committee periodically. Internal Audit findings are reviewed by the Committee and where necessary corrective action is recommended, the implementation by the management of which, is monitored by the Committee.

The Audit Committee also discusses reports of internal and external audits carried out and the findings of such reviews and advice given to the Management where applicable to monitor and control such issues to prevent repeat findings. The Company's quarterly and annual Financial Statements are also reviewed and discussed at these Meetings with the Management and the External Auditors prior to publication thereof. The Committee reviewed the Management Letters issued by the External Auditor, the Management responses thereto and attended to matters specifically addressed to them.

The Committee meets with the External Auditors and discusses issues arising from the audit and corrective actions taken.

Minutes of the Audit Committee Meetings are circulated to the Board and any matters arising therein are discussed at Board Meetings. Twelve (12) Meetings of the Committee were held during the period under review and attendance of these Meetings are given in this Annual Report.

The Audit Committee reviewed and discussed the audited Financial Statements of the Company for the year ended 31st March 2019, with the Management and the External Auditors to the Company, and has recommended the same to the Board for approval for inclusion in the Company's Annual Report.

The Committee reviews the other services provided by the External Auditor to the Company, to ensure their independence is not impaired. The Audit Committee has recommended to the Board of Directors that Messrs. Ernst &Young, Chartered Accountants be re-appointed as Auditors to the Company for the financial year ending 31st March 2020 subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

E.D.P.Soosaipillai
Chairman – Audit Committee

22nd July 2019

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Report of the Remuneration Committee

The Remuneration Committee ("Committee") appointed by the Board, comprises of two Independent Non-Executive Directors, Mr. M.S.D. Pinto (Chairman of the Committee) and Mr. K.J.C. Perera are responsible for reviewing the performance of the Chief Executive Officer and Executive Directors and to recommend appropriate remuneration benefits and other payments within the existing approved framework.

The primary objective of the Committee is to ensure that the remuneration policy attracts, retains and motivates the Executive Directors and link rewards to corporate performance. In setting remuneration levels, the Committee takes into consideration the market rates and practices of other quoted and industry peer companies of similar size and scope. The Committee considers that it is important that significant proportion of the Executive Directors' total remuneration package is linked to corporate performance.

The minutes of the Committee meetings are circulated to members of the Board. The recommendations made by the Committee are discussed at Board meetings and the final determination based on such recommendations is made by the Board of Directors.

One (1) meeting of the Committee held during the period under review.

The aggregate remuneration paid to the Directors during the period under review is set out as a note to the Financial Statements, contained in this annual report.

M.S.D. Pinto
Chairman - Remuneration Committee

22nd July 2019

Report of the Related Party Transactions Review Committee

The Board Related Party Transactions Review Committee (the Committee) of the company was established by the Board of Directors on 22nd September 2015 in accordance with Section 9 of the listing rules of the Colombo Stock Exchange to ensure compliance with those rules thereby enhancing the Company's internal control mechanisms.

COMPOSITION OF THE COMMITTEE

The Committee was appointed by the Board of Directors of the Company. As at 31st march 2019, it comprised the following Directors:

- **Mr. M.S.D. Pinto**
  Independent Non-Executive Director - Chairman
- **Mr. K.J.C. Perera**
  Independent Non-Executive Director
- **Mr. P.S.R.C. Chitty**
  Executive Director/Chief Operating officer

PURPOSE OF THE COMMITTEE

The purpose of the Committee is to provide independent review, approval and oversight of all proposed Related Party Transactions.

SCOPE OF THE COMMITTEE INCLUDES:

- To manage relationships with related parties to uphold good governance and the best interests of the Company
- To provide an independent review, approval and oversight of Related Party Transactions (except those expressly exempted by the Charter) on terms set forth in greater detail in the Policy
- To review the Charter and Policy at least annually and recommend amendments to the Charter and the Policy to the Board as and when determined to be appropriate by the Committee
- Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company
- Ensuring that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/ regulations are made in a timely and detailed manner.

POLICIES AND PROCEDURES

The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons/entities who shall be considered as 'related parties' has been identified. In accordance with the RPT Policy, self-declarations are obtained from each Key Management Personnel for the purpose of identifying parties related to them.

Based on the information furnished in these declarations, the Company has developed a system that enable to retrieve data on related party transactions throughout the Company's network and Committee is working with the management to continuously improve such system to identify and report related party transactions.

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. There were no non-recurrent related party transactions that required to communicate to Colombo Stock Exchange. All the recurrent related party transactions that exceeded respective thresholds were disclosed under Note No. 50 "Related Party Transactions" in the Audited Financial Statements of this annual report.

MEETINGS

During the financial year, the Committee met four (4) times.

M.S.D Pinto
Chairman Related Party Transaction Review Committee

22nd July 2019

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Report of the Board Integrated Risk Management Committee

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. The Corporate Management is responsible for identifying relevant risks and notifying the IRMC who will in turn make decisions on behalf of the Board within the framework of the authority and responsibility assigned by the Board. The IRMC is made up of three Non-Executive Directors, Executive Directors, Chief Executive Officer and Members of the Corporate Management supervising broad risk categories. During the year under review the IRMC was made up of the following:

- **Mr. K.J.C. Perera**
  Independent Non-Executive Director - Chairman

- **Mr. E.D.P. Soosaipillai**
  Independent Non-Executive Director

- **Mr. M.S.D. Pinto**
  Independent Non-Executive Director
  (Appointed with effect from 19th Sept 2018)

- **Mr. I.G.S.K. Gunaratne**
  Independent Non-Executive Director
  (Resigned on 28th August 2018)

- **Mr. R.S. Egodage**
  Executive Director/Chief Executive officer

- **Mr. P.S.R.C. Chitty**
  Executive Director/Chief Operating officer

Twelve (12) Meetings of the IRMC were held during the period under review and attendance of the Directors at these meetings is given in this Annual Report. The IRMC mainly discusses matters related to Risk Management of the Company and matters arising from minutes of the meetings of SubCommittees formed under its purview (i.e Asset and Liability, Fixed Deposits, Human Resources, IT and Credit, Legal and Recoveries). The Board is briefed on matters discussed at IRMC Meetings. The role of the IRMC covers the following areas:

- Assess all risks, i.e, credit, market, liquidity, operational and reputational on a continuous basis through risk indicators and management information.
- Review the adequacy and effectiveness of all Management Level Committees in addressing specific risks and the management of those risks within qualitative and quantitative risk limits as required by the IRMC.
- Take prompt corrective action to mitigate the effects of specific risks in case such risks are at a level beyond the prudent levels as viewed by the Committee.
- Assess all aspects of Risk Management including business continuity plans on a timely basis.
- Take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions.
- The Board is briefed on matters discussed at the IRMC seeking the Board's views, concurrence and specific directions.
- Assess the compliance function to ascertain the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business Operations.

K.J.C. Perera
Chairman – Integrated Risk Management Committee

22nd July 2019

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of the Commercial Credit and Finance PLC (Company) and the Consolidated Financial Statements of the Company and its Group Companies (the Group) as at 31 March 2019 are prepared and presented in compliance with the following regulatory requirements:

I. Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
II. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
III. Companies Act No. 07 of 2007
IV. Finance Business Act No 42 of 2011
V. Directions, circulars and guidelines issued to Licensed Finance Companies by the Central Bank of Sri Lanka
VI. Listing Rules of the Colombo Stock Exchange
VII. The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2017)

The Accounting Policies of the Company and the Group are in compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) issued by The Institute of Chartered Accountants of Sri Lanka. The annual Financial Statements of the Company and the Group have been prepared based on the new accounting policies and methods which have been revised in line with the requirements of SLFRS 9 -Financial Instruments. The Company complied with LKAS -39, Financial Instruments: Recognition and measurements up to 31 March 2018, in the preparation of its annual Financial Statements. In order to recognise the impact on the transition, the Company has adopted the modified retrospective approach in line with note no.06 Transition, of SLFRS 9-Financial Instruments.

Accordingly, the transitional impact on the adoption of SLFRS 9 on the financial performance as at 31 March 2018, has been reflected in the opening equity balance as at 01 April 2018.

The comparative figures for the year ended 31 March 2018 remains as audited and published. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation, in line with the applicable accounting standards.

All significant items have been disclosed and explained by way of Notes to the Financial Statements. We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Statement of Profit or Loss and the Cash Flows of the Company and the Group for the year. We also believe that the Company and the Group have adequate resources to continue its operations in the foreseeable future and accordingly adopt the going concern basis for the preparation of the Financial Statements.

Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the External Auditors.

The Board of Directors and the Management of the Company and the Group accept responsibility for the integrity and the objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; in order that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Company and the Group is reasonably presented. To ensure this, the Company and the Group have taken proper and sufficient care in implementing internal control systems, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The Internal Auditor of the Company and the Group has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal control and accounting.

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its Group companies were audited by Messrs Ernst & Young, Chartered Accountants. The Report issued by them is available on page 136 to 138 of this Report. The audit and non-audit services provided by Messrs Ernst & Young are approved by the Board Audit Committee, to ensure that the provision of such services does not contravene with the guidelines issued by the Central Bank of Sri Lanka or impair Messrs Ernst & Young's independence.

The Board Audit Committee reviews the adequacy and effectiveness of the Internal Control Systems including the effectiveness of the internal controls over financial reporting to provide reasonable assurance that all transactions are accurately and completely recorded in the books of account and the processes by which compliance with Sri Lanka Accounting Standards including SLFRS/LKAS and other regulatory provisions relating to financial reporting and disclosures are ensured. The Board Audit Committee Report is available on pages 129 to 130 to ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

We confirm to the best of our knowledge that

- The Company and the Group have complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the Company and the Group other than those disclosed in Note 51.1 of the Financial Statements section of this Report;
- All taxes, duties, levies and all statutory payments by the Company and the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group as at the reporting date have been paid, or where relevant provided for.

Janaka Deshapriya
Chief Financial Officer

Roshan Egodage
Director/Chief Executive Officer

22nd July 2019

Statement of Directors' Responsibilities for Financial Reporting

In compliance with the Finance Companies Direction No. 03 of 2008, Section 10.2 (b), the Board of Directors present this report on Internal Control over financial reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of all aspects of Internal Control at the Commercial Credit and Finance PLC. ("Company").

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

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

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over financial reporting. The Management has documented the system of Internal Control over financial reporting. In assessing the Internal Control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company.

In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS, progressive improvements in processes to comply with requirements of recognition, measurement, classification and disclosure were made whilst further strengthening of processes namely, review of disclosures with regard to financial risk management and Related Party Transactions which are being progressively improved.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors have submitted a certification of the process adopted by the Directors on the system of Internal Control over financial reporting. Matters highlighted by the External Auditors in this respect, are being addressed by the Company.

By order of the Board,

K.J.C. Perera
Chairman

R.S. Egodage
Director/Chief Executive Officer

E.D.P. Soosaipillai
Director/Chairman Audit Committee

22nd July 2019

Directors Statement on Internal Control over Financial Reporting

In compliance with the section 10 (2) (b) of the finance companies direction no. 3 of 2008, as amended by Finance Companies (Corporate Governance amendment) Direction no.06 of 2013, the Board of Directors present this report on internal control over financial reporting. The Board of Directors ("Board") is responsible for the adequacy and effectiveness of all aspects of internal control at the commercial credit and finance PLC. ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of internal control over financial reporting. The process is regularly reviewed by the Board.

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

The Management assists the Board in the implementation of the Board's policies and procedures pertaining to internal control over financial reporting. The Management has documented the system of internal control over financial reporting. In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company.

In adopting Sri Lanka Accounting Standards comprising LKAS and SLFRS, progressive improvements in processes to comply with requirements of recognition, measurement, classification and disclosure were made whilst further strengthening of processes namely review of disclosures with regard to financial risk management and Related Party Transactions which are being progressively improved.

The Board has considered the requirements of the Sri Lanka Accounting Standard "SLFRS 9 – Financial Instruments" which has been adopted by the Company from 01st April 2018. This standard has significant impact on the calculation of impairment of financial instruments on an "expected credit loss model" compared to the "incurred credit loss model" which was applied until 31 March 2018 under the Sri Lanka Accounting Standards "LKAS 39 – Financial Instruments – Recognition and Measurement".

The Company performed its impact assessment of adopting SLFRS 9 in the year 2018 and has been progressively improving the required procedures, financial models and underlying data used in its impairment calculations. The board will continuously strengthen the processes and controls around management information systems and reports required for validation and compliance in line with SLFRS 9

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors have submitted a certification of the process adopted by the Directors on the system of internal control over financial reporting. Matters highlighted by the External Auditors in this respect, are being addressed by the Company.

By order of the Board,

K.J.C. Perera
Chairman

R.S. Egodage
Director/Chief Executive Officer

E.D.P. Soosaipillai
Director/Chairman Audit Committee

26th June, 2019

Building a better working world

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BW/WDPL/JE

INDEPENDENT ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF COMMERCIAL CREDIT AND FINANCE PLC

Report on the Director's Statement on Internal Control

We were engaged by the Board of Directors of Commercial Credit & Finance PLC (the "Company") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") included in the annual report for the year ended 31 March 2019.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 10 (2) (b) of the Finance Companies (Corporate Governance) Direction no. 3 of 2008/ section 10 (2) (b) of the Finance Leasing (Corporate Governance) Direction no. 4 of 2009, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

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

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

Our responsibilities and compliance with SLSAE 3051

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

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

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

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

Summary of work performed

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

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

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

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

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

Our conclusion

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

Ernst & Young

26th June, 2019

Colombo

FINANCIAL INFORMATION

Independent Auditors' Report

Building a better working world

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TO THE SHAREHOLDERS OF COMMERCIAL CREDIT AND FINANCE PLC

Report on the audit of the financial statements

Opinion

We have audited the Financial Statements of Commercial Credit and Finance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters common to both Group and Company

Key Audit Matter	How our audit addressed the KAM
1. Allowance for impairment of loans, leases and stock out on hire includ-ing Group's Transition to SLFRS 9	
Our audit considered impairment allowance for loans, leases and stock out on hire as a key audit matter. The materiality of the reported amounts for loans to & advances from other customers (and impairment allowance thereof), the subjectivity associated with management's impairment estimation and transition to Sri Lanka Financial Reporting Standard 9 : Financial Instruments (SLFRS 9) underpinned our basis for considering it as a Key Audit Matter. As at 31 March 2019, 79% of its total assets of the Group consisted of loans & advances and receivable from lease & stock out on hire amounting to LKR. 24,000,337,936 and LKR. 46,081,967,199 respectively (Note 10 and 11), net of impairment allowance of LKR. 3,379,800,584 and LKR. 1,967,945,330 (Note 10 and 11). The impact on transition to SLFRS 9 on the Group's Financial Statements has been quantified and presented in Note 6 of the Financial statements.	To assess the reasonableness of the allowance for impairment, our audit procedures focused on assessing the reasonability of allowance for impairment, included the following procedures; • we evaluated the design effectiveness of key internal controls over estimation of impairment for Lease, Loan and other receivable, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management. • we test-checked the underlying calculations and data used in such calculations. • in addition to the above, following focused procedures were performed:

Key Audit Matter	How our audit addressed the KAM
	For those individually assessed for impairment: - we assessed the main criteria used by the management for determining whether an impairment event had occurred - where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held. - we compared the actual recoveries against previously estimated amounts of future recoveries. For those collectively assessed for impairment: - we tested the completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in IT systems. - by using a set of procedures similar to those enumerated above, we validated the quantitative impact of transition. - we assessed the adequacy of the related financial statement disclosures as set out in note(s) 6, 10 and 11 of the financial statements
2. Valuation of Investment Properties	
As at reporting date 31 March 2019, Investment Properties carried at fair value, amounted to LKR 1,448,351,320. The fair value of such property was determined by external valuers engaged by the Group. The valuation of Investment Properties was significant to our audit due to the use of significant estimates which require significant judgement. Details of the valuation methodology and key inputs used in the valuation are disclosed in note 18 to the consolidated financial statements.	Our audit procedures focused on the valuations performed by external valuers engaged by the Group, and included the following; • evaluating the competence, capabilities and objectivity of the Valuers; • Read the external valuer's report and understood the key estimates made and the approach taken by the valuers in determining the valuation of each property • Engaged our internal specialised resources to assess the reasonableness of the valuation technique, per perch price and value per square foot We also assessed the adequacy of the disclosures made in note 19 to the financial statements relating to the valuation technique and estimates used by the external valuers.

Other Information included in the 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 have 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 the management and those charged with governance

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 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 internal controls of the Company and the Group.
- 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 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 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 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 2440.

26 June 2019

Colombo

Statement of Financial Position

As at 31st March 2019

		Company		Group	
		2019	2018	2019	2018
	Notes	LKR	LKR	LKR	LKR
Assets					
Cash and bank balances	7	1,748,596,904	1,695,964,449	2,340,080,214	1,746,910,928
Reverse repurchase agreements		3,662,522,772	2,210,648,881	3,787,893,629	2,302,257,521
Placements with banks	8	3,603,184,738	2,284,987,693	3,513,125,045	2,014,315,126
Financial assets recognised through profit or loss - measured at fair value	9	2,112,157,240	2,646,859,663	2,116,671,777	2,646,859,663
Financial assets at amortised cost					
Loans and receivables	10	23,704,115,396	35,198,129,656	24,000,337,936	35,720,435,557
Lease rentals receivable & stocks out on hire	11	37,150,447,901	31,707,315,784	46,081,967,198	38,310,314,585
Debt & other instruments	12	187,244,522	-	187,244,522	-
Financial Investments - Available for sale	13	-	182,510,479	-	245,706,559
Financial assets at fair value through other comprehensive income	13	4,310,479	-	63,107,921	-
Other financial assets	14	630,157,553	712,714,972	630,157,553	712,714,972
Inventories	15	77,133,325	128,327,562	77,133,325	128,327,562
Other assets	16	314,795,373	242,503,478	381,805,639	299,480,930
Investments in subsidiary	17	1,599,288,321	1,599,288,321	-	-
Investments in associate	18	390,000,000	-	379,914,143	-
Investment property	19	1,448,351,320	1,983,431,494	1,448,351,320	1,983,431,494
Property, plant and equipment	20	3,059,953,319	1,765,510,672	3,131,138,603	1,812,095,231
Intangible assets & goodwill	21	176,116,081	166,427,661	941,044,854	923,466,906
Prepaid rent	22	8,065,102	8,187,907	8,065,102	8,187,907
Current tax assets		234,306,485	-	54,594,333	-
Deferred tax assets	29	-	1,260,138,949	-	1,264,497,849
Total assets		80,110,746,831	83,792,947,621	89,142,633,114	90,119,002,790
Liabilities					
Due to banks	23	9,241,472,974	8,581,999,107	15,027,515,792	11,874,786,015
Due to customers	24	51,908,367,338	54,224,084,983	53,936,319,168	55,858,727,085
Debt instruments issued	25	3,011,533,608	2,972,221,709	3,011,533,608	2,972,221,709
Other financial liabilities	26	2,162,248,713	2,399,558,467	2,546,086,231	3,039,833,657
Other liabilities	27	1,239,959,914	520,322,162	1,398,867,679	533,896,429
Current tax liabilities		-	2,675,490,550	-	2,769,337,136
Deferred tax liabilities	29	384,558,207	-	207,060,291	-
Post employment benefit obligations	28	175,608,858	155,833,660	189,283,759	166,395,524
Total liabilities		68,123,749,792	71,529,510,638	76,316,666,528	77,215,197,555
Shareholders' Funds					
Stated capital	30	2,150,640,315	2,150,640,315	2,150,640,315	2,150,640,315
Retained earnings	31	6,612,084,610	7,284,658,283	7,356,688,195	7,859,293,595
Reserves	32	3,224,272,114	2,828,138,385	3,312,496,424	2,888,463,815
Total equity attributable to equity holders of the company		11,986,997,039	12,263,436,983	12,819,824,934	12,898,397,725
Non-controlling Interests		-	-	6,141,652	5,407,510
Total equity		11,986,997,039	12,263,436,983	12,825,966,586	12,903,805,236
Total liabilities and shareholders' funds		80,110,746,831	83,792,947,621	89,142,633,114	90,119,002,790
Commitments and contingencies	51	964,694,781	1,561,499,590	964,694,781	1,561,499,590

I certify that these financial statements are in compliance with the requirements of the companies Act No. 07 of 2007.

Chief Financial Officer

The Board of Directors is responsible for these financial statements.

Chairman

Director/Chief Executive Officer

Accounting policies and notes from pages 145 to 237 form an integral part of these Financial Statements.
26th June 2019
Colombo

Statement of Profit or Loss

Year ended 31st March 2019

		Company		Group	
		2019	2018	2019	2018
	Notes	LKR	LKR	LKR	LKR
Gross income	33	21,883,625,959	22,410,629,644	24,439,351,531	23,872,880,610
Interest income	33.1	19,626,812,489	20,141,562,070	22,125,265,906	21,724,831,839
Interest expenses	33.2	(8,770,625,499)	(9,306,955,840)	(9,659,742,709)	(9,773,137,444)
Net interest income		10,856,186,990	10,834,606,230	12,465,523,198	11,951,694,395
Fee and commission income	34	1,336,533,359	1,133,700,659	1,432,368,091	1,209,328,198
Net income from real estate sales	35	24,023,559	25,971,410	24,023,559	25,971,410
Net gain/(loss) from trading	36	(35,984,919)	64,676,565	(35,984,919)	64,676,565
Other operating income	37	723,444,622	798,282,227	684,882,045	601,635,886
Change in fair value of investment property	19	208,796,848	246,352,651	208,796,848	246,352,651
Total operating income		13,113,000,460	13,103,589,742	14,779,608,823	14,099,659,105
Impairment charges of loans and advances, lease, hire purchase and other financial assets	38	(2,878,363,710)	(3,198,672,986)	(3,070,193,910)	(3,271,060,494)
Net gain/(loss) from financial instrument at fair value through profit or loss		-	-	(1,512,603)	-
Losses from disposal of repossessed vehicles		-	-	-	(17,851,562)
Net operating income		10,234,636,750	9,904,916,756	11,707,902,310	10,810,747,049
Operating expenses					
Personnel expenses	39	(3,127,611,455)	(2,593,316,835)	(3,406,725,185)	(2,741,442,155)
Depreciation of Property, Plant and Equipment	20, 21	(326,295,068)	(298,600,411)	(356,129,159)	(320,611,266)
Other operating expenses	40	(2,949,711,222)	(2,645,235,108)	(3,196,148,835)	(2,868,411,160)
Operating profit before tax on financial services		3,831,019,006	4,367,764,402	4,748,899,132	4,880,282,468
Value added tax	41	(767,693,905)	(887,945,671)	(913,235,428)	(1,010,997,042)
Debt repayment levy	41	(221,553,566)	-	(262,719,550)	-
Operating profit after Value Added Tax on financial services		2,841,771,535	3,479,818,731	3,572,944,154	3,869,285,426
Share of loss of associates	42	-	-	(10,085,857)	-
Profit before Taxation		2,841,771,535	3,479,818,731	3,562,858,297	3,869,285,426
Income Taxation	43	(763,092,956)	(1,129,125,218)	(927,272,453)	(1,327,227,317)
Profit for the year		2,078,678,579	2,350,693,513	2,635,585,844	2,542,058,109
Profit attributable to:					
Equity holders of the company		2,078,678,579	2,350,693,513	2,633,406,656	2,540,571,760
Non-controlling interests		-	-	2,179,188	1,486,348
		2,078,678,579	2,350,693,513	2,635,585,844	2,542,058,108
Basic earnings per share	44.1	6.54	7.39	8.28	7.99
Diluted earnings per share	44.2	6.54	7.39	8.28	7.99
Dividend per share	45	0.75	1.0		

Accounting policies and notes from pages 145 to 237 form an integral part of these Financial Statements.

Statement of Comprehensive Income

Year ended 31st March 2019

	Notes	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Profit for the year		2,078,678,579	2,350,693,513	2,635,585,844	2,542,058,108
Net gains on remeasuring Available for sale financial assets		-	21,166,200		21,223,028
Deferred tax charges relating to available for sales of financial assets		-	-	-	(10,901)
Total other comprehensive income to be reclassified to profit or loss		-	21,166,200	-	21,212,127
Net gains/(losses) on remeasuring at fair value through other comprehensive income		(19,601,987)	-	(18,292,527)	-
Total other comprehensive income to be reclassified to statement of profit or loss		(19,601,987)	-	(18,292,527)	-
Revaluation gain on land and buildings		-	10,284,000	-	10,284,000
Deferred tax charge relating to revaluation gain on buildings	29	-	(20,858,925)	-	(20,858,925)
		-	(10,574,925)	-	(10,574,925)
Actuarial gains/(losses) on defined benefit plans	28	17,043,754	(38,316,577)	17,139,305	(36,860,171)
Deferred tax charge/reversal relating to actuarial gain on defined benefit plans	29	(4,772,251)	10,728,642	(4,799,005)	10,320,848
		12,271,503	(27,587,935)	12,340,299	(26,539,323)
Total other comprehensive income not to be reclassified to statement of profit or loss		12,271,503	(38,162,860)	12,340,299	(37,114,248)
Other Comprehensive Income for the year, net of taxes		(7,330,484)	(16,996,660)	(5,952,227)	(15,902,121)
Total Comprehensive Income for the Year		2,071,348,095	2,333,696,853	2,629,633,616	2,526,155,987
Total Comprehensive income attributable to:					
Equity holders of the company		2,071,348,095	2,333,696,853	2,627,449,612	2,524,665,776
Non-controlling interests		-	-	2,184,005	1,490,211
Total Comprehensive Income for the year		2,071,348,095	2,333,696,853	2,629,633,616	2,526,155,987

Accounting policies and notes from pages 145 to 237 form an integral part of these Financial Statements.

Statement of Changes in Equity
Year ended 31st March 2019

Company	Note	Stated Capital LKR	Revaluation Reserve LKR	General Reserve LKR	Retained Earnings LKR	Statutory Reserve LKR	Available for Sale Reserve LKR	FVOCI Reserve LKR	Total LKR
Balance as at 1 April 2017		2,150,640,315	192,547,399	58,751,125	5,749,765,773	2,103,936,254	(7,826,371)	-	10,247,814,495
Net profit for the year	31	-	-	-	2,350,693,513	-	-	-	2,350,693,513
Other comprehensive income net of tax	31/32	-	(10,574,925)	-	(27,587,935)	-	21,166,200	-	(16,996,660)
Total comprehensive income		-	(10,574,925)	-	2,323,105,578	-	21,166,200	-	2,333,696,853
Transferred to Statutory Reserve	31/32	-	-	-	(470,138,703)	470,138,703	-	-	-
Dividend paid	45	-	-	-	(318,074,365)	-	-	-	(318,074,365)
Balance as at 31st March 2018		2,150,640,315	181,972,474	58,751,125	7,284,658,283	2,574,074,957	13,339,829	-	12,263,436,983
Balance as at 1 April 2018		2,150,640,315	181,972,474	58,751,125	7,284,658,283	2,574,074,957	13,339,829	-	12,263,436,983
Impact of adopting SLFRS -9 (Note - 6)		-	-	-	(2,109,232,265)	-	(13,339,829)	13,339,829	(2,109,232,265)
		2,150,640,315	181,972,474	58,751,125	5,175,426,018	2,574,074,957	-	13,339,829	10,154,204,718
Net profit for the year	31	-	-	-	2,078,678,579	-	-	-	2,078,678,579
Other comprehensive income net of tax	31/32	-	-	-	12,271,503	-	-	(19,601,987)	(7,330,484)
Total comprehensive income		-	-	-	2,090,950,081	-	-	(19,601,987)	2,071,348,095
Transferred to Statutory Reserve	31/32	-	-	-	(415,735,716)	415,735,716	-	-	-
Dividend paid	45	-	-	-	(238,555,774)	-	-	-	(238,555,774)
Balance as at 31st March 2019		2,150,640,315	181,972,474	58,751,125	6,612,084,610	2,989,810,673	-	(6,262,158)	11,986,997,039

Accounting policies and notes from pages 145 to 237 form an integral part of these Financial Statements.

Group	Note	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings	Statutory Reserve	Available for Sale Reserve	FVOCI Reserve	Non-Controlling Interest	Total
		LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 1 April 2017		2,150,640,315	192,547,399	58,751,125	6,154,648,604	2,143,831,916	(8,706,142)	-	4,180,295	10,695,893,512
Net profit for the year	31	-	-	-	2,540,571,760	-	-	-	1,486,348	2,542,058,108
Other comprehensive income net of tax	31/32	-	(10,574,925)	-	(26,542,988)	-	21,211,928	-	3,863	(15,902,121)
Total comprehensive income		-	(10,574,925)	-	2,514,028,772	-	21,211,928	-	1,490,211	2,526,155,987
Transferred to Statutory Reserve	31/32	-	-	-	(491,402,513)	491,402,513	-	-	-	-
Effect of change in equity interest in subsidiary		-	-	-	93,097	-	-	-	407,378	500,475
Dividend Paid	45	-	-	-	(318,074,365)	-	-	-	(670,374)	(318,744,739)
Balance as at 31st March 2018		2,150,640,315	181,972,474	58,751,125	7,859,293,595	2,635,234,429	12,505,786	-	5,407,510	12,903,805,235
Balance as at 1 April 2018		2,150,640,315	181,972,474	58,751,125	7,859,293,595	2,635,234,429	12,505,786	-	5,407,510	12,903,805,235
Impact of adopting SLFRS -9 (Note - 6)		-	-	-	(2,465,963,389)	-	(12,505,786)	11,002,546	(1,252,036)	(2,468,718,665)
		2,150,640,315	181,972,474	58,751,125	5,393,330,206	2,635,234,429	-	11,002,546	4,155,474	10,435,086,570
Net profit for the year	31	-	-	-	2,633,406,656	-	-		2,179,188	2,635,585,844
Other comprehensive income net of tax	31/32	-	-	-	12,340,059	-	-	(18,297,103)	(4,817)	(5,952,226)
Total comprehensive income		-	-	-	2,645,746,714	-	-	(18,297,103)	2,184,005	2,629,633,616
Transferred to Statutory Reserve	31/32	-	-	-	(443,832,952)	443,832,952	-	-	-	-
Dividend Paid	45	-	-	-	(238,555,774)	-	-	-	(197,827)	(238,753,601)
Balance as at 31st March 2019		2,150,640,315	181,972,474	58,751,125	7,356,688,195	3,079,067,381	-	(7,294,557)	6,141,152	12,825,966,586

Accounting policies and notes from pages 145 to 237 form an integral part of these Financial Statements.

Cash Flow Statement

Year ended 31st March 2019

	Notes	Company 2019 LKR	Company 2018 LKR	Group 2019 LKR	Group 2018 LKR
Cash flows from / (used in) operating activities					
Profit before Income Tax Expense		2,841,771,535	3,479,818,731	3,562,858,297	3,869,285,426
Adjustments for					
Depreciation and amortisation	20/21	326,049,458	298,600,411	356,006,354	320,611,265
Amortisation of Leasehold property	22	122,805	122,805	122,805	122,805
Profit on disposal of property, plant & equipments		1,752,000	(2,516,868)	1,752,000	(2,862,543)
Share of loss of associate	42	-	-	10,085,857	-
Disposal gain of Subsidiary/Associate		-	(361,486)	-	(361,486)
Impairment charge of loans and advances, lease,hire purchase	38	2,878,363,710	3,198,672,986	3,070,193,910	3,271,060,494
Losses from disposal of repossessed vehicles		-	-	-	17,851,562
Pawning auction losses		-	84,062	-	84,062
Net fair value adjustment of Investment property	19	(208,796,848)	(246,352,651)	(208,796,848)	(246,352,651)
Disposal gain on Investment property	37	(1,628,500)	(81,032,650)	(1,628,500)	(81,032,650)
Fair value gain on compensation receivable	14	23,678,810	(23,428,441)	23,678,810	(23,428,441)
Net foreign exchange (gain)/loss		(8,274,727)	(7,986,199)	(8,274,727)	(7,986,199)
Amortisation of prepaid debenture issue cost	25	61,799,566	42,297,557	61,799,566	42,297,557
Provision for defined benefit plans	28	61,438,143	36,069,386	65,155,629	39,497,618
Operating profit before working capital changes		5,928,918,331	6,693,987,643	6,885,595,533	7,198,786,820
Decrease in Inventories		51,194,237	45,659,747	51,194,237	45,659,747
Increase/(Decrease) in Loans and Advances		8,248,111,810	195,494,178	8,562,097,557	(191,933,320)
Increase in Lease Rentals Receivable & Stock out on hire		(8,048,412,865)	(2,057,482,508)	(10,986,611,923)	(5,447,585,566)
Decrease/(Increase) in Other Financial Assets		106,236,228	73,355,795	106,236,228	73,355,795
Increase in Debt & other instruments		(187,244,522)	-	(187,244,522)	-
(Increase)/Decrease in Other Assets		(72,291,895)	(11,671,928)	(82,324,709)	(45,673,649)
Decrease/(Increase) in Placements and Reverse repurchase agreements		1,386,407,526	(1,080,159,988)	1,386,407,526	(1,083,163,100)
Increase in Amounts Due to Customers		(2,315,717,645)	487,004,198	(1,922,407,917)	1,221,600,752
(Decrease)/Increase in Other Financial Liabilities		(237,309,754)	253,793,597	(493,747,426)	598,838,233
(Decrease)/Increase in Other Liabilities		717,726,973	76,411,634	863,060,472	72,791,664
Cash generated from Operations		**5,613,618,425**	**4,676,392,369**	**4,182,255,059**	**2,413,329,422**
Retirement Benefit Liabilities paid	28	(41,662,945)	(17,415,656)	(42,267,394)	(19,984,406)
Taxes paid		(1,207,935,913)	(733,330,828)	(1,451,749,034)	(865,272,962)
Net cash flows (used in)/from Operating activities		**4,364,019,567**	**3,925,645,885**	**2,688,238,631**	**1,528,072,054**
Cash flows from / (used in) Investing activities					
Proceeds from shares disposal of Investments in subsidiaries		-	861,961	-	861,961
Acquisition of Investment Property	19	745,505,522	(425,615,717)	745,505,522	(425,615,717)
Disposal Proceeds of Investment Property		-	244,032,649	-	244,032,649
Acquisition of Property, plant and equipments	20	(1,622,244,105)	(504,252,836)	(1,676,801,726)	(531,685,127)
Investments in associates		(390,000,000)	-	(390,000,000)	-
Net investment in placements with banks		(1,503,752,320)	-	(1,400,070,657)	-
Acquisition of Intangible assets	21	(9,688,420)	(54,368,203)	(17,577,950)	(58,448,387)
Net investment in Financial assets recognised through profit or loss - measured at fair value		534,702,423	(420,989,722)	530,187,886	(420,989,722)
Proceed from sale of property, plant & equipments			2,640,078		3,269,093
Financial assets at fair value through other comprehensive income		178,200,000	148,160,403	182,598,638	181,853,455
Net cash flows used in Investing activities		**(2,067,276,901)**	**(1,009,531,388)**	**(2,026,158,287)**	**(1,006,721,796)**
Cash flows from / (used in) Financing activities					
Net cash flow from/(used in) Debt Instruments issued and Other borrowings		(22,487,668)	(552,067,690)	(22,487,668)	(552,067,690)
Proceeds from Loans obtained	23	12,594,101,385	7,125,891,896	18,192,821,806	10,168,054,090
Repayment of Bank Loans	23	(12,068,502,835)	(9,138,852,544)	(15,068,838,325)	(10,189,419,358)
Dividend paid	45	(236,644,997)	(470,671,355)	(236,644,997)	(471,502,445)
Net cash flows from Financing activities		**266,465,885**	**(3,035,699,693)**	**2,864,850,816**	**(1,044,935,404)**
Net increase in Cash and Cash equivalents		2,563,208,551	(119,585,194)	3,526,931,159	(494,237,192)
Net foreign exchange difference		8,274,727	7,986,199	8,274,727	7,986,199
Cash and Cash equivalents at the beginning of the year		3,950,012,861	4,061,611,856	3,557,742,340	4,043,993,334
Cash and Cash equivalents at the end of the year		**6,521,496,139**	**3,950,012,861**	**7,092,948,226**	**3,557,742,340**
Cash and Cash Equivalents For the Purpose of Cash Flow Statement					
Cash in Hand	7	1,748,596,904	1,695,964,449	2,340,080,214	1,746,910,928
Reverse repurchase agreements (less than three months)		3,662,522,771	824,241,355	3,787,893,629	915,849,995
Placements with Bank (less than three months)		1,618,124,084	1,803,679,360	1,618,124,084	1,519,384,822
Bank Overdrafts	23	(507,747,620)	(373,872,303)	(653,149,700)	(624,403,405)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement		6,521,496,139	3,950,012,861	7,092,948,226	3,557,742,340

Accounting policies and notes from pages 145 to 237 form an integral part of these Financial Statements.

Notes to the Financial Statements

Year ended 31st March 2019

1. CORPORATE INFORMATION

1.1 General

Commercial Credit and Finance PLC ("Company") is a Limited Liability Company incorporated and domiciled in Sri Lanka on 4th October 1982 under the Companies act No. 17 of 1982. It is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No. 07 of 2007 (Companies Act) 0n 8th April 2008.

The registered office of the Company and the principal place of business is located at No. 106, Yatinuwara Veediya, Kandy. The shares of the company have a primary listing on the Colombo Stock Exchange (CSE).

1.2 Principal Activities and Nature of Operations

Company

During the year, the principal activities of the Company were acceptance of deposits, granting lease facilities, hire purchase, term loans, personal loans, micro loans, pawning and other credit facilities, real estate development and related services.

Subsidiary

Trade Finance & Investments PLC

During the year, the principal activities of the Trade Finance & Investment PLC were providing finance leases, hire purchase assets financing, granting of loans, mobilisation of deposits, pawning & other financial services. Company holds 99.65% (2018- 99.65%) of the equity of Trade Finance & Investment PLC.

Associate

TVS Lanka (Pvt) Ltd.

During the year under review the company invested in 19.5% equity ownership of the TVS Lanka (Pvt) Ltd. The principle activity of TVS Lanka (Pvt) Ltd. during the year was import and sale of two wheelers and spare parts.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate parent is BG Investment (Private) Limited. In the opinion of the directors, the Company's ultimate parent entity is BG Capital (Private) Limited, which is incorporated in Sri Lanka while Mr. R.S. Egodage is the Company's ultimate controlling party.

1.4 Approval of Financial Statements by Directors

The Financial Statements of Commercial Credit and Finance PLC for the year ended 31st March 2019 was authorised for issue by the board of directors on 26th June 2019.

1.5 Responsibility for Financial Statements

The Board of Directors is responsible for these Financial Statements of the Group and the Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements of the Group and separate financial statements of the Company have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the companies act No. 07 of 2007, the finance business act No. 42 of 2011.

These financial statements include the following components.

- A Statement of Profit or Loss and Statement of Comprehensive Income providing the information of the financial performance of the Company and the Group for the year under review
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end
- A Statement of Changes in Equity depicting all changes in shareholder's equity during the year under review of the Company and the Group
- A Statement of Cash Flows providing the information to the users, on the ability of the Company and Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows
- Notes to the Financial Statements comprising accounting policies & other explanatory information

2.2 Basis of Measurement

The Financial Statements of the Group and the Company have been prepared on a historical cost basis, except for the following items stated in the Statement of Financial Position which have been measured at fair value.

- Financial assets recognised through Profit or Loss (FVPL) (From 1st April 2018)
- Financial Investments - Held for trading (Up to 31st March 2018)
- Financial assets held at fair value through other comprehensive income (FVOCI) (From 1st April 2018)
- Financial Investments - Available for Sale (Up to 31st March 2018)
- Investment Property
- Freehold Land & Buildings classified as Property, Plant & Equipment

2.3 Functional and Presentation Currency

The Financial Statements of the Group and the Company have been prepared in Sri Lanka Rupees (LKR), except when otherwise indicated.

2.4 Comparative Information

The comparative information is re-classified wherever necessary to conform to the current year's presentation. However, the group has not restated comparative information for the financial year ended 31st March 2018 for financial instruments within the scope of SLFRS 9, financial instruments. Therefore, the comparative information for the year ended 31st March 2018 is reported under LKAS 39 and is not comparable to the information presented for 31st March 2018. Difference arising from the adoption of SLFRS 9 have been disclosed in Note 6.

2.5 Presentation of Financial Statements

The assets and liabilities of the Group and the Company presented in the Statement of Financial Position are grouped by nature and listed in order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements.

An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 50 (Current & Non-Current analysis of Assets & Liabilities).

2.6 Materiality & Aggregation

In compliance with Sri Lanka Accounting Standards - LKAS 1 on "Presentation of Financial Statements", each material class of similar items are presented separately in these Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position of the company and group only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss of the Company and Group unless required or permitted by any accounting standard or interpretation thereon.

3. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company and the Group in conformity with Sri Lanka Accounting Standards requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, Management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgements, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in respective notes.

3.1 Going Concern

The Directors have made and assessment of the group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

3.2 Impairment Losses on Lease Receivable, Hire Purchase Receivable and Loans and Advances to Customers

The measurement of impairment losses under both SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company and the group reviews it's individually significant Leases, Hire Purchase, Loans and Advances at each reporting date to assess whether an impairment loss should be recorded in the Statement of profit or loss. In particular, management judgement is required in the estimation of the amount and timing of future cash flow when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ from the estimate, resulting in future changes to the allowance.

Leases, Hire Purchase, Loans and Advances that have been assessed individually and found not to be impaired and all insignificant Leases, Hire Purchase, Loans and Advances are then assessed collectively, by categorising them in to groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The collective assessment take account of data from the Leases, Hire Purchase, Loans and Advances portfolio (such as level of arrears, characteristics of assets, etc.) and judgements on the effect of concentration of risk and economic data (including levels of unemployment, inflation and interest rate).

In addition to the above, from 1st April 2018, the Expected Credit Loss (ECL) under SLFRS 9 requires management to make additional judgements and estimates with regard to the following,

- The Group's criteria for assessing if there has been a significant increase in credit and so impairment for financial assets should be measured on a Long Term Expected Credit Loss (LTECL) basis.
- Development of ECL models, including various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The above assumptions and judgments are discussed in detail under Note 5.5.6 to the Financial Statements.

3.3 Impairment of Other Financial Assets

The Group reviews its debt securities classified as FVOCI/ amortised cost, at each reporting date to assess whether they are impaired. Objective evidence that a debt security held at FVOCI/amortised cost is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc.

From 1st April 2018, with the adoption of SLFRS 9 equity instruments classified as Fair Value through Other Comprehensive Income (FVOCI) are not subjective for impairment assessment.

3.4 Impairment of Investments in Subsidiary

The Company and Group follow the guidance of Sri Lanka Accounting Standard (LKAS 36) - "Impairment of Assets" and Sri Lanka Accounting Standard (LKAS 39) - "Financial instruments Recognition and Measurement" in determining whether an investment or a financial asset is impaired. This determination requires significant judgment.

The Company and Group evaluate, among other factors, the duration and extent to which the fair value of an investment or a financial asset is less than its cost and the financial health of the near-term business outlook for the investment or a financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

3.5 Impairment of Goodwill

The Group estimates the value in use of the Cash Generating Units (CGU) to which goodwill has been allocated in order to determine whether goodwill is impaired. The value-in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. (Refer Note 21).

3.6 Taxation including Deferred Tax Assets

The Group/Company is subject to Income taxes and other taxes including VAT on financial services. Uncertainty exists, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

3.7 Fair Value of Property, Plant and Equipment

The freehold land and buildings of the group are reflected at fair value at the date of revaluation less any accumulated depreciation and impairment losses. The group engages independent valuation specialists to determine fair value of freehold land and buildings, including methods of valuation are given in Note 20 to the financial statements.

3.8 Useful lifetime of Property, Plant and Equipment

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

3.9 Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Company and Group has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company and Group are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company and Group assesses on an annual basis the accounting classification of its properties taking into consideration the current use of such properties. (Refer Note 19)

3.10 Fair Value of Investment Properties

The Company and Group carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of profit or loss. The Company and Group engaged an independent valuer to determine the fair value as at 31st March 2019.

The best evidence of fair value is usually the current price in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making such estimates, the Company considers information from a variety of sources including:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the returns and yields, an uncertainty in the amount and timing of the cash flows.

3.11 Principal Assumptions for Management's Estimation of Fair Value

If information on current or recent prices of assumptions underlying the discounted cash flow approach of Investment Properties is not available, the fair values of Investment Properties are determined using discounted cash flow valuation techniques. The Company uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions underlying management's estimation of fair value are those related to: the future rentals, maintenance requirements, and appropriate capitalisation rates/yields and voids. These valuations are regularly compared to actual market yield data and actual transactions by the Company and those reported by the market.

3.12 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determining using a variety of valuation techniques that include the use of mathematical models. The inputs of these models are derived from observable market data where possible, but if this is not available, judgements such as discount rates, default rate assumptions, etc. is required to establish fair values. The valuation of financial instruments is described in more in Note 48 to these financial statements.

The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

3.13 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

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 reliably measured. Unless the probability of occurrence is remote, contingent liabilities are not recognised in the statement of financial position but are disclosed in the statement of financial position. (Refer Note 51)

4. NEW AMENDMENTS TO ACCOUNTING STANDARDS EFFECTIVE FROM 1ST APRIL 2018

The Group applied SLFRS 9, Financial instruments, SLFRS 15, Revenue from contracts with customers which are effective for annual periods beginning on or after 1st January 2018, for the first time. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1 SLFRS 9 Financial Instruments

SLFRS 9 replaces LKAS 39 for annual periods on or after 1st January 2018. SLFRS 9 requires an entity to restate prior periods if and only if the restatement is possible without the use of hindsight. The Group has not restated comparative information for financial year ending 31st March 2018 for financial instruments within the scope of SLFRS 9. Therefore, the comparative information for financial year ended 31st March 2018 is reported under LKAS 39 and is not comparable to the information presented for financial year ended 31st March 2019. Differences arising from the adoption of SLFRS 9 have been recognised directly in retained earnings as of 1st April 2018 and are disclosed in Note 6.

4.1.1 Changes to Classification and Measurement

To determine their classification and measurement category, SLFRS 9 requires all financial assets, except equity instruments and derivatives to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The LKAS 39 measurement categories of financial assets (Fair Value through Profit or Loss (FVPL), Available For Sale (AFS), Held to Maturity and Loans and Receivables (L&R) have been replaced by:

- Debt and other instruments Amortised Cost
- Debt instruments at Fair Value through Other Comprehensive Income (FVOCI), with gains or losses recycled to profit or loss on de-recognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on de recognition.
- Financial assets at Fair Value through Profit or Loss (FVPL)

The accounting for financial liabilities remains largely the same as it was under LKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the statement of profit or loss.

The group's classification of its financial assets and liabilities is explained in Note 5.5.3.

4.1.2 Changes to the Impairment Calculations

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for loan loss impairment by replacing LKAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. SLFRS 9 requires the Group to record an impairment for ECLs for all loans and debt and other financial instruments not held at FVPL, together with loan commitments and financial guarantee contracts. The impairment is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case the impairment will be based on the ECLs associated with the probability of default over the entire lifetime of the loan.

Details of the Group's impairment method are disclosed in Note 5.5.6. The quantitative impact of applying expected credit loss approach in SLFRS 9 as at 1st April 2018 is disclosed in Note 6.

4.2 SLFRS 7 Financial Instruments Disclosures

To reflect the difference between SLFRS 9 and LKAS 39, SLFRS 7 financial instruments: disclosures was updated and the group has adopted it, together with SLFRS 9, for the year beginning 1st April 2018. Changes including transition disclosures, detailed qualitative and quantitative information about the ECL calculation and inputs used are set out in Notes 5.5.6.6 and 49.2.1.

4.3 SLFRS 15 – Revenue from Contracts with Customers

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

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

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

The Group did not have any material impact on its fee and commission income with the adoption of SLFRS 15 for the year beginning 1st April 2018.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements of the Company and Group, unless otherwise indicated. The accounting policies have been consistently applied by the Group and the Company where applicable.

5.1 Basis of Consolidation

The Group's financial statements comprise consolidation of the financial statements of the Company, its subsidiaries in terms of the Sri Lanka Accounting Standard (SLFRS 10) "Consolidated Financial Statements" and its associate accounted under "Equity method of accounting" In terms of Sri Lanka Accounting Standard (LKAS 28) "Investments in Associates & Joint Ventures".

5.2 Business Combination and Goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard (SLFRS 3) - "Business Combinations". When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Acquisition related costs are expensed as incurred and included in other expenses. Goodwill is initially recorded at cost and subsequently at cost less any accumulated impairment losses in accordance with the Sri Lanka Accounting Standard (SLFRS 3) - "Business Combinations".

Goodwill has to be reviewed for impairment annually or more frequently if events or circumstances indicate that the carrying value may be impaired.

The Group elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

5.3 Subsidiaries

Subsidiaries are entities that are 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. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Group are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries not owned directly or indirectly by the Company. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Company. Non-controlling interest in the profit or loss of the Group is disclosed separately in the consolidated statement of comprehensive income.

Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. Upon the loss of control, the Group derecognises the assets (including goodwill) 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 the profit or loss.

There are no significant restrictions on the ability of the subsidiary to transfer funds to the Company in the form of cash dividends or repayment of loans and advances. The subsidiary of the Company as at the reporting date have been incorporated in Sri Lanka.

5.3.1 Transactions Eliminated on Consolidation

Intra-group balances, transactions and 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 to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, except that they are only eliminated to the extent that there is no evidence of impairment.

5.4 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (LKR) at the spot exchange rate at the date of the transactions were affected. In this regard, the Group's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

5.5 Financial instruments – Initial Recognition and Subsequent Measurement

5.5.1 Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery or assets 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. The Group recognises balances due to customers when funds are transferred to the Group.

5.5.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 5.5.3.1(a) and 5.5.3.1(b). Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

When the fair value of financial instruments at initial recognition differs from the transaction price, the group accounts for the day 1 profit or loss. As described below,

Day 1 Profit or Loss

When the transaction price differs form the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data form observable markets, the group recognises the difference between the transaction price and fair value (a day 1 profit or loss) in the statement of profit or loss over the tenor of the financial instrument using the Effective Interest Rate (EIR) method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statement of profit or loss when the inputs become observable, or when the instrument is derecognised.

5.5.3 Measurement categories of Financial Assets and Liabilities

From 1st April 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 5.5.3.1
- Fair value through Profit or Loss 5.5.3.2
- FVOCI, as explained in Note 5.5.3.3

Before 1st April 2018, the group classified its financial assets as loans and receivables (amortised cost), Held for trading and available for sale. Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading.

5.5.3.1 Loans and Advances, Lease Rental Receivables

Before 1st April 2018 loans and receivables, Lease rentals receivable and stock out on hire included non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, Other than those:

- That the Group intended to sell immediately or in the near term
- That the Group, upon initial recognition, designated as FVPL or as available for sale
- For which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available for sale.

From 1st April 2018, the group only measures 2018 loans and receivables, Lease rentals receivable and stock out on hire and debt & other financial instruments at amortised cost if both of the following conditions are met,

- The financial asset is held within a business model with the objective of collecting contractual cash flows
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

(a) Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

The Group's business model is not assessed on an instrument-by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

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

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 realised in a way that is different from the Group's original expectations, 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 going forward.

(b) The SPPI Test

As a second step of its classification process, the group assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial assets (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial assets is denominated and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de-Minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

5.5.3.2 Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (FVPL)

The group classified financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent patterns of short term profit taking. Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest income from financial assets held for trading is recorded under net interest income while dividend income is recorded in net trading income when the right to payment has been established. Included in this classification are debt securities and equity investments that have been acquired principally for the purpose of selling or repurchasing in the near term.

The group does not have any financial liabilities classified as held for trading as at 31st March 2019.

5.5.3.3 Equity Instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments at FVOCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI equity instruments are not subject to an impairment assessment.

5.5.3.4 Debt Issued and Other Borrowed Funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue of funds and costs that are an integral part of the EIR. The Group does not have compound financial instruments that contains both liability and equity components and require separation as at the date of the issue.

5.5.3.5 Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under SLFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Or

- The liabilities (and assets until 1st April 2018 under LKAS 39) are part of a group of financial liabilities (or financial assets, or both under LKAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

- The liabilities (and assets until 1st April 2018 under LKAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flow that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss with the exception of movements in fair Value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the "Own credit reserve" through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being integral parts of the instruments.

5.5.3.6 Financial Guarantees and Undrawn Loan Commitments

The group issues financial guarantees and loan commitments. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and – under LKAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under SLFRS 9 – the ECL provision.

The premium received is recognised in the income statement under Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under LKAS 39, a provision was made if they were an onerous contract but, from 1st April 2018, these contracts are within the scope of the ECL requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 51.

5.5.3.7 Available for Sale Financial Investments (Policy Applicable before 1st April 2018)

Available for sale financial assets include equity and debt securities. Equity investments classified as 'Available for sale' are those which are neither classified as 'held for trading' nor 'designated at fair value through profit or loss' under the classification principles set out in LKAS 39. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity through 'Other comprehensive income/expense' in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the Statement of profit or loss under net gain on financial assets. Where the group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first out basis. Interest earned whilst holding 'Available for sale financial investments' is reported as interest income using the effective interest rate. Dividend earned whilst holding 'available for sale financial investments' are recognised in the statement of profit or loss 'net gain on financial assets' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognised in the statement of profit or loss under 'Impairment charge for loans and other losses' and removed from the 'Available for sale reserve'.

Details of financial assets – available for sale are given in Note 13 to the financial statements.

5.5.4 Reclassification of Financial Assets and Liabilities

From 1st April 2018, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group may acquire, dispose of, or terminates a business line (change in business model). When the group reclassifies its financial assets it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or 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 measure 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 the amortised cost measurement category, its fair value at the reclassified date becomes its new gross carrying amount

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income 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 other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and measurement of expected rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category. The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

5.5.5 Derecognition of Financial Assets and Liabilities

5.5.5.1 Derecognition due to Substantial Modification of Terms and Conditions

The group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to de-recognise a loan to a customer, amongst others, the Group considers the following factors:

- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criteria

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

5.5.5.2 Derecognition other than for Substantial Modification

(a) 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 financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flow in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if 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.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

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

(b) Financial Liabilities

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

5.5.6 Impairment Allowance for Financial Assets

5.5.6.1 Overview of the ECL Principles

As described in Note 4.1.2, the adoption of SLFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing LKAS 39's incurred loss approach with a forward-looking ECL approach. From 1st January 2018, the Group has been recording the impairment for expected credit losses for all loans and debt & other financial instruments not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL impairment is based on the credit losses expected to arise over the life of the asset (the lifetime Expected Credit Loss or (LTECL)], unless there has been no significant increase in credit risk since origination, in which case, the impairment is based on the 12 months' Expected Credit Loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 5.5.6.1(a).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on financial instruments that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The policy for grouping financial assets measured on a collective basis is explained in Note 5.5.6.4. The details of individual assessment of ECLs are given in Note 5.5.6.3.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 5.5.6.1(a).

Based on the above process, the Group categorise its loans into 'Stage 1', 'Stage 2', 'Stage 3' and 'originated credit impaired', as described below:

- Stage 1

When loans are first recognised, the group recognises an impairment based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from stage 2.

- Stage 2

When a loan has shown a significant increase in credit risk since origination, the Group records an impairment for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3.

- Stage 3

Loans considered credit impaired (as outlined in Note 5.5.6.1(a)). The Group records an impairment for the LTECLs.

- Originated credit impaired

Originated credit impaired assets are financial assets that are credit impaired on initial recognition. They are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

5.5.6.1 (a) Definition of Default and Cure

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

As a part of a qualitative assessment of whether an individually significant customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/ protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about the financial difficulties

It is the Group's policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria has been present. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure. The Group's criterion for 'cure' for rescheduled/ restructured loans is more stringent than ordinary loans and is explained in Note 5.5.6.10.

5.5.6.1 (b) Significant Increase in Credit Risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk. Since initial recognition. The Group considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk, such as restructuring or rescheduling of an assets while the asset is less than 30 days past due. In certain cases, the Group may also consider that events explained in note 5.5.6.1 (a) are significant increase in credit risk as opposed to a default, for customers who are considered as individually significant.

5.5.6.2 The Calculation of ECL

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

- Probability of Default (PD)

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 5.5.6.4(a).

- Exposure at default (EAD)

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 5.5.6.4(b).

- Loss Given Default (LGD)

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 5.5.6.4(c).

With the exception of revolving facilities, for which the treatment is separately set out in Note 5.5.6.5, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

5.5.6.3 Calculation of Expected Credit Losses for Individually Significant Loans

The Group first assess ECLs individually for financial assets that are individually significant. In the event the Group determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 5.5.6.1(a).

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial assets at its original effective interest rate and comparing the resultant present value with the Financial asset's current carrying amount. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations
- The amount and timing of expected receipts and recoveries
- The extent of other creditors' commitments ranking ahead of, or pari-passu with the Company and the likelihood of other creditors continuing to support the Company;

5.5.6.4 Grouping of Financial Assets Measured on a Collective Basis

The Group calculates ECLs either on a collective or an individual basis. Asset classes where the Group calculates ECL on an individual basis include all customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is determined to be in stage I or stage II, such customers are moved back to collective ECL calculation.

For all other asset classes, the Group calculates ECL on a collective basis. The Group categorises these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral
- Whether the loan is restructured /rescheduled

5.5.6.4 (a) PD Estimation Process

PD estimation for loans and advances to other customers under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Financial Institutions in the country at present.

Accordingly, exposures are categorised among 5 groups based on the DPD as follows,

- Zero days past due
- 1 – 30 days past due
- 31 – 60 days past due
- 61 – 90 days past due
- Above 90 days past due

The Company is in the process of developing its internal risk rating system to suit the requirements of SLFRS 9 with the support of external consultants.

The movement of the customers in to bad DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans that will eventually be written off.

5.5.6.4 (b) Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

5.5.6.4 (c) Loss Given Default

LGD values are assessed at least annually for each material collateral type. The Group segregates its customer loan book based on following major types of collaterals when calculating the LGD.

- Secured against motor vehicles and other movable properties
- Secured against immovable property
- Secured against cash / deposits held within the company
- Secured against gold

These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics (e.g., product type, collateral type) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the LGD for each collateral type. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

5.5.6.5 Other Revolving Facilities

The Company's product offering includes Factoring and draft facilities in which the company has the right to cancel and/or reduce the facilities with a very short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period of 12 months to reflect the Company's expectations of the customer behavior, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities.

5.5.6.6 Forward Looking Information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

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

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary completeness and accuracy, the Group obtains the above data from third party sources (Central Bank, World Bank and International Monetary Fund etc).

5.5.6.7 Collateral Valuation

To mitigate its credit risks on financial assets, the group seeks to use collateral, where possible. The collateral comes in various forms, such as motor vehicles, cash, guarantees, real estate, receivables, inventories and other non-financial assets. The Group's accounting policy for collateral assigned to it through its lending arrangements under SLFRS 9 is the same as it was under LKAS 39. Collateral, unless repossessed, is not recorded on the Group statement of financial position. However, the fair value of collateral affects the calculation of ECLs.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

5.5.6.8 Collateral Repossessed

The Group's accounting policy under SLFRS 9 remains the same as it was under LKAS 39. The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to the relevant asset category.

5.5.6.9 Write-offs

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

5.5.6.10 Rescheduled and Restructured Loans

The Group sometimes makes concessions or modifications to the original terms of loans in response to the borrower's financial difficulties, taking possession of the collateral. The Company considers a loan as rescheduled/restructured, when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Reschedulement/restructure may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Company's policy to monitor rescheduled/restructured loans to ensure that future payments are likely to occur.

From 1st April 2018, rescheduled /restructured loans are at a minimum classified as stage 2 at the date of the modification of the loan. The Company also consider whether such assets should be classified as Stage 3. Once an asset has been classified as stage 3, it will remain in stage 3 until it becomes performing (less than 30 days past due) but still be subjective for LTECL.

5.5.6.11 Impairment of Financial Assets (Policy Applicable to prior to 1st April 2018)

(i) Financial assets carried at amortised cost - Lease Receivable, Hire purchase receivable & Loans and Advances to customers

- Individually assessed Lease Receivable, Hire purchase receivable & Loans and Advances to customers

For financial assets carried at amortised cost (such as Lease Receivable, Hire purchase receivable & Loans and Advances to customers), the Company first assess individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

The criteria used to determine that there is such objective evidence includes;

- Known cash flow difficulties experienced by the borrower
- Past due contractual payments of either principal or interest
- Breach of loan covenants or conditions
- The probability that the borrower will enter bankruptcy or other financial realisations, and
- A significant downgrading in credit rating by an external credit rating agency.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of profit or loss.

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for measuring the impairment loss.

The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralised financial assets reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

• Collectively assessed loans and advances

For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of the credit risk characteristics such as asset type, industry, past – due status and other relevant factors.

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans that is not considered individually significant.

(ii) Available for sale financial investments

For available for sale financial investments, the Company and Group assess at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of profit or loss is removed from equity and recognised in the Statement of profit or loss. Impairment losses on equity investments are not reversed through the Statement of profit or loss, increases in the fair value after impairment are recognised in 'other comprehensive income'.

(iii) Rescheduled loans

Where possible, the Company and group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

5.6 Finance and Operating 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.

5.6.1 Finance Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'Lease rental receivable & stock out on hire'. The finance income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the Company is a lessee under finance leases, the leased assets are capitalised and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease to give a constant rate of interest on the remaining balance of the liability.

5.6.2 Operating Lease

Operating leases are those leasing arrangements that do not transfer to the Company and Group, substantially all the risks and rewards incidental to ownership of the leased items. When the Company or the Group is the lessee, leased assets are not recognised on the statement of financial position, Rentals payable under operating leases are accounted for on a straight line basis over the periods of the leases and are included in 'other operating expenses'.

5.7 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's (Cash Generating Unit) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of profit or loss.

5.8 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where 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 profit or loss net of any reimbursement.

5.9 Taxation

5.9.1 Current Taxes

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

5.9.2 VAT on Financial Services

VAT on financial services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendments thereto.

5.10 Recognition of Income and Expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following recognition criteria must also be met before revenue is recognised.

(i) Interest Income and Interest Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate exactly discounts estimated future cash payment or receipt through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial assets and financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial assets and liability is adjusted if the Company revises its estimates of payment and receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for the financial assets and 'Interest and similar expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continue to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(a) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and etc.

(b) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the purchase or sale of business is recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(c) Dividend Income

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

(d) Real Estate Sales

Revenue from the real estate sale is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

5.11 Effect of Sri Lanka Accounting Standards issued but not yet Effective

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 present classification of leases in LKAS 17 as either operating leases or finance leases.

The new standard requires a Lessee to:

- Recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- Present depreciation of lease assets separately, interests on lease liabilities in the income statement

SLFRS 16 substantially carries forward the Lessor accounting requirement in LKAS 17. SLFRS 16 will become effective on 1st January 2019. The impact on the implementation of the above standard will be quantified in the year ahead.

The following improvement to the existing standards has been published and the interpretation is effective for annual reporting periods beginning on or after 1st January 2019.

6. TRANSITION DISCLOSURES

The following notes set out the impact of adopting Sri Lanka Accounting Standard – SLFRS 9 (Financial Instruments) at transition date, 1 April 2018 on the statement of financial position, and retained earnings including the effect of replacing incurred credit loss calculation under the Sri Lanka Accounting Standard – LKAS 39 (financial instruments – recognition and measurement) with expected credit loss (ECL) calculations under SLFRS 9.

Reclassification

These adjustments reflect the movement of balances categorised on the statement of financial position with no impact to shareholders' equity. There is no change to the carrying value of the balances as a result of the reclassification.

Re-measurement

These adjustments, which include expected credit loss, result in a change to the carrying value of the item on the statement of financial position with and impact to shareholders equity net of tax.

6.1 Company

		LKAS 39		Re-	Re-Measurement		SLFRS 9	
	Note	Category	Amount	Classification	ECL	Other	Amount	Category
		LKR		LKR	LKR		LKR	
Financial assets								
Cash and bank balances		L&R	1,695,964,449	-	-	-	1,695,964,449	FA at amortised cost
Reverse repurchase agreements		L&R	2,210,648,881	-	-	-	2,210,648,881	FA at amortised cost
Placements with banks		L&R	2,284,987,693	-	-	-	2,284,987,693	FA at amortised cost
Financial Investment - Held for trading	A	HFT	2,646,859,663	(2,646,859,663)	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	A	-	-	2,646,859,663	-	-	2,646,859,663	FVTPL
Loans and receivables	10.1	L&R	35,198,129,656	-	(2,081,389,745)	-	33,116,739,911	FA at amortised cost
Lease Rentals Receivable & Stocks out on hire	11.1	L&R	31,707,315,784	-	(848,099,441)	-	30,859,216,343	FA at amortised cost
Debt and other instruments	B	L&R	-	363,067,165	-	-	363,067,165	FA at amortised cost
Financial Investment - Available for sale	C	AFS	182,510,479	(182,510,479)	-	-	-	-
Equity instruments at fair value through other comprehensive income	C	-	-	182,510,479	-	-	182,510,479	FVTOCI
Other financial assets	B	L&R	712,714,972	(363,067,165)	-	-	349,647,807	FA at amortised cost
			76,639,131,577	-	(2,929,489,187)		73,709,642,390	
Non-financial assets								
Inventories			128,327,562	-	-	-	128,327,562	
Other assets			242,503,478	-	-	-	242,503,478	
Investments in subsidiary			1,599,288,321	-	-	-	1,599,288,321	
Investments in associates			-	-	-	-	-	
Investment property			1,983,431,494	-	-	-	1,983,431,494	
Property, plant and equipment			1,765,510,672	-	-	-	1,765,510,672	
Intangible assets & goodwill			166,427,661	-	-	-	166,427,661	
Prepaid rent			8,187,907	-	-	-	8,187,907	
Deferred tax asset	D		1,260,138,949	-	820,256,922	-	2,080,395,871	
			7,153,816,044	-	820,256,922	-	7,974,072,966	
Financial liabilities				-	-	-	-	
Due to banks		FA at amortised cost	8,581,999,107	-	-	-	8,581,999,107	FA at amortised cost
Due to customers		FA at amortised cost	54,224,084,983	-	-	-	54,224,084,983	FA at amortised cost
Debt instruments issued		FA at amortised cost	2,972,221,709	-	-	-	2,972,221,709	FA at amortised cost
Other financial liabilities		FA at amortised cost	2,399,558,467	(14,581,268)	-	-	2,384,977,199	FA at amortised cost
			68,177,864,266	(14,581,268)	-		68,163,282,998	
Non-financial liability								
Other liabilities			520,322,162	14,581,268	-	-	534,903,430	
Current tax liabilities			2,675,490,550	-	-	-	2,675,490,550	
Post employment benefit obligations			155,833,660	-	-	-	155,833,660	
Total Liabilities			3,351,646,373	14,581,268	-	-	3,366,227,641	
Shareholders' Funds							-	
Stated capital			2,150,640,315	-	-	-	2,150,640,315	
Retained earnings			7,284,658,283	-	(2,109,232,265)	-	5,175,426,019	
Reserves			2,828,138,385	-	-	-	2,828,138,385	
Total equity attributable to equity holders of the company			12,263,436,983	-	(2,109,232,265)	-	10,154,204,719	
Total Equity			12,263,436,983	-	(2,109,232,265)	-	10,154,204,719	

6.2 Group

		LKAS 39		Re-Classification	Re-Measurement		SLFRS 9	
	Note	Category	Amount		ECL	Other	Amount	Category
			LKR	LKR	LKR		LKR	
Financial assets								
Cash and bank balances		L&R	1,746,910,928	-	-	-	1,746,910,928	FA at amortised cost
Reverse repurchase agreements		L&R	2,302,257,521	-	-	-	2,302,257,521	FA at amortised cost
Placements with banks		L&R	2,014,315,126	-	-	-	2,014,315,126	FA at amortised cost
Financial Investment - Held for trading	A	HFT	2,646,859,663	(2,646,859,663)	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value	A	-	-	2,646,859,663	(1,508,494)	-	2,645,351,169	FVTPL
Loans and receivables	10.1	L&R	35,720,435,557	-	(2,100,433,702)	-	33,620,001,855	FA at amortised cost
Lease Rentals Receivable & Stocks out on hire	11.1	L&R	38,310,314,585	-	(1,196,181,891)	-	37,114,132,694	FA at amortised cost
Debt and other instruments	B	L&R	-	363,067,165	-	-	363,067,165	FA at amortised cost
Financial Investment - Available for sale	C	AFS	245,706,559	(245,706,559)	-	-	-	-
Equity instruments at fair value through other comprehensive income	C	-	-	245,706,559	-	-	245,706,559	FVTOCI
Other financial assets	B	L&R	712,714,972	(363,067,165)	-	-	349,647,807	FA at amortised cost
			83,699,514,911	-	(3,298,124,087)		80,401,390,824	
Non-financial assets								
Inventories			128,327,562	-	-	-	128,327,562	
Other assets			299,480,930	-	-	-	299,480,930	
Investments in subsidiary			-	-	-	-	-	
Investment property			1,983,431,494	-	-	-	1,983,431,494	
Property, plant and equipment			1,812,095,231	-	-	-	1,812,095,231	
Intangible assets & goodwill			923,466,906	-	-	-	923,466,906	
Prepaid rent			8,187,907	-	-	-	8,187,907	
Deferred tax asset	D		1,264,497,849	-	827,896,748	-	2,092,394,597	
			6,419,487,879	-	827,896,748	-	7,247,384,627	
Financial liabilities								
Due to banks		FA at amortised cost	11,874,786,015	-	-	-	11,874,786,015	FA at amortised cost
Due to customers		FA at amortised cost	55,858,727,085	-	-	-	55,858,727,085	FA at amortised cost
Debt instruments issued		FA at amortised cost	2,972,221,709	-	-	-	2,972,221,709	FA at amortised cost
Other financial liabilities		FA at amortised cost	3,039,833,657	(14,581,268)	-	-	3,025,252,389	FA at amortised cost
			73,745,568,466	(14,581,268)	-	-	73,730,987,198	
Non-financial liability								
Other liabilities			533,896,429	14,581,268	-	-	548,477,697	
Current tax liabilities			2,769,337,136	-	-	-	2,769,337,136	
Post employment benefit obligations			166,395,524	-	-	-	166,395,524	
Total Liabilities			3,469,629,089	14,581,268	-	-	3,484,210,357	
Shareholders' Funds								
Stated capital			2,150,640,315	-	-	-	2,150,640,315	
Retained earnings			7,859,293,595	-	(2,468,938,972)	-	5,390,354,623	
Reserves			2,888,463,815	-	-	-	2,888,463,815	
Total equity attributable to equity holders of the company			12,898,397,725	-	(2,468,938,972)	-	10,429,458,753	
Non-Controlling Interests			5,407,510		(1,288,367)		4,119,143	
Total Equity			12,903,805,235	-	(2,470,227,339)	-	10,433,577,896	

A. Financial assets previously classified as "Financial Investments – Held for trading" have been reclassified as "Financial assets recognised through profit or loss".

B. Debt and other instruments classified under "Other financial assets" have been reclassified as "Debt and other instruments measured at amortised cost.

C. Financial assets previously classified under "Available for sale" category have been reclassified as "Financial assets at fair value through other comprehensive income".

D. The impact on deferred tax on remeasuring of financial instruments under SLFRS 9 have been remeasured.

7. CASH AND BANK BALANCES

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Cash in hand	54,850,462	52,107,308	62,580,521	63,076,275
Balances with banks	1,693,746,442	1,643,857,141	2,277,499,693	1,683,834,653
	1,748,596,904	1,695,964,449	2,340,080,214	1,746,910,928

ACCOUNTING POLICY

Cash and cash equivalents are defined as cash in hand, demand deposits and investments with short maturities i.e. three months or less from the date of acquisition.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, deposits in banks net of outstanding bank overdrafts and reverse repurchase agreements. Investments with short maturities i.e. those having original maturities of three months or less from the date of acquisition are also treated as cash equivalents.

8. PLACEMENTS WITH BANKS

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Time deposits	3,577,171,569	2,262,523,090	3,487,111,876	1,991,850,523
Savings deposits	26,013,169	22,464,603	26,013,169	22,464,603
	3,603,184,738	2,284,987,693	3,513,125,045	2,014,315,126

9. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE/ FINANCIAL INVESTMENT – HELD FOR TRADING

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Government of Sri Lanka treasury bills	2,054,937,004	2,489,999,998	2,054,937,004	2,489,999,998
Quoted equity investments (Note 9.1)	57,220,236	132,065,766	60,256,805	132,065,766
Investments in unit trusts (Note 9.2)	-	24,793,899	1,477,968	24,793,899
	2,112,157,240	2,646,859,663	2,116,671,777	2,646,859,663

9.1 Quoted Equity Investments

	Company/Group					
	2019			2018		
	No. of Shares	Cost of Investment	Market Value	No. of Shares	Cost of Investment	Market Value
		LKR	LKR		LKR	LKR
Access Engineering PLC	300,000	6,240,000	3,900,000	300,000	6,240,000	6,150,000
ACL Cables PLC	36,000	1,816,200	1,162,800	36,000	1,816,200	1,476,000
Browns Beach Hotels PLC	9,000	292,500	104,400	9,000	292,500	131,400
Central Finance Company PLC	25,000	2,282,816	2,112,500	25,000	2,282,816	2,497,500
Chevron Lubricants Lanka PLC	93,068	12,918,345	5,826,057	93,068	12,918,345	9,725,606
Commercial Bank of Ceylon PLC	-	-	-	110,000	15,132,590	14,938,000
Dipped Products PLC	5,926	518,180	462,228	5,926	518,180	503,710
Entrust Securities PLC	10,000	240,000	240,000	10,000	240,000	240,000
Hatton National Bank PLC	10,000	2,500,000	1,750,000	10,000	2,500,000	2,450,000
Hayleys Fabric PLC	4,549	81,882	38,667	4,549	81,882	56,863
Hemas Holdings PLC	1,000	116,000	75,000	1,000	116,000	124,900
Janashakthi Insurance Company PLC	291,500	8,779,447	7,753,897	220,000	6,606,000	5,896,000
John Keells Holdings PLC	3,917	532,547	611,052	72,667	9,879,643	11,597,653
Lanka Walltiles PLC	30,000	2,966,000	1,800,000	30,000	2,966,000	2,952,000
LB Finance PLC	-	-	-	161,297	20,248,612	19,178,213
LOLC Holdings PLC	-	-	-	12,659	41,775	49,370
MTD Walkers PLC	132,000	5,744,058	1,953,600	132,000	5,744,058	2,706,000
Nations Trust Bank PLC	8,207	593,600	737,809	8,000	593,600	645,600
NDB Bank PLC	22,244	2,999,284	2,095,385	60,762	8,478,329	8,087,422
Orient Finance PLC	330,000	4,290,000	4,290,000	330,000	4,290,000	6,237,000
People's Leasing & Finance PLC	60,000	1,023,948	804,000	260,000	4,437,110	4,108,000
Richard Pieris Exports PLC	55,000	11,893,391	11,660,000	57,500	12,434,000	9,665,750
Royal Ceramics Lanka PLC	45,417	5,594,507	2,679,603	86,000	10,593,558	9,064,400
Serandib Hotels PLC	20,602	360,535	327,572	20,602	360,535	360,184
Sampath Bank PLC	28,000	7,417,770	5,042,800	10,932	2,703,339	3,279,904
Swisstek (Ceylon) PLC	25,000	1,840,980	870,000	25,000	1,840,980	1,482,500
Teejay Lanka PLC	390	15,581	11,856	158,890	6,348,049	5,068,591
Tokyo Cement Company (Lanka) PLC	14,800	803,985	306,360	49,800	2,705,302	2,689,200
Union Bank of Colombo PLC	55,000	913,000	605,000	55,000	913,000	704,000
Total for company		82,774,558	57,220,236		143,322,403	132,065,766
Trade Finance and Investment PLC						
Seylan Bank PLC	48,353	4,545,062	3,036,568	-	-	-
Total for group		87,319,620	60,256,805		143,322,403	132,065,766

9.2 Investments in unit trusts

	Company/Group			
	2019		2018	
	No. of Units	Market Value	No. of Units	Market Value
		LKR		LKR
Guardian Aquity Equity Fund	60,000	1,477,968	1,374,004	24,793,899
		1,477,968		24,793,899

10. LOANS AND RECEIVABLE

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Short term loans	2,179,592,095	1,831,370,637	2,189,940,766	1,839,736,074
Cash loans	2,046,068,641	4,575,959,208	2,049,467,960	4,575,959,208
Microfinance loans	5,821,368,694	10,788,002,940	5,981,722,182	11,195,710,404
Abhivurdhi SME loans	1,228,145,800	1,955,992,292	1,228,145,800	1,955,992,292
Business loans	733,860,076	2,828,949,342	752,370,095	2,886,697,944
Gold loan	5,471,912,877	4,009,292,320	5,471,912,877	4,054,754,290
Pawning advances	80,018,784	67,526,279	223,681,003	67,526,279
Factoring receivables	485,544,415	1,291,125,930	485,544,415	1,291,125,930
Term draft loans	3,050,798,311	3,862,561,107	3,050,798,311	3,869,620,195
Auto loans	3,945,049,236	4,219,718,072	3,945,049,236	4,222,208,084
Staff loans	295,448,323	298,628,164	300,689,171	298,628,164
Education loans	619,041,419	603,944,416	619,041,419	603,944,416
Other Loan	1,075,622,805	1,028,349,829	1,081,775,285	1,030,064,291
	27,032,511,475	**37,361,420,536**	**27,380,138,520**	**37,891,967,572**
Less : Allowance for impairment losses (Note 10.1)	(3,328,396,080)	(2,163,290,880)	(3,379,800,584)	(2,171,532,015)
Net loans and advances	**23,704,115,396**	**35,198,129,656**	**24,000,337,936**	**35,720,435,557**

10.1 Allowance for impairment losses

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Balance as at 31st March	2,163,290,880	1,420,162,867	2,171,532,015	1,422,892,382
Impact on adoption of SLFRS 9 as at 1st April (Note 6)	2,081,389,745	-	2,100,433,703	-
Balance as at 1st April	4,244,680,625	1,420,162,867	4,271,965,718	1,422,892,382
Charge/(Reversal) for the year	1,817,059,672	2,664,589,784	1,884,317,983	2,670,101,404
Amounts written off	(2,733,344,217)	(1,921,461,951)	(2,776,483,116)	(1,921,461,951)
As at 31st March	**3,328,396,080**	**2,163,290,880**	**3,379,800,584**	**2,171,532,015**

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 3,170,255,645/- (2018 - LKR 1,659,814,194/-) and individual impairment amounting to LKR 158,140,435/- (2018 - LKR 503,476,686/-).

The Group's allowance for impairment losses consists of collective impairment amounting LKR 3,215,288,668/- (2018 - LKR 1,668,055,329/-) and individual impairment amounting to LKR 164,511,918/- (2018 - LKR 503,476,686/-).

10.2 Gross Loans and Receivables

Company 2019

	Stage 1	Stage 2	Stage 3	Total
Short term loans	2,179,592,095	-	-	2,179,592,095
Cash loans	992,753,919	420,132,768	633,181,953	2,046,068,640
Microfinance loans	3,655,229,488	480,411,215	1,685,727,990	5,821,368,694
Abhivurdhi SME loans	951,347,902	106,528,820	170,269,078	1,228,145,800
Business loans	285,448,601	84,557,221	363,854,254	733,860,076
Gold loans / pawning advances	3,895,395,171	1,009,904,536	646,631,954	5,551,931,660
Factoring receivables	440,595,189	1,622,062	43,327,164	485,544,415
Term draft loans	1,680,091,959	1,151,453,308	219,253,045	3,050,798,311
Auto loans	2,247,558,979	1,333,935,176	363,555,082	3,945,049,237
Education loans	457,721,006	95,227,322	66,093,090	619,041,419
Other loans	651,757,722	219,700,016	499,653,391	1,371,111,129
	17,437,492,030	4,903,472,445	4,691,547,000	27,032,511,475

Less: Impairment allowance

Cash loans	158,931,643	73,907,900	230,858,140	463,697,683
Microfinance loans	90,411,487	94,700,498	902,033,115	1,087,145,099
Abhivurdhi SME loans	96,943,185	20,503,760	102,348,743	219,795,687
Business loans	37,245,036	13,605,661	157,949,132	208,799,828
Gold loans / pawning advances	161,088,302	105,317,279	64,663,195	331,068,776
Factoring receivables	63,649,860	1,620,845	43,327,164	108,597,868
Term draft loans	81,479,583	78,032,371	75,466,898	234,978,851
Auto loans	30,122,987	53,160,392	63,419,587	146,702,966
Education loans	15,830,980	8,167,959	10,072,587	34,071,526
Other loans	227,562,876	70,838,707	195,136,212	493,537,795
	963,265,937	519,855,371	1,845,274,772	3,328,396,080
Net loan and receivable	16,474,226,094	4,383,617,073	2,846,272,228	23,704,115,396

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Group 2019

	Stage 1	Stage 2	Stage 3	Total
Short term loans	2,179,592,095	-	-	2,179,592,095
Cash loans	992,753,919	420,132,768	633,181,953	2,046,068,640
Microfinance loans	3,784,532,536	480,411,111	1,685,727,990	5,950,671,637
Abhivurdhi SME loans	951,347,902	106,528,820	201,319,623	1,259,196,345
Business loans	296,531,508	91,984,333	363,854,254	752,370,096
Gold loans / pawning advances	3,895,395,171	1,009,904,536	790,294,173	5,695,593,879
Factoring receivables	440,595,189	1,622,062	43,327,164	485,544,415
Term draft loans	1,680,091,959	1,151,453,308	219,253,045	3,050,798,311
Auto loans	2,247,558,979	1,333,935,176	363,555,082	3,945,049,237
Education loans	457,721,006	95,227,322	66,093,090	619,041,419
Other loans	651,757,722	219,700,216	524,754,708	1,396,212,446
	17,577,877,986	4,910,899,453	4,891,361,081	27,380,138,520

Less: Impairment allowance

	Stage 1	Stage 2	Stage 3	Total
Cash loans	158,931,643	73,907,900	230,858,140	463,697,683
Microfinance loans	104,685,597	94,700,498	928,788,490	1,128,174,586
Abhivurdhi SME loans	96,943,185	20,503,760	102,348,743	219,795,687
Business loans	37,374,385	14,871,977	157,949,132	210,195,494
Gold loans / pawning advances	161,088,302	105,317,279	67,271,063	333,676,644
Factoring receivables	63,649,860	1,620,845	43,327,164	108,597,868
Term draft loans	81,479,583	78,032,371	75,466,898	234,978,851
Auto loans	30,122,987	53,160,392	63,419,587	146,702,966
Education loans	15,830,980	8,167,959	10,072,587	34,071,526
Other loans	227,562,876	70,838,707	201,507,695	499,909,278
	977,669,396	521,121,688	1,881,009,499	3,379,800,584
Net loan and receivable	16,600,208,589	4,389,777,765	3,010,351,582	24,000,337,936

11. LEASE RENTALS RECEIVABLE AND STOCKS OUT ON HIRE

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Gross rentals receivable				
– Lease rentals	43,104,892,087	35,367,605,468	52,388,217,616	44,130,164,760
– Amounts receivable from hirers	10,438,632,800	9,068,688,158	10,439,581,743	9,079,228,284
	53,543,524,887	44,436,293,626	62,827,799,359	53,209,393,044
Less: Unearned income	(14,777,886,830)	(11,020,596,969)	(14,777,886,830)	(13,074,420,568)
Net rentals receivable	38,765,638,057	33,415,696,657	48,049,912,529	40,134,972,476
Less : Allowance for impairment losses (Note 11.1)	(1,615,190,155)	(1,708,380,873)	(1,967,945,330)	(1,824,657,891)
Total net rentals receivable (Note 11.2 & 11.3)	37,150,447,901	31,707,315,784	46,081,967,198	38,310,314,585

11.1 Allowance for Impairment losses

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
As at 1st April	1,708,380,873	1,270,525,457	1,824,657,891	1,328,123,147
Impact on adoption of SLFRS 9 as at 1st April (Note 6)	848,099,441	-	1,196,181,891	-
Balance as at 1st April	2,556,480,314	1,270,525,457	3,020,839,782	1,328,123,147
Charge/(Reversal) for the year	1,061,304,038	534,083,022	1,185,525,725	600,958,909
Amounts written off	(2,002,594,197)	(96,227,606)	(2,238,420,177)	(104,424,165)
As at 31st March	1,615,190,155	1,708,380,873	1,967,945,330	1,824,657,891

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 1,585,830,407/- (2018 collective impairment - LKR 1,695,786,113/-) and individual impairment amounting LKR 29,359,749/- (2018 - LKR 12,594,760/-).

The Group's allowance for impairment losses consists of collective impairment amounting LKR 1,880,175,910/- (2018 - LKR 1,742,148,683/-) and individual impairment amounting to LKR 87,769,420/- (2018 - LKR 82,509,208/-).

Company 2019

	Stage 1	Stage 2	Stage 3	Unearned Income	Total
Lease	31,536,723,537	7,815,526,628	3,752,641,922	(12,267,417,335)	30,837,474,752
Hire purchase	7,483,614,722	2,099,995,150	855,022,927	(2,510,469,495)	7,928,163,305
	39,020,338,260	9,915,521,778	4,607,664,849	(14,777,886,830)	38,765,638,057
Less: Impairment allowance					
Lease	365,816,245	389,694,043	639,877,897	-	1,395,388,185
Hire purchase	62,125,338	59,103,754	98,572,879	-	219,801,971
	427,941,583	448,797,797	738,450,775	-	1,615,190,156
Net loan and receivable	38,592,396,676	9,466,723,981	3,869,214,074	(14,777,886,830)	37,150,447,901

Group 2019

	Stage 1	Stage 2	Stage 3	Unearned Income	Total
Lease	38,499,156,931	9,676,607,756	4,212,452,929	(12,267,417,335)	40,120,800,281
Hire purchase	7,484,563,665	2,099,995,150	855,022,927	(2,510,469,495)	7,929,112,248
	45,983,720,596	11,776,602,906	5,067,475,856	(14,777,886,830)	48,049,912,529
Less: Impairment allowance					
Lease	444,370,419	512,666,727	791,106,213	-	1,748,143,359
Hire purchase	62,125,338	59,103,754	98,572,879	-	219,801,971
	506,495,757	571,770,481	889,679,091	-	1,967,945,330
Net loan and receivable	45,477,224,839	11,204,832,425	4,177,796,765	(14,777,886,830)	46,081,967,199

11.2 Maturity of lease rentals receivables and stock out on hire - Company

As at 31st March 2019	Within one year LKR	1-5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
– Lease rentals	17,302,079,041	22,314,661,945	3,488,151,101	43,104,892,087
– Amounts receivable from hirers	5,491,159,021	4,231,608,655	715,865,123	10,438,632,800
	22,793,238,062	26,546,270,600	4,204,016,224	53,543,524,887
Less: Unearned income	(8,128,453,853)	(6,649,214,660)	(218,317)	(14,777,886,830)
Net rentals receivable	14,664,784,209	19,897,055,940	4,203,797,908	38,765,638,057
Less: Allowance for impairment losses				(1,615,190,155)
Total net rentals receivable				37,150,447,902

As at 31st March 2018	Within one year LKR	1-5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
– Lease rentals	17,702,250,292	17,655,609,245	9,745,931	35,367,605,468
– Amounts receivable from hirers	4,246,564,760	4,822,105,612	17,786	9,068,688,158
	21,948,815,052	22,477,714,857	9,763,717	44,436,293,626
Less: Unearned income	(5,938,663,402)	(5,081,164,016)	(769,551)	(11,020,596,969)
Net rentals receivable	16,010,151,650	17,396,550,841	8,994,166	33,415,696,657
Less : Allowance for impairment Losses				(1,708,380,873)
Total net rentals receivable				31,707,315,784

11.3 Maturity of lease rentals receivables and stock out on hire - Group

As at 31st March 2019	Within one year LKR	1-5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
– Lease rentals	29,128,403,173	19,771,663,341	3,488,151,101	52,388,217,616
– Amounts receivable from hirers	5,492,255,345	4,231,461,274	715,865,123	10,439,581,743
	34,620,658,519	24,003,124,615	4,204,016,224	62,827,799,358
Less: Unearned income	(10,721,895,333)	(4,055,773,181)	(218,317)	(14,777,886,830)
Net rentals receivable	23,898,763,186	19,947,351,435	4,203,797,908	48,049,912,528
Less: Allowance for impairment losses				(1,967,945,330)
Total net rentals receivable				46,081,967,198

As at 31st March 2018	Within one year LKR	1-5 years LKR	Over 5 years LKR	Total LKR
Gross rentals receivable				
– Lease rentals	18,793,137,348	25,335,229,795	9,745,931	44,138,113,074
– Amounts receivable from hirers	4,247,657,290	4,823,604,895	17,786	9,071,279,971
	23,040,794,638	30,158,834,689	9,763,717	53,209,393,044
Less: Unearned income	(6,022,543,085)	(7,051,107,932)	(769,551)	(13,074,420,568)
Net rentals receivable	17,018,251,553	23,107,726,757	8,994,166	40,134,972,476
Less : Allowance for impairment losses				(1,824,657,891)
Total net rentals receivable				38,310,314,585

12. DEBT & OTHER INSTRUMENTS

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Investment in commercial paper	177,244,522	-	177,244,522	-
Investment in debentures	10,000,000	-	10,000,000	-
	187,244,522	-	187,244,522	-

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ FINANCIAL INVESTMENT – AVAILABLE FOR SALE

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Financial assets at fair value through other comprehensive income				
Government of Sri Lanka treasury bonds	-	n/a	56,928,315	n/a
Unquoted equity investments (Note 13.2)	4,310,479	n/a	6,179,606	n/a
	4,310,479	-	63,107,921	-
Financial Investments – Available for sale				
Government of Sri Lanka treasury bills	n/a	-	n/a	56,641,074
Quoted equity investments (Note 13.1)	n/a	178,200,000	n/a	182,304,139
Unquoted equity investments (Note 13.2)	n/a	4,310,479	n/a	4,838,346
Unit trusts (Note 13.3)	n/a	-	n/a	1,923,000
	-	182,510,479	-	245,706,559

13.1 Quoted Equity Investments

	2018		
	No. of Shares	Carrying Value LKR	Market Value LKR
Company			
Ceylinco Insurance PLC	99,000		178,200,000
Total			178,200,000
Group			
Ceylinco Insurance PLC	99,000		178,200,000
Seylan Bank PLC	47,174		4,104,139
Total			182,304,139

13.2 Unquoted Equity Investments

	2019			2018		
	No. of Shares	Carrying Value LKR	Market Value LKR	No. of Shares	Carrying Value LKR	Market Value LKR
Company						
Credit Information Bureau	100	372,637	372,637	100	372,637	372,637
Finance House Consortium (Pvt) Ltd.	20,000	200,000	200,000	20,000	200,000	200,000
Ceylon Asset Management Company Limited	555,556	10,000,000	3,737,842	555,556	10,000,000	3,737,842
Total		10,572,637	4,310,479		10,572,637	4,310,479

Ceylon Asset Management Company Limited	2019	2018
Cost of Investment	10,000,000	10,000,000
Gain/(losses) from market value as at 31st March	(6,262,158)	(6,262,158)
Market value	3,737,842	3,737,842

	2019			2018		
	No. of Shares	Carrying Value LKR	Market Value LKR	No. of Shares	Carrying Value LKR	Market Value LKR
Group						
Credit Information Bureau	200	700,504	2,241,764	200	372,637	700,504
Finance House Consortium (Pvt) Ltd.	40,000	40,000	400,000	40,000	200,000	400,000
Ceylon Asset Management Company Limited	555,556	10,000,000	3,737,842	555,556	10,000,000	3,737,842
Total		11,100,504	6,179,606		10,572,637	4,838,346

Ceylon Asset Management Company Limited	2019	2018
Cost of Investment	10,000,000	10,000,000
Gain/(losses) from market value as at 31st March	(6,262,158)	(6,262,158)
Market value	3,737,842	3,737,842

13.3 Unit Trusts

	2019			2018		
	No. of Shares	Carrying Value LKR	Market Value LKR	No. of Shares	Carrying Value LKR	Market Value LKR
Group						
National Equity Fund	-	-	-	60,000	1,923,000	1,923,000
Total	-	-	-	60,000	1,923,000	1,923,000

14. OTHER FINANCIAL ASSETS

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Refundable deposits	45,021,547	31,623,360	45,021,547	31,623,360
Other receivables	394,160,576	103,370,208	394,160,576	103,370,208
Compensation receivable from government over acquisition of investment property (Note 14.1)	190,975,430	214,654,240	190,975,430	214,654,240
Investments in debentures	-	363,067,165	-	363,067,165
	630,157,554	712,714,972	630,157,554	712,714,972

14.1 Compensation receivable from government over acquisition of investment property

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Government compensation receivable (Note 19.2)	214,654,240	214,654,240	214,654,240	214,654,240
Less : Allowance for impairment losses	(23,678,810)	-	(23,678,810)	-
	190,975,430	214,654,240	190,975,430	214,654,240

15. INVENTORIES

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Real estate stocks	77,133,325	128,327,562	77,133,325	128,327,562
	77,133,325	128,327,562	77,133,325	128,327,562

As of 31.03.2019, provision for inventories amounting to Rs. 41,392,028/- (2018 - Rs. 30,770,518/-) was recognised and the inventory balances are carried at net realisable value.

ACCOUNTING POLICY

Inventories are valued at the lower of cost and net realisable value. Company evaluates the net realisable value considering the current market prices at which such stocks can be sold in the ordinary course of business.

16. OTHER ASSETS

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Pre-paid expenses	261,695,163	179,074,938	287,678,074	203,925,144
Tax receivable	17,264,204	18,042,942	17,264,204	18,042,942
Sundry assets	35,836,006	45,385,598	76,863,359	77,512,843
	314,795,373	242,503,478	381,805,639	299,480,930

17. INVESTMENT IN SUBSIDIARY

	Effective Holding		Company	
	2019	2018	2019	2018
	%	%	LKR	LKR
Trade Finance and Investments PLC	99.65	99.65	1,599,288,321	1,599,288,321
Total			1,599,288,321	1,599,288,321

18. INVESTMENT IN ASSOCIATE

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
TVS Lanka (Pvt) Ltd. (Note 18.1)	390,000,000	-	379,914,143	-
	390,000,000	-	379,914,143	-

18.1 TVS Lanka Private Limited

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
As at 1st April	-	-	-	-
Investments in equity during the year	390,000,000	-	390,000,000	-
Share of profit/(loss) for the year	-	-	(10,085,857)	-
As at 31st March	390,000,000	-	379,914,143	-

18.2 The financial information of the TVS Lanka Private Limited is as follows:

For the year/period ended 31st March	2019 LKR
Revenue	11,784,610,883
Expenses	11,768,285,616
Net profit/(loss) after tax for the year/period	16,325,267
As at 31st March	
Non-current assets	358,832,227
Current assets	6,103,508,083
Total assets	6,462,340,310
Current liabilities	4,237,383,358
Total liabilities	4,237,383,358

19. INVESTMENT PROPERTY

	Company/Group	
	2019 LKR	2018 LKR
Balance at 1 April	1,983,431,494	1,461,413,125
Property acquired during the year	516,705,670	425,615,717
Disposal during the year	(19,307,500)	(162,999,999)
Transferred from property plant & equipments (Note 19.1)	-	80,700,000
Transferred to property plant & equipments (Note 19.1)	(1,241,275,192)	(67,650,000)
Net fair value adjustment	208,796,848	246,352,651
Balance at 31 March	1,448,351,320	1,983,431,494

	Company/Group	
	2019 LKR	2018 LKR
Rental income derived from investment properties	4,703,123	37,476,007
Direct operating expenses	-	(732,391)
Profit arising from investment properties carried at fair value	4,703,123	36,743,616

19.1 During the current financial year the management decided to transfer property located at No.165, Kynsey road, Colombo 8 to property plant & equipment owing to changing the purpose of holding the property.

19.2 During the financial year 2014/2015, The government of Sri Lanka, under the provisions of section 38 of the land acquisition Act No. 28 of 1964, has acquired the Lot numbers 1 to 77 in plan No. 87/2010 dated 14/07/2010 of the investment property located at Rassandeniya, Matara. Such land extent acquired was 955 perches out of the total of 1511 perches.

By a letter dated 9th August 2019 by "Divisional Secretariat of Matara Four Gravets", it has been informed that the initiatives are in progress to pay the compensation after completion of the preliminary activities pertaining to such acquisition. Further on 25th May 2016, the government of Sri Lanka, under the provisions of section 7 of the land acquisition Act No. 28 of 1964, has issued the gazette notice detailing lands that is intended to be acquired and has requested the persons interested to claim for compensations through acquiring officer.

Accordingly, an amount corresponding to such compensation receivable was transferred to other financial assets. Value of such compensation was decided based on the valuation performed by M/S. Sunil Fernando Associates (Pvt) Ltd., a firm of chartered valuation surveyors based on the residual method of valuation as at 31st March 2018. (Note 14.1).

Description of valuation techniques used and key inputs to valuation on compensation receivable

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Value (LKR)
Lot numbers 1 to 77 in plan No. 87/2010 dated 14.07.2010, Rassandeniya, Matara	Residual Method of valuation	31.03.2018	Estimated price per perch LKR 280,000/- (Land Extent - 955 perches)	Positively correlated sensitivity	227,288,890

19.3 Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of akin location and category. Investment property is appraised in accordance with SLFRS 13 - fair value measurement, international valuation standards published by the International Valuation Standards Committee (IVSC) and Sri Lankan valuation standards by the independent valuers.

In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

19.4 Investment properties are stated at fair value, which have been determined based on valuations performed by following panel of valuers as at 31st March 2019,

- Sunil Fernando & Associates (PVT) LTD
- ABM Gunadasa
- HMN Herath
- D Jayawardana
- MMS Manatunge
- KRN Jayawardana
- HD Wickramasinghe
- KUM Dissanayake
- LKDA Kulathunga
- G Wanigathunga
- WAC Wickrama Arachchi
- TK Sirisena

Description of valuation techniques used and key inputs to valuation on investment properties:

Property	Method of Valuation	Effective Date of Valuation	Significant Unobservable Inputs (Level 3)	No. of building	Sensitivity of Fair Value to Un-Observable Inputs	Value 2019 (LKR)	Value 2018 (LKR)
No. 165, Kynsey Road, Colombo 08	Comparison Method of valuation	31-Mar-18	Estimated price per perch LKR 14,500,000/- (Land Extent - 66 perches)	-	Positively correlated sensitivity	-	1,100,000,000
			Estimated current cost of construction per square foot LKR 9,750/- (28,942 square feet)	1	Positively correlated sensitivity		
Lot No. 5A,5B & 6A in plan No. 88/2010 at Rassandeniya, Matara	Residual Method of valuation	31-Mar-19	Estimated price per perch LKR 210,000/- (Land Extent -556 perches)	-	Positively correlated sensitivity	47,788,650	47,788,650
Lot 4A in Survey Plan No.519,Thurstan Road,Colombo 03.	Comparison Method of valuation	31-Mar-19	Estimated price per perch LKR 16,000,000/- (Land Extent - 22.5perches)	-	Positively correlated sensitivity	360,000,000	337,500,000

Property	Method of Valuation	Effective Date of Valuation	Significant Unobservable Inputs (Level 3)	No. of building	Sensitivity of Fair Value to Un-Observable Inputs	Value 2019 (LKR)	Value 2018 (LKR)
Lot No. 1, 2 & 3 in Plan No. 9327/2014 at Main Street, Negombo	Comparison Method of valuation	31-Mar-19	Estimated price per perch LKR 3,250,000/- (Land Extent - 29.34 perches)	-	Positively correlated sensitivity	95,350,000	80,700,000
Lot No. 1 in Plan No. 0082 at Magammana, Dehiowita	Comparison Method of valuation	31-Mar-19	Estimated price per perch LKR 225,000/- (Land Extent - 45 perches)	-	Positively correlated sensitivity	36,950,000	36,746,000
			Estimated current cost of construction per square feet LKR 3,250/- (8,2254/- square feet)	1			
Lot No. 5A in Plan No. 2046 at Batapola	Comparison Method of valuation	31-Mar-18	Estimated price per perch LKR 200,000/- (Land Extent - 59 perches)	-	Positively correlated sensitivity	-	11,800,000
Lot No. 0 in Plan No. 1351 at Kandy Road, Nuwara eliya	Comparison Method of valuation	31-Mar-19	Estimated price per perch LKR 5,500,000/- (Land Extent - 18.5 perches)	-	Positively correlated sensitivity	183,000,000	172,000,000
			Estimated current cost of construction per square foot LKR 6,650/- (12267 square feet)	1			
Lot No. 3 in Plan No. 1143 at Kuda-Payagala, Payagala	Comparison Method of valuation	31-Mar-18	Estimated price per perch LKR 750,000/- (Land Extent - 13.5 perches)	-	Positively correlated sensitivity	18,989,000	18,989,000
			Estimated current cost of construction per square foot LKR 3,500/- (2832 square feet)	1			
Lot No. 1 in Plan No. 2017/155 at Kurunegala	Comparison Method of valuation	31-Mar-18	Estimated price per perch LKR 35,000/- (Land Extent - 206.93 perches)	-	Positively correlated sensitivity	-	7,500,000
Lot No. 283 in Plan No. 520004 at Homagama	Comparison Method of valuation	31-Mar-19	Estimated price per perch LKR 450,000/- (Land Extent - 383.45 perches)	-	Positively correlated sensitivity	172,500,000	155,160,000
Lot No. 2A in Plan No. 1280A/2008 at Gonnagahawatta	Comparison Method of valuation	31-Mar-18	Estimated price per perch LKR 150,000/- (Land Extent - 32.2 perches)	-	Positively correlated sensitivity	8,050,000	8,050,000
			Estimated current cost of construction per square foot LKR 3,000/- (1000 square feet)	1			
Lot No. 0 in Plan No. 5258 at Athurugiriya Road, Homagama	Comparison Method of valuation	31-Mar-19	Estimated price per perch LKR 690,000/- (Land Extent - 263.39 perches)	-	Positively correlated sensitivity	181,700,000	-
Lot No.15A in Olan No. 7177 at 4th Lane, Kesbawa	Comparison Method of valuation	31-Mar-19	Estimated price per perch LKR 650,000/- (Land Extent - 20 perches)	-	Positively correlated sensitivity	16,640,000	-
			Estimated current cost of construction per square foot LKR 2,500/- (1456 square feet)	1			
Lot No. 1 in Plan No. 802 at Nawagamuwa	Comparison Method of valuation	31-Mar-19	Estimated price per perch LKR 225,000/- (Land Extent - 171.5 perches)	-	Positively correlated sensitivity	20,670,000	-

Property	Method of Valuation	Effective Date of Valuation	Significant Unobservable Inputs (Level 3)	No. of building	Sensitivity of Fair Value to Un-Observable Inputs	Value 2019 (LKR)	Value 2018 (LKR)
Lot No. 2B in Plan No. 47 at Bangalawatta Road, Kottawa	Comparison Method of valuation	31-Mar-19	Estimated price per perch LKR 1,400,000/- (Land Extent - 15.70 perches)	-	Positively correlated sensitivity	24,800,000	-
			Estimated current cost of construction per square foot LKR 3,500/- (809 square feet)	1			
Lot No. 2 in Plan No. 3047 Bunnehepola, Udubaddawa, Kurunegala	Comparison Method of valuation	23-Jul-18	Estimated price per perch LKR 80,000/- (Land Extent - 1A)	-	Positively correlated sensitivity	2,500,000	-
Lot No. 1588-C Plan No. 1588 -C Perakumba Mawatha, Tank circular Road, Kurunegala	Comparison Method of valuation	27-Jan-18	Estimated price per perch LKR 225,0000/- (Land Extent - 15 perches)	-	Positively correlated sensitivity	4,000,000	-
Lot No. 1 in Plan No. 08/2007 Wickramarachchi Mawatah ,Yakkala	Comparison Method of valuation	26-Sep-18	Estimated price per perch LKR 325,0000/- (Land Extent - 40 perches)	-	Positively correlated sensitivity	8,813,000	-
Lot No - A Plan No. 6894, Mawela South, Kaluthara	Comparison Method of valuation	23-Aug-18	Estimated price per perch LKR 325,0000/- (Land Extent - 40 perches)	-	Positively correlated sensitivity	7,360,495	-
Lot No. 01 Plan No. 20, Hakamuna Village, Pelmadulla, Rathnapura	Comparison Method of valuation	12-Nov-18	Estimated price per perch LKR 400,00/- (Land Extent - 192 perches)	-	Positively correlated sensitivity	4,159,000	-
Lot No. 01 Plan No. 2151, Katumuna Land, Seethaeliya, Nuwaraeliya	Comparison Method of valuation	29-Dec-18	Estimated price per perch LKR 600,000/- (Land Extent - 10.6 perches)	-	Positively correlated sensitivity	3,639,000	-
Lot No. 5594 Plan No. 126/2010, Apothecarayawatta, Windsor Avenue, Dehiwala	Comparison Method of valuation	7-Mar-19	Estimated price per perch LKR 350,000/- (Land Extent - 9.3 perches)	-	Positively correlated sensitivity	10,087,000	-
Lot No. 01 Plan No.7011, Delgahawaththa, Hunupitiya New Road, Kelaniya	Comparison Method of valuation	8-Feb-18	Estimated current cost of construction per square foot LKR 3,500/- (809 square feet)	-	Positively correlated sensitivity	24,439,000	-
Lot No. -A/14 Plan No. -6725, Galagawawaththa, No. 61, Pinthaliya Road, Pahala Biyanwila, Biyagama	Comparison Method of valuation	18-Feb-18	Estimated price per perch LKR 500,000/- (Land Extent - 1R: 9.3 perches)	-	Positively correlated sensitivity	1,167,000	-
Lot No. A2, in Plan No. 280A, Meegahawatta, Biyagama	Comparison Method of valuation	30-Sep-15	Estimated price per perch LKR 150,000/- (Land Extent - 32.2 perches)	-	Positively correlated sensitivity	18,995,430	-
			Estimated current cost of construction per square foot LKR 3,000/- (1000 square feet)	1			
Lot No. 99 Plan No. 520022, Kahatagahaovitapillawa, Siyambalagoda, Homagama	Comparison Method of valuation	27-Feb-19	Estimated price per perch LKR 700,000/- (Land Extent - 11.7 perches)	-	Positively correlated sensitivity	4,900,000	-
Lot No. X Plan No. 4069, Maradana Ward No. 2, Mattakkuliya, Colombo	Comparison Method of valuation	28-Aug-12	Estimated price per perch LKR 3,100,000/- (Land Extent - 18.15 perches)	-	Positively correlated sensitivity	60,000,000	-

Property	Method of Valuation	Effective Date of Valuation	Significant Unobservable Inputs (Level 3)	No. of building	Sensitivity of Fair Value to Un-Observable Inputs	Value 2019 (LKR)	Value 2018 (LKR)
Lot No. A3, B, C1, D1 & E, Plan No. 1105, Dalaviyagodawatta, Kalawila Village, Beruwala	Comparison Method of valuation	28-Aug-12	Estimated price per perch LKR 150,000/- (Land Extent - 21.5 perches)	-	Positively correlated sensitivity	13,506,000	-
Lot No. 26 Plan No. 2447, Welihena, Siyambalagoda, Homagama	Comparison Method of valuation	28-Aug-12	Estimated price per perch LKR 150,000/- (Land Extent - 11 perches)	-	Positively correlated sensitivity	5,332,654	-
			Estimated current cost of construction per square foot LKR 3,000/- (2625 square feet)	1			
Lot No. X2 Plan No. 7739, Gonapolakumbura Kattiya, Palannaruwa, Horana	Comparison Method of valuation	28-Mar-19	Estimated price per perch LKR 600,000/- (Land Extent - 10.8 perches)	-	Positively correlated sensitivity	10,000,000	-
			Estimated current cost of construction per square foot LKR 2,750/- (2850 square feet)	1			
Lot No. - A Plan No. -4390, Rangama Estate, Rangama Village, Kurunegala	Comparison Method of valuation	27-Mar-19	Estimated price per perch LKR 250,000/- (Land Extent - 23A -1R.09 perches)	-	Positively correlated sensitivity	55,500,000	-
Lot No. 17 in Plan No. 2060, Batalandehena, Liyangahawatta	Comparison Method of valuation	5-Mar-19	Estimated price per perch LKR 180,000/- (Land Extent - 12.5 perches)	-	Positively correlated sensitivity	2,250,000	-
Lot No. 3896 Plan No. 195, Buddhagaya Mawatha, Anuradhapura	Comparison Method of valuation	28-Mar-18	Estimated price per perch LKR 400,000/- (Land Extent - 24.94 perches)	-	Positively correlated sensitivity	13,639,161	20,000,000
			Estimated current cost of construction per square foot LKR 3,000/- (3986 square feet)	1			
Lot E Plan No. 147 Kirineliya, Urugamuwa	Comparison Method of valuation	28-Oct-18	Estimated price per perch LKR 50,000/- (Land Extent -0A-2R-10 perches)	-	Positively correlated sensitivity	2,989,727	-
Lot No. 5 Plan No. 1133, Walpita Village, Homagama	Comparison Method of valuation	28-Sep-18	Estimated price per perch LKR 175,000/- (Land Extent - 19 perches)	-	Positively correlated sensitivity	3,135,000	-
Lot No. 3765 Plan No. F.T.P.9, Girithale, Paranagama, Hingurakkgoda	Comparison Method of valuation	22-Sep-16	Estimated price per perch LKR 175,000/- (Land Extent - 9.1 perches)	-	Positively correlated sensitivity	2,559,535	-
			Estimated current cost of construction per square foot LKR 2,500/- (1284 square feet)	1			
Lot No. 5 Plan No. 1738 & Lot No. 6 Plan No. 1738, Weerambuwa Village, Kurunegala	Comparison Method of valuation	18-Mar-18	Estimated price per perch LKR 125,000/- (Land Extent - 15 perches)	-	Positively correlated sensitivity	3,450,000	-
Lot No. 5 Plan No. 1451b, Walpola Village, Gampaha	Comparison Method of valuation	15-Mar-19	Estimated price per perch LKR 95,000/- (Land Extent -01A-03R- 1.98 perches)	-		15,600,000	-

19.5 The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property of the year ended 31st March 2019.

The sensitivity of the investment property valuation is the effect of the assumed changes in land price per perch and cost of construction per square feet (while other variables are held constant) on the profit or loss for the year and carrying value of investment property as at 31st March 2019.

Increase/(Decrease)

Value of the land	Cost of construction per square feet	Fair value gain/(loss) on investment property LKR
5%	5%	72,417,566
-5%	-5%	(72,417,566)

ACCOUNTING POLICY

Investment properties are measured initially at cost, including transaction costs. The carrying amounts includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and exclude the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of profit or loss in the year in which they arise.

20. PROPERTY, PLANT AND EQUIPMENT

20.1 Gross Carrying Amounts

Company	Balance As at 01.04.2018 LKR	Additions/ Transfers LKR	Disposals LKR	Balance As at 31.03.2019 LKR
At cost				
Freehold assets				
Furniture & fittings	312,121,217	26,810,561	-	338,931,778
Leasehold improvements	267,305,988	51,841,406	-	319,147,394
Office equipment	192,095,762	20,392,671	(67,664,000)	144,824,433
Motor vehicles	37,241,670	3,150,000	-	40,391,670
Computer equipments	930,405,524	204,378,681	(1,752,000)	1,133,032,205
Air conditioning system	99,703,303	8,770,000	-	108,473,303
Generators	9,557,742	5,486,822	-	15,044,564
	1,848,431,206	320,830,141	(69,416,000)	2,099,845,347
At valuation				
Freehold land	746,633,985	981,095,700	-	1,727,729,685
Building and building integrals	96,119,129	365,227,500	(14,700,000)	446,646,629
	842,753,114	1,346,323,200	(14,700,000)	2,174,376,314
Total value of depreciable assets	2,691,184,320	1,667,153,341	(84,116,000)	4,274,221,661

20.2 Depreciation

Company	Balance As at 01.04.2018 LKR	Additions/ Transfers LKR	Disposals LKR	Balance As at 31.03.2019 LKR
At cost				
Freehold assets				
Furniture & fittings	162,863,964	34,052,282	-	196,916,246
Leasehold improvements	130,251,386	48,261,112	-	178,512,498
Office equipments	63,609,923	23,477,287	(1,679,889)	85,407,321
Motor vehicles	18,394,490	9,708,543	-	28,103,033
Computer equipments	498,940,475	158,963,659	-	657,904,134
Air conditioning system	42,902,382	11,694,663	-	54,597,045
Generators	5,127,219	1,155,274	-	6,282,493
	922,089,839	287,312,820	(1,679,889)	1,207,722,769
At valuation				
Building and building integrals	3,583,809	2,961,763	-	6,545,572
	3,583,809	2,961,763	-	6,545,572
Total depreciation	925,673,648	290,274,583	(1,679,889)	1,214,268,342

20.3 Gross Carrying Amounts

Group	Balance As at 01.04.2018 LKR	Additions/ Transfers LKR	Disposals LKR	Balance As at 31.03.2019 LKR
At cost				
Freehold assets				
Furniture & fittings	324,082,975	30,066,984	-	354,149,959
Leasehold improvements	267,305,988	51,841,406	-	319,147,394
Office equipment	216,232,378	31,031,426	(67,664,000)	179,599,804
Motor vehicles	78,933,420	18,325,000	(7,970,000)	89,288,420
Computer equipments	954,868,748	226,488,486	(1,752,000)	1,179,605,234
Air conditioning system	99,703,303	8,770,000	-	108,473,303
Generators	9,557,742	5,486,822	-	15,044,564
	1,950,684,554	372,010,124	(77,386,000)	2,245,308,678
At valuation				
Freehold Land	746,633,985	981,095,700	-	1,727,729,685
Building and building integrals	96,119,129	365,227,500	(14,700,000)	446,646,629
	842,753,114	1,346,323,200	(14,700,000)	2,174,376,314
Total value of depreciable assets	2,793,437,668	1,718,333,324	(92,086,000)	4,419,684,992

20.4 Depreciation

Group	Balance As at 01.04.2018	Additions/ Transfers	Disposals	Balance As at 31.03.2019
	LKR	LKR	LKR	LKR
At cost				
Freehold assets				
Furniture & fittings	172,211,915	35,598,141	-	207,810,056
Leasehold improvements	130,251,386	48,261,112	-	178,512,498
Office equipments	78,315,489	27,513,554	(1,679,889)	104,149,154
Motor vehicles	37,332,135	19,626,683	(3,272,010)	53,686,808
Computer equipments	511,618,102	165,344,661	-	676,962,763
Air conditioning system	42,902,382	11,694,663	-	54,597,045
Generators	5,127,219	1,155,274	-	6,282,493
	977,758,628	309,194,088	(4,951,899)	1,282,000,817
At valuation				
Building and building integrals	3,583,809	2,961,763	-	6,545,572
	3,583,809	2,961,763	-	6,545,572
Total Depreciation	981,342,437	312,155,851	(4,951,899)	1,288,546,389

20.5 Net Book Values

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
At cost				
Furniture & fittings	142,015,532	149,257,253	146,339,903	151,871,060
Leasehold improvements	140,634,896	137,054,602	140,634,896	137,054,602
Office equipment	59,417,112	128,485,839	125,450,650	137,916,889
Motor vehicles	12,288,637	18,847,180	35,601,612	41,601,285
Computer equipments	475,128,071	431,465,049	502,642,471	443,250,646
Air conditioning system	53,876,258	56,800,921	53,876,258	56,800,921
Generators	8,762,071	4,430,523	8,762,071	4,430,523
Freehold Land	1,727,729,685	746,633,985	1,727,729,685	746,633,985
Building & building integrals	440,101,057	92,535,320	440,101,057	92,535,320
Total netbook value of property, plant & equipment	3,059,953,319	1,765,510,672	3,131,138,603	1,812,095,231

20.6 During the financial year, the Company acquired property, plant & equipment to the aggregate value of LKR 425,878,149/- (2018 - LKR 504,225,836/-). Cash payments amounting to LKR 425,878,149/- (2018 - LKR 504,252,836/-) was paid during the year for purchases of Property, Plant & Equipment.

During the financial year, the Group acquired property, plant & equipment to the aggregate value of LKR 477,058,132/- (2018 - LKR 531,685,127/-). Cash payments amounting to LKR 477,058,132/- (2018 - LKR 531,685,127/-) was paid during the year for purchases of Property, Plant & Equipment.

20.7 The Company uses the revaluation model of measurement of land and buildings. The company engaged Sunil Fernando & Associates (Private) Limited and A.B.M. Gunadasa, an independent chartered valuation surveyor, to determine the fair value of its land and buildings as at 31st March 2016, 31st March 2018 and 31st Mach 2019. The fair value was determined by Comparison Method using current market value of land, residual method of valuation and the depreciated replacement cost of buildings. Valuations are based on market prices, adjusted for any difference in the nature, location or condition of the specific property.

Commercial Credit and Finance PLC

Fair Value of Lands

Location	Extent	Valuer	Valuation Date	Valuation Details	No. of Building	Significant Unobservable Input: Price Per Perch/ Acre/Range	Fair Value LKR
Plan 548, Lot 1, Maithripala Senanayake Mawatha, New Town, Anuradhapura	P 12.2		31.03.2016	Comparison Method	-	Rs. 2,500,000/- per perch	30,500,000
No 106, Yatinuwara Veediya, Kandy	P 13.4		31.03.2016	Comparison Method	-	Rs. 7,500,000/- per perch	100,500,000
Plan 3256, Lot C1A, Yaggapitiya, Kurunegala	P 738.7		31.03.2016	Residual Method of valuation	-	Rs. 500,000/- to Rs.250,0000/- per perch	112,750,000
No. 136, Kurunegala Road, Puttalam	P 13.75		31.03.2016	Comparison Method	-	Rs. 650,000/- per perch	8,937,500
Lot 1, 2 Plan 390, Kumbukkanna, Monaragala	A 23 R 2 28.95 P		31.03.2016	Comparison Method	-	Rs. 900,000/- per acre	21,312,900
Bolgoda	A 4.5	-	-	-	-	Rs. 276,697/- per perch	216,737,885
Lot No. 275, 277, 283, 285, 287, & 289 High Level Road, Nugegoda	P 29.85	A.B.M. Gunadasa	31.03.2018	Comparison Method	-	Rs. 6,700,000/- per perch	202,799,700
113/11, Green road, Negombo	P 26.5		09.05.2018	Comparison Method	-	Rs. 1,700,000/- per perch	45,050,000
Plan 3333A, No. 165, Kynsey Road, Colombo 08	P 66	Sunil Fernando & Associates (Private) Limited	31.03.2019	Comparison Method	-	Rs. 15,500,000/- per perch	1,023,000,000
Total							1,768,049,985
Fair Value of Buildings							
Plan 806, Lot 2, Assessment No. 136, Kurunegala Road, Puttalam	1630 square feet		31.03.2016	Depreciated Replacement Cost	1	Rs. 2,750/- per square feet	4,482,500
Plan 548, Lot 1, Maithripala Senanayake Mawatha, New Town, Anuradhapura	4034 square feet		31.03.2016	Depreciated Replacement Cost	1	Rs. 4,500/- per square feet	13,614,750
No. 106, Yatinuwara Veediya, Kandy	12845 square feet		31.03.2016	Depreciated Replacement Cost	1	Rs. 6,000/- per square feet	55,875,750
113/11, Green road, Negombo	2700 square feet	A.B.M. Gunadasa	09.05.2018	Depreciated Replacement Cost	1	Rs. 2,500/- Rs. 2750/- per square feet	3,225,975
Plan 3333A, No. 165, Kynsey Road, Colombo 08	29,305 square feet	Sunil Fernando & Associates (Private) Limited	31.03.2019	Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 11,000/- per square feet	322,000,000
Total							409,376,975

20.8 If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Company			
	2019		2018	
	Land LKR	Building & Building Integrals LKR	Land LKR	Building & Building Integrals LKR
Cost	1,019,111,351	201,855,541	621,113,151	58,855,541
Less: Accumulated depreciation	-	(6,545,572)	-	(13,596,820)
Net carrying amount	1,019,111,351	195,309,969	621,113,151	45,258,722

20.9 Property, Plant and equipment included fully depreciated assets having a gross amount of LKR 214,992,572/-. (2018 - LKR 214,992,572/-) and Group fully depreciated assets amounted to LKR 241,057,616/- (2018 - LKR 241,057,616/-).

ACCOUNTING POLICY

Property, Plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant and equipment. Initially Property, Plant and equipment are measured at cost.

Subsequent measurement

Property, Plant and equipment is stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The Company has elected to use the revaluation model for land and buildings, while other classes of property, plant and equipment are measured using the cost model.

Cost Model

These are the amount of cash or cash equivalent paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction, if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured

Revaluation Model

Land and buildings are measured at fair value, less accumulated depreciation on buildings, and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

The provision for depreciation is calculated by using a straight line method on the cost or valuation of all Property, Plant & Equipment other than freehold land, in order to write off such amounts over the estimated useful lives.

The estimated useful lives used are as follows:

Components included in buildings and building integrals	Useful Life
Buildings	20-50 years
Cladding	10 years
Furniture and Fittings	8 years
Leasehold Improvements	Over the lease period
Office Equipment	5-10 years
Motor Vehicles	4 years
Computer Hardware	5 years
Air Conditioning System	10 years

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other Operating Income' in the Statement of profit or loss in the year the asset is derecognised.

21. INTANGIBLE ASSETS & GOODWILL

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Goodwill	-	-	741,712,566	741,712,566
Computer software (Note 21.1)	176,116,081	166,427,661	199,332,288	181,754,339
	176,116,081	166,427,661	941,044,855	923,466,906

Goodwill

Goodwill amounting to LKR 741,712,566/- has been recognised in respect of acquisition of Trade Finance and Investments PLC.

The Group performed its annual impairment test on Goodwill based on earnings growth model. The assumptions applied in the computations are reviewed each year. The key assumptions used to determine the recoverable amount of the Subsidiary are as follows:

Business growth rate	–	The volume growth has been budgeted on a reasonable and realistic basis by taking in to account historical growth rate and business plan of the Trade Finance and Investments PLC.
Discount rate	–	The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.
Inflation rate	–	The basis to used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

21.1 Computer software

	Company			
	Balance As At 01.04.2018 LKR	Additions/ Incurred LKR	Transfers LKR	Balance As At 31.03.2019 LKR
Cost				
Computer software	177,516,778	-	-	177,516,778
Capital work in progress - computer software	13,361,839	45,586,100	-	58,947,939
Written down value	190,878,617	45,586,100	-	236,464,717
Amortisation				
Computer software	24,450,956	35,897,680	-	60,348,636
	24,450,956	35,897,680	-	60,348,636
Net book value	166,427,661	-	-	176,116,081

21.2

	Group			
	Balance as at 01.04.2018 LKR	Additions/ Incurred LKR	Transfers LKR	Balance As At 31.03.2019 LKR
Cost				
Computer software	209,148,029	-	-	209,148,029
Capital work in progress - computer software	13,361,839	53,475,630	-	66,837,469
	222,509,868	53,475,630	-	275,985,498
Amortisation				
Computer software	40,755,530	35,897,680	-	76,653,210
	40,755,530	35,897,680	-	76,653,210
Net book value	181,754,339	-	-	199,332,288

22. PREPAID RENT

	Company/Group	
	2019 LKR	2018 LKR
As at 1 April	8,187,907	8,310,712
Amortisation for the year	(122,805)	(122,805)
As at 31 March	8,065,102	8,187,907

22.1 The Company entered into an agreement with Urban Development Authority of Sri Lanka on 4th September 2007 for a period of 78 years to acquire the right to use the property located at Hingurakgoda. The pre-paid rentals are amortised over the remaining lease period of 66 years.

ACCOUNTING POLICY

Pre-paid rentals paid to acquire rights to use property are amortised over the remaining lease period.

23. DUE TO BANKS

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Bank overdrafts	507,747,620	373,872,303	653,149,700	624,403,450
Securitised borrowings, syndicated loans and other bank facilities (Note 23.1)	8,733,725,354	8,208,126,804	14,374,366,092	11,250,382,610
Total	9,241,472,974	8,581,999,107	15,027,515,792	11,874,786,015

23.1 Securitised Borrowings and Direct Bank Facilities

Commercial Credit and Finance PLC

	Company/Group						
	As at 01.04.2018 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments LKR	As at 31.03.2019 LKR	Period	Security
Securitised Borrowings							
Hatton National Bank PLC - Securitisation Loan 10	67,708,450	-	4,631,379	72,339,829	-	48 Months	Lease & HP receivables
Hatton National Bank PLC - Securitisation Loan 11	67,708,450	-	4,631,379	72,339,829	-	48 Months	HP Receivables
Hatton National Bank PLC - Securitisation Loan 12	458,380,001	-	47,333,492	318,123,492	187,590,001	36 Months	Microfinance, HP & Lease Receivables
Hatton National Bank PLC - Securitisation Loan 14	362,500,000	-	44,409,420	194,409,420	212,500,000	36 Months	HP & Lease Receivables
Hatton National Bank PLC - Securitisation Loan 15	241,740,186	-	29,610,224	129,570,224	141,780,186	36 Months	HP & Lease Receivables
Deutsche Bank - Securitisation Loan 8	85,238,750	-	4,219,473	89,458,224	-	48 Months	Lease & HP receivables
Deutsche Bank - Securitisation Loan 9	252,316,805	-	13,481,250	265,798,055	-	48 Months	Lease & HP receivables
Deutsche Bank - Securitisation Loan 09-2	183,722,724	-	10,861,625	194,584,349	-	36 Months	Lease & HP receivables
Bank of Ceylon - Trust 13-2	34,580,847	-	318,302	34,899,149	-	20 Months	Microfinance, Receivables
Bank of Ceylon - Trust 15	452,468	-	926,091	1,378,560	-	18 Months	Lease & HP receivables
Peoples Bank Trust Loan - 1 -1	452,683,817	-	27,050,151	444,980,429	34,753,539	24 Months	Microfinance, Receivables
Peoples Bank Trust Loan -2- 1	267,203,041	-	15,443,616	282,646,657	-	24 Months	Microfinance, Receivables
Peoples Bank Trust Loan -2- 2	153,203,992	-	14,275,552	121,475,410	46,004,134	24 Months	Microfinance, Receivables
Peoples Bank Trust Loan -2- 3	328,595,164	-	33,431,729	260,932,732	101,094,160	24 Months	Microfinance, Receivables
Peoples Bank Trust Loan -2- 4	172,604,868	-	19,484,304	160,656,849	31,432,323	22 Months	Microfinance, Receivables

	Company/Group						
	As at 01.04.2018 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments LKR	As at 31.03.2019 LKR	Period	Security
National Saving Bank - Securitisation Loan	375,000,000	-	47,608,901	172,608,901	250,000,000	24 Months	Lease & HP receivables
Cargills Bank - Securitisation Loan	145,833,120	-	16,644,835	79,144,963	83,332,992	48 Months	Lease & HP receivables
People's Bank - Securitisation Loan 11	291,750,000	-	33,565,897	133,562,560	191,753,337	60 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 1	335,792,418	-	14,207,582	350,000,000	-	13 Months	Microfinance, Receivables
Hatton National Bank PLC - Trust 2	406,004,596	-	41,400,424	292,346,740	155,058,280	24 Months	HP & Lease Receivables
Hatton National Bank PLC - Trust 3	-	750,000,000	88,352,397	100,000,000	738,352,397	24 Months	Microfinance, Receivables
Hatton National Bank PLC - Trust 4 -1	-	381,188,840	37,840,480	36,393,992	382,635,328	11 Months	Microfinance, Receivables
Hatton National Bank PLC - Trust 4 -2	-	295,479,691	22,883,272	25,610,606	292,752,357	24 Months	Microfinance, Receivables
Hatton National Bank PLC - Trust 5	-	300,000,000	18,987,238	27,501,398	291,485,840	36 Months	Microfinance, Receivables
Hatton National Bank PLC - Trust 6	-	189,100,000	11,416,640	73,801,877	126,714,763	16 Months	HP & Lease Receivables
Hatton National Bank PLC - Trust 7	-	23,492,960	677,537	5,150,644	19,019,854	4 Months	HP & Lease Receivables
Peoples Bank Trust Loan - 3	-	168,246,031	6,351,934	-	174,597,965	24 Months	Lease Receivables
Peoples Bank Trust Loan - 1 - 2	-	200,000,000	-	-	200,000,000	24 Months	HP & Lease Receivables
	4,683,019,697	2,307,507,521	610,045,122	3,939,714,888	3,660,857,453		

	Company/Group						
	As at 01.04.2018 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments LKR	As at 31.03.2019 LKR	Period	Security
Direct bank borrowings							
Merchant Bank of Sri Lanka and Finance PLC - Term Loan	200,000,000	200,000,000	27,082,368	260,457,601	166,624,767	6 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	256,145,833	1,000,000,000	35,304,081	1,039,776,714	251,673,200	3 Months	-
National Development Bank PLC - Term Loan	-	600,000,000	15,029,538	414,195,037	200,834,500	12 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	204,121,918	600,000,000	29,310,274	632,378,223	201,053,968	3 Months	-
Seylan Bank PLC - Term Loan 03	-	600,000,000	28,137,534	328,137,534	300,000,000	36 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 04	325,000,000	-	43,489,640	143,489,640	225,000,000	60 Months	Lease & HP receivables

	Company/Group						
	As at 01.04.2018 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments LKR	As at 31.03.2019 LKR	Period	Security
Seylan Bank PLC - Term Loan 06	406,250,000	-	55,506,690	180,506,693	281,249,997	48 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan	-	500,000,000	33,029,322	158,039,320	374,990,002	21 Months	Lease & HP receivables
Cargills Bank - Term Loan	-	1,000,000,000	27,011,694	777,011,694	250,000,000	3 Months	Lease & HP receivables
Hatton National Bank PLC - Term Loan 1	-	175,000,000	13,452,087	42,612,087	145,840,000	48 Months	Fixed deposit
Hatton National Bank PLC - Term Loan 2	-	200,000,000	4,747,295	204,747,295	-	6 Months	-
Hatton National Bank PLC - Term Loan 3	-	1,500,000,000	49,706,166	424,706,166	1,125,000,000	12 Months	Promissory Note
Pan Asia Bank PLC - Term Loan	56,250,000	-	3,617,917	59,867,917	-	48 Months	Lease & HP receivables
Pan Asia Bank PLC - Term Loan 3	127,813,954	-	11,481,051	139,295,005	-	48 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	224,978,000	-	25,535,380	125,543,380	124,970,000	60 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	300,000,000	300,000,000	46,962,996	346,962,996	300,000,000	6 Months	Lien over balance held at (overseas investment account)
Sampath Bank PLC - Short Term Loan	-	300,000,000	30,849,105	30,849,105	300,000,000	6 Months	-
Sampath Bank PLC - Short Term Loan	500,000,000	500,000,000	34,265,459	1,034,265,459	-	3 Months	-
Hatton National Bank PLC - Short Term Loan	115,625,000	-	5,645,420	121,270,420	-	48 Months	Lien over fixed deposit
Hatton National Bank PLC - Short Term Loan	-	750,000,000	30,237,691	780,237,691	-	3 Months	-
Hatton National Bank PLC - Short Term Loan	-	175,000,000	1,720,957	176,720,957	-	1 Months	-
Hatton National Bank PLC - Short Term Loan	-	300,000,000	1,208,201	301,208,201	-	1 Months	-
Bank of Ceylon - Term Loan	377,672,400	-	47,492,431	170,023,631	255,141,200	90 Days	Lease & HP receivables
Bank of Ceylon - Term Loan	-	298,900,000	21,348,109	68,507,847	251,740,262	48 Months	Lease & HP receivables
DFCC Bank - Term Loan	431,250,000	-	55,477,333	167,977,333	318,750,000	48 Months	Promissory Note
	3,525,107,105	8,998,900,000	677,648,739	8,128,787,948	5,072,867,896		
Total for company	8,208,126,805	11,306,407,524	1,287,693,861	12,068,502,835	8,733,725,352		

	Company/Group						
	As at 01.04.2018 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments LKR	As at 31.03.2019 LKR	Period	Security
Trade Finance and Investments PLC							
Securitised Borrowings							
Sampath Bank PLC	948,746,742	250,000,000	115,708,462	813,672,705	500,782,500	48 Months	Lease & HP receivables
Hatton National Bank PLC - Trust Loan	1,835,242,582	3,332,417,310	318,235,320	1,787,109,342	3,698,785,870	36 Months	Lease & HP receivables
First Capital	-	899,931,168	93,133,532	119,303,568	873,761,132	24 Months	Lease & HP receivables
Central Finance Company PLC	29,103,812	50,000,000	6,034,733	41,822,005	43,316,539	24 Months	Lease & HP receivables
MBSL Securitisation Loan	-	250,000,000	32,501,266	96,681,841	185,819,425	36 Months	Lease & HP receivables
HDFC Securitisation Loan	-	200,250,000	23,514,159	49,559,892	174,204,267	48 Months	Lease & HP receivables
Seylan Bank PLC	229,162,671	-	26,994,470	92,186,137	163,971,005	48 Months	Lease & HP receivables
	3,042,255,807	4,982,598,478	616,121,943	3,000,335,490	5,640,640,738		
Total for Group	11,250,382,610	16,289,006,001	1,903,815,804	15,068,838,325	14,374,366,092		

23.2 Changes in Liabilities Arising from Financing Activities (Securitised Borrowings, Syndicated Loans and Other Bank Facilities)

		Cash Flows		Non-Cash Flows	
	As at 01.04.2018 LKR	Loans Obtained LKR	Capital Repaid and Interest Net Movement LKR	Prepaid Expense Amortisation LKR	As at 31.03.2019 LKR
Company					
Securitised Borrowings, Syndicated Loans and Other Bank Facilities	8,208,126,804	11,306,407,524	1,287,693,861	12,068,502,835	8,733,725,353
Group					
Securitised Borrowings, Syndicated Loans and Other Bank Facilities	11,250,382,610	16,289,006,001	1,903,815,804	15,068,838,325	14,374,366,092

24. DUE TO CUSTOMERS

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Fixed deposits - monthly	30,896,140,357	31,617,790,920	30,896,140,357	31,617,790,920
Fixed deposits - maturity	19,884,072,513	21,420,116,664	21,912,024,343	23,054,758,766
Savings deposits	1,128,154,468	1,186,177,399	1,128,154,468	1,186,177,399
	51,908,367,338	54,224,084,983	53,936,319,168	55,858,727,085

25. DEBT INSTRUMENTS ISSUED

	Company/Group	
	2019 LKR	2018 LKR
Debentures (Note 25.1)	3,011,533,608	2,972,221,709
	3,011,533,608	2,972,221,709

25.1 Debentures

Type of debenture	Face value (LKR)	Interest rate	Frequency of interest payment	Issued date	Maturity date	2019 Amortised Cost LKR	2018 Amortised Cost LKR
Rated, subordinated, guaranteed, redeemable debentures	1,000,000,000	10.5%	Quarterly	01.06.2015	30.03.2020	995,824,292	1,001,933,470
Rated, guaranteed, subordinated, redeemable debentures (type A)	2,000,000,000	10.40%	Semi annually	10.12.2015	09.12.2020	2,015,907,316	1,970,288,239
Rated, guaranteed, subordinated, redeemable debentures (type B)		6 months gross treasury bill rate + 1.50%					
						3,011,533,608	2,972,221,709

25.2 Changes in Liabilities Arising from Financing Activities (Debentures)

		Cash Flows		Non-Cash Flows	
	Opening 01.04.2018 LKR	Debentures Capital Repaid LKR	Debenture Interest Net Movement LKR	Prepaid Expense Amortisation LKR	Closing 31.03.2019 LKR
Debt instruments issued	2,972,221,709	-	(22,487,667)	61,796,566	3,011,533,608

26. OTHER FINANCIAL LIABILITIES

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Trade payables	2,162,248,712	2,384,977,198	2,546,086,230	2,915,074,455
Dividend	-	2,521,102	-	3,936,137
Other	-	12,060,166	-	120,823,064
	2,162,248,712	2,399,558,467	2,546,086,230	3,039,833,657

27. OTHER LIABILITIES

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
VAT payables	762,170,742	491,285,243	810,595,750	504,927,663
Advances received against real estate stock	9,027,261	10,659,274	9,027,261	10,659,274
Dividend payable	1,910,777	-	1,910,777	-
Deferred revenue on land sale income	8,843,599	18,377,646	8,843,599	18,309,493
Other liabilities	458,007,534	-	568,490,293	-
	1,239,959,912	520,322,162	1,398,867,679	533,896,429

28. POST EMPLOYMENT BENEFIT OBLIGATIONS

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
As at the 1st April	155,833,660	98,863,353	166,395,524	110,022,141
Amount charged for the year (Note 28.1)	49,166,640	36,069,386	52,884,126	39,497,618
Payments made during the year	(12,347,688)	(17,415,656)	(12,856,586)	(19,984,406)
Actuarial gains for the year	(17,043,754)	38,316,577	(17,139,305)	36,860,171
As at 31st March	175,608,858	155,833,660	189,283,759	166,395,524

28.1 EXPENSES ON DEFINED BENEFIT PLAN

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Current service cost for the year	33,115,774	23,513,740	35,671,455	25,602,918
Interest cost for the year	16,050,866	12,555,646	17,212,671	13,894,700
	49,166,640	36,069,386	52,884,126	39,497,618

28.2 Assumptions

	Company		Subsidiary (Trade Finance and Investments PLC)	
	2019	2018	2019	2018
Discount rate	11.40%	10.3%	11.00%	11.0%
Salary scale	9.00%	9.00%	10%	10%
Staff turnover				
20 - 30 years	10.00%	10.00%	15.00%	15.00%
35 years	7.50%	7.50%		
40 years	5.00%	5.00%		
45 years	2.50%	2.50%		
50 years	1.00%	1.00%		
Mortality	GA 1983 mortality table	GA 1983 mortality table	GA 1983 mortality table	GA 1983 mortality table
Retirement age	55 years	55 years	55 years	55 years

An actuarial valuation of the gratuity of the company and its subsidiary was carried out as at 31st March 2019 by Piyal S Goonetilleke and Associates, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Method".

28.3 The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year ended 31st March 2019.

		Company		Group	
Increase/(Decrease) in Salary Scale	Increase/(Decrease) in Discount Rate	Increase/(Decrease) in PVDBO		Increase/(Decrease) in PVDBO	
		2019	2018	2019	2018
		LKR	LKR	LKR	LKR
	(-1%)	18,069,133	17,680,452	19,134,815	18,536,109
	1%	(15,422,412)	(14,980,560)	(16,320,695)	(15,703,225)
(-1%)		15,557,532	(14,985,701)	16,593,926	(15,698,507)
1%		(17,918,764)	17,358,451	(18,807,294)	18,187,314

28.4 Expected Benefit payout in the future years for retirement gratuity

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Within next 12 months	18,771,631	18,033,826	18,771,631	18,533,546
Between 1 to 5 years	173,053,784	110,374,021	173,053,784	117,292,273
Beyond 5 years	212,946,546	224,509,516	212,946,546	242,824,705

ACCOUNTING POLICY

The group measures the present value of the defined retirement benefits of gratuity which is a defined benefit plan using the projected unit credit actuarial valuation method. The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31st March 2019, carried out by Messrs Piyal S Goonetilleke and Associates, a firm of professional actuaries.

All the employees of the group are eligible for gratuity under the payment of gratuity Act No. 12 of 1983.

Employees those who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the payment of gratuity Act No. 12 of 1983 at the rate of one half of the gross salary applicable to the last month in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

Funding arrangements

The gratuity liability is not externally funded.

- Defined contribution plans – Employees' Provident Fund (EPF) & Employees' Trust Fund (ETF)

Employees are eligible for EPF Contributions and ETF contributions in line with respective statutes and regulations. The group contributes 12% and 3% of salaries and other entitled allowances of employees to EPF and ETF respectively.

29. DEFERRED TAXATION

29.1 Deferred tax assets, liabilities and income tax relates to the following;

	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2019	2018	2019	2018	2019	2018
Company	LKR	LKR	LKR	LKR	LKR	LKR
Deferred tax liabilities						
Capital allowances for tax purposes	66,905,777	160,348,542	(93,442,765)	170,012,210	-	-
Revaluation of building	32,574,669	32,574,669	-	-	-	20,858,925
Investment property	6,789,880	8,577,648	(1,787,768)	8,577,648	-	-
Lease rental receivable	327,458,361	661,414,932	(333,956,571)	-	-	-
	433,728,687	862,915,791	(429,187,104)	178,589,858	-	20,858,925
Deferred tax assets						
Post employment benefit obligations	(49,170,480)	(43,656,175)	(10,286,556)	(5,245,794)	4,772,251	(10,728,642)
Temporary difference on provisions	-	(2,079,398,565)	1,037,996,275	(698,915,507)	-	-
	(49,170,480)	(2,123,054,740)	1,027,709,719	(704,161,301)	4,772,251	(10,728,642)
Deferred income tax charge/(reversal)						
Statement of profit or loss	-	-	598,522,615	(525,571,443)	-	-
Statement of other comprehensive income	-	-	-	-	4,772,251	10,130,283
Net deferred tax asset	384,558,207	(1,260,138,949)	-	-	-	-

29.2 Deferred tax assets, liabilities and income tax relates to the following;

	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2019	2018	2019	2018	2019	2018
Group	LKR	LKR	LKR	LKR	LKR	LKR
Deferred tax liabilities						
Capital allowances for tax purposes	70,167,430	819,963,293	(749,795,863)	173,671,085	-	-
Available for sale financial assets	366,649	398,603	(31,954)	-	-	10,901.00
Investment property	6,789,880	-	6,789,880	-	-	-
Revaluation of building	32,574,669	32,574,669	-	-	-	20,858,924
Lease rental receivable	8,577,648	8,577,648	193,969,193	8,577,648	-	-
	312,395,469	861,514,213	(549,118,744)	173,671,085	-	20,869,825
Deferred Tax Assets						
Post employment benefit obligations	(52,999,452)	(46,613,497)	(1,613,704)	(5,486,449)	(4,772,251)	(10,320,848)
Temporary difference on provisions	(52,335,726)	(2,079,398,565)	985,660,549	(698,915,507)	-	-
	(105,335,178)	(2,126,012,062)	984,046,845	(704,401,956)	(4,772,251)	(10,320,848)
Deferred income tax charge						
Statement of profit or loss	-	-	434,928,101	(522,153,223)	-	-
Statement of other comprehensive income	-	-	-	-	(4,772,251)	10,548,978
Net deferred tax (asset)/liability	207,060,291	(1,264,497,849)	-	-	-	-

ACCOUNTING POLICY

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability 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.

Deferred income 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 assets and unused tax losses can be utilised.

The carrying amount of deferred income 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and liabilities are off set if legally enforceable right exists to set off current tax assets against current income tax liabilities and deferred tax relates to the same taxable entity and the same taxation authority.

30. STATED CAPITAL

30.1 Issued and fully paid-ordinary shares

	Company/Group			
	2019		2018	
Issued and fully paid-ordinary shares	No. of Shares	LKR	No. of Shares	LKR
At the beginning of the year	318,074,365	2,150,640,315	318,074,365	2,150,640,315
At the end of the year	318,074,365	2,150,640,315	318,074,365	2,150,640,315

30.2 Rights of shareholders

The holders of ordinary shares confer right to receive dividends as declared from time to time and are entitled to one vote per share at meeting.

All shares rank equally with regard to the company's residual assets.

31. RETAINED EARNINGS

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
As at 1st April	7,284,658,283	5,749,765,773	7,859,293,595	6,154,648,604
Impact of adopting SLFRS - 9 (Note 6)	(2,109,232,265)	-	(2,465,963,389)	-
Profit for the year	2,078,678,579	2,350,693,513	2,633,406,656	2,540,571,760
Other comprehensive income net of tax	12,271,503	(27,587,935)	12,340,059	(26,542,988)
Dividend paid (Note 45)	(238,555,774)	(318,074,365)	(238,555,774)	(318,074,365)
Effect of change in equity interest in subsidiary	-	-	-	93,097
Transfers to statutory reserve fund (Note 32)	(415,735,716)	(470,138,703)	(443,832,952)	(491,402,513)
As at 31st March	6,612,084,610	7,284,658,283	7,356,688,195	7,859,293,595

32. RESERVES

	Company					
	Revaluation Reserve	General Reserve (Note 30.1)	Statutory Reserve (Note 30.2)	Available for Sale Reserve	FVOCI Reserve	Total
	LKR	LKR	LKR	LKR	LKR	LKR
As at 1st April 2018	181,972,474	58,751,125	2,574,074,957	13,339,829	-	2,828,138,385
Impact of adopting SLFRS - 9 (Note 6)	-	-	-	(13,339,829)	13,339,829	-
	181,972,474	58,751,125	2,574,074,957	-	13,339,829	2,828,138,385
Other comprehensive income for the year net of tax	-	-	-	-	(19,601,987)	(19,601,987)
Transfers to/(from) during the year	-	-	415,335,716	-	-	415,335,716
As at 31st March 2019	181,972,474	58,751,125	2,989,810,673	-	(6,262,158)	3,224,272,114

	Group					
	Revaluation Reserve	General Reserve (Note 30.1)	Statutory Reserve (Note 30.2)	Available for Sale Reserve	FVOCI Reserve	Total
	LKR	LKR	LKR	LKR	LKR	LKR
As at 1st April 2018	181,972,474	58,751,125	2,635,234,429	12,505,786	-	2,888,463,815
Impact of adopting SLFRS - 9 (Note 6)	-	-	-	(12,505,786)	11,002,546	(1,503,240)
	181,972,474	58,751,125	2,635,234,429	-	11,002,546	2,886,960,575
Other comprehensive income for the year net of tax	-	-	-	-	(18,297,103)	(18,297,103)
Transfers to/(from) during the year	-	-	443,832,952	-	-	443,832,952
As at 31st March 2019	181,972,475	58,751,126	3,079,067,382	-	(7,294,556)	3,312,496,424

32.1 General reserve represents amounts set aside by the board of directors from time to time which is available for general application at the discretion of the Board.

32.2 Statutory reserve fund is a capital reserve which contains profits transferred as required by section 3 (b) (ii) of Central Bank direction No. 01 of 2003.

33. GROSS INCOME

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Interest income (Note 33.1)	19,626,812,489	20,141,562,070	22,125,265,906	21,724,831,839
Fee and commission income (Note 34)	1,336,533,359	1,133,700,659	1,432,368,091	1,209,328,198
Net income from real estate sales	24,023,559	25,971,410	24,023,559	25,971,410
Net gain/(loss) from trading	(35,984,919)	64,676,565	(35,984,919)	64,676,565
Other operating income	723,444,622	798,366,289	648,882,046	601,719,947
Change in fair value of investment property	208,796,848	246,352,651	208,796,848	246,352,651
	21,883,625,959	22,410,629,644	24,439,351,531	23,872,880,610

33.1 Interest Income

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Reverse repurchase agreements	220,072,775	188,968,363	227,674,574	192,209,012
Placement with banks and other financial institutions	426,169,771	389,370,088	416,158,943	392,069,815
Loans and receivables	9,363,797,713	11,596,060,394	9,560,478,207	11,741,082,447
Lease rentals receivable & stock out on hire	9,388,417,687	7,681,173,954	11,680,817,339	9,098,729,671
Financial assets - fair value through profit or loss	228,354,544	-	240,136,844	-
Financial instruments - held for trading	-	285,989,271	-	300,740,894
Total interest income	19,626,812,489	20,141,562,070	22,125,256,906	21,724,831,839

33.2 Interest Expenses

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Due to banks	1,389,050,865	1,330,663,085	2,012,232,511	1,606,716,070
Due to customers	7,091,854,116	7,571,626,082	7,357,789,681	7,761,754,702
Debt instruments issued	289,720,517	404,666,671	289,720,517	404,666,671
Total interest expenses	8,770,625,499	9,306,955,840	9,656,742,709	9,773,137,444

34. FEE AND COMMISSION INCOME

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Credit related fees and commissions	216,719,254	169,575,044	302,509,237	245,202,583
Service charges	1,119,814,105	964,125,615	1,129,858,854	964,125,615
Total fee and commission income	1,336,533,359	1,133,700,659	1,432,368,091	1,209,328,198

35. NET INCOME FROM REAL ESTATE SALES

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Proceeds from real estate sales	24,032,060	63,371,726	24,032,060	63,371,726
Cost of sales	(8,501)	(37,400,316)	(8,501)	(37,400,316)
	24,023,559	25,971,410	24,023,559	25,971,410

36. NET GAIN/(LOSS) FROM TRADING

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Net gain from financial investments - held for trading	(35,984,919)	64,676,565	(35,984,919)	64,676,565
	(35,984,919)	64,676,565	(35,984,919)	64,676,565

37. OTHER OPERATING INCOME

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Profit on disposal of property & equipment	1,066,659	2,516,868	1,982,393	2,862,543
Sundry Income from real estate	1,118,180	2,889,521	1,118,180	2,889,521
Bad debt recoveries	565,917,380	371,754,274	568,873,201	377,856,969
Rent income	4,703,123	36,743,616	4,703,123	36,743,616
Dividend Income	51,128,724	213,420,918	2,647,078	9,931,354
Other sundry income	70,098,028	90,008,441	76,145,544	90,403,294
Gain from disposal of investment property	1,628,500	81,032,650	1,628,500	81,032,650
Pawning auction (loss)/gain	27,784,028	(84,062)	27,784,028	(84,062)
Total other operating income	723,444,622	798,282,227	684,882,046	601,635,886

38. IMPAIRMENT CHARGES OF FINANCIAL ASSETS

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Loans and receivables	1,817,059,672	2,664,505,902	1,884,318,164	2,670,101,585
Lease rentals receivable & stock out on hire	1,061,304,038	534,083,022	1,185,525,725	600,958,909
	2,878,363,710	3,198,672,986	3,070,193,910	3,271,060,494

39. PERSONNEL COSTS

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Salaries and bonus	2,108,857,246	1,870,285,387	2,323,757,725	1,984,059,058
Contribution to defined contribution plan			-	
Contribution to EPF	189,921,969	174,553,023	210,952,642	174,553,023
Contribution to ETF	47,462,918	43,637,253	47,462,918	56,692,201
Contribution to defined benefit plan (Note 28)	49,166,640	36,069,386	52,884,126	39,497,618
Travelling & subsistence	275,961,914	184,383,119	275,961,914	184,383,119
Other allowances & staff related expenses	456,240,768	284,388,667	495,705,861	302,257,139
	3,127,611,455	2,593,316,835	3,406,725,185	2,741,442,155

40. OTHER OPERATING EXPENSES

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Directors' fees and expense	6,112,040	8,551,500	9,422,040	10,986,500
Auditors' remuneration - Audit	5,601,750	5,080,000	10,308,548	6,015,000
- Non-audit	3,197,002	2,591,871	3,197,002	3,707,240
Professional and legal expenses	153,996,609	154,331,003	160,833,502	154,331,003
Regulatory penalties	4,500,000	-	4,500,000	-
Office administration and establishment expenses	2,269,929,838	2,177,115,216	2,478,631,372	2,383,185,195
Advertising and business promotion expenses	506,373,983	297,565,518	529,256,371	310,186,221
	2,949,711,222	2,645,235,108	3,196,148,835	2,868,411,160

41. TAX 0N FINANCIAL SERVICES

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Value added tax	767,693,905	887945671	913,235,428	1,010,997,042
Debt repayment levy	221,553,566	-	262,719,550	-
	989,247,471	887,945,671	1,175,954,978	1,010,997,042

42. SHARE OF LOSS OF ASSOCIATE

	Group	Group
	2019 LKR	2018 LKR
Share of loss of associate before income tax	(10,085,857)	-
Income tax on share of operating results of associates	-	-
Share of loss of associates net of income tax	(10,085,857)	-

43. TAXATION

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

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Statement of Profit or Loss				
Current Income Tax				
Income tax for the year	145,142,571	1,698,146,958	451,521,461	1,858,604,757
Over provision of current taxes in respect of previous years	-	(43,450,297)	13,524,967	(31,877,340)
Tax on capital gains	19,427,770	-	19,427,770	-
Dividend tax	-	-	7,870,155	22,653,124
Deferred Tax				
Deferred taxation charge/(reversal) (Note 29)	598,522,615	(525,571,443)	434,928,101	(522,153,223)
	763,092,956	1,129,125,218	927,272,453	1,327,227,317
Statement of Other Comprehensive Income				
Deferred tax related to other comprehensive income (Note 29)	4,772,251	10,130,283	4,772,251	10,548,978
Income tax charged directly statement of other comprehensive income	4,772,251	10,130,283	4,772,251	10,548,978

43.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the years ended 31st March 2019 and 2018 is as follows:

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Accounting profit before tax	2,841,894,340	3,479,818,729	3,562,858,297	3,869,285,425
Non deductible expenses and capital portion of lease rentals	11,964,681,499	11,400,733,394	14,922,232,656	13,010,292,912
Exempt income	(51,196,996)	(668,571,242)	(1,453,809,883)	(464,693,142)
Allowable expenses including depreciation allowances on leased hold assets	(11,160,919,097)	(8,147,170,317)	(12,342,611,002)	(9,777,011,063)
Total profit from businesses (leasing and non-leasing)	3,594,459,747	6,064,810,564	4,688,670,068	6,637,874,132
Loss on leasing business	(3,076,093,430)	-	(3,076,093,430)	-
Total statutory income	518,366,316	6,064,810,564	1,612,576,638	6,637,874,132
Qualifying payments - deductions under section 34	-	-	-	-
Taxable income	518,366,316	6,064,810,564	1,612,576,638	6,637,874,132
Income tax expense	145,142,569	1,698,146,958	451,521,461	1,858,604,757
Effective tax rate	26.17%	33.70%	24.88%	34.54%

44. EARNINGS PER ORDINARY SHARE

44.1 Basic Earnings Per Ordinary Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33 - earnings per share.

	Company		Group	
For the year ended 31st March	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Amounts Used as the Numerators:				
Profit attributable to ordinary shareholders for basic earnings per share	2,078,678,579	2,350,693,513	2,633,406,656	2,540,571,760
Number of Ordinary Shares Used as Denominators for Basic Earnings per share				
Weighted average number of ordinary shares	318,074,365	318,074,365	318,074,365	318,074,365
Basic earnings per ordinary share (Rs.)	6.54	7.39	8.28	7.99

44.2 Diluted Earnings Per Ordinary Share

Diluted EPS is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares in to ordinary shares.

Number of Ordinary Shares Used as Denominators for Diluted Earnings per share

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Amounts used as the numerators:				
Profit attributable to ordinary shareholders for basic earnings per share	2,078,678,579	2,350,693,513	2,633,406,656	2,540,571,760
Weighted average number of ordinary shares	318,074,365	318,074,365	318,074,365	318,074,365
Diluted earnings per ordinary share (Rs.)	6.54	7.39	8.28	7.99

45. DIVIDEND PAID

45.1 Declared and Paid During the Year

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Dividends on ordinary shares:				
Final dividend for 2017/18 Rs.0.75/- per share. (Final dividend for 2016/17 Rs.1/- per share.)	238,555,774	318,078,365	238,555,774	318,078,365
	238,555,774	318,078,365	238,555,774	318,078,365

ACCOUNTING POLICY

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

46. OPERATING SEGMENTS

For management purposes, the group is organised into seven operating segments based on services offered to customers as follows. The following table presents income and profit and certain asset and liability information regarding the group's operating segments.

46.1

Group - 2019	Finance Lease LKR	Hire Purchase LKR	Microfinance and SME Loans LKR	Pawning LKR	Term Loan LKR	Revolving Loans LKR	Investments LKR	Unallocated LKR	Total LKR
Interest income	9,178,183,130	2,700,578,605	3,763,479,132	1,390,403,876	2,298,813,530	1,037,160,913	883,970,361	872,676,359	22,125,265,907
Fee based income	594,186,606	174,832,820	243,643,961	90,013,388	148,822,941	67,144,784	57,227,377	56,496,215	1,432,368,091
Net income from real estate sales	-	-	-	-	-	-	-	24,023,559	24,023,559
Net gain from trading	-	-	-	-	-	-	(35,984,919)	-	(35,984,919)
Other operating income	284,108,352	83,595,732	116,497,551	43,039,603	71,159,195	32,105,055	27,363,080	27,013,477	684,882,045
Change in fair value of investment property	-	-	-	-	-	-	-	208,796,848	208,796,848
Total revenue	10,056,478,088	2,959,007,157	4,123,620,643	1,523,456,866	2,518,795,667	1,136,410,752	932,575,900	1,189,006,458	24,439,351,532
Segmental result before depreciation and amortisation	2,100,653,329	618,093,947	861,364,919	318,228,182	526,140,111	237,379,827	194,801,664	248,366,312	5,105,028,291
Depreciation and amortisation	-	-	-	-	-	-	-	-	(356,129,159)
Segments results	-	-	-	-	-	-	-	-	4,748,899,132
VAT on financial services	-	-	-	-	-	-	-	-	(913,235,428)
Debt repayment levy	-	-	-	-	-	-	-	-	(262,719,550)
Share of loss of associates	-	-	-	-	-	-	-	-	(10,085,857)
Profit before taxation	-	-	-	-	-	-	-	-	3,562,858,297
Income tax expenses	-	-	-	-	-	-	-	-	(927,272,453)
Net profit for the year	-	-	-	-	-	-	-	-	**2,635,585,844**
Segment asset	39,101,464,663	7,653,001,379	5,751,173,708	5,220,862,884	8,196,536,687	525,060,247	13,173,671,696	9,520,861,851	89,142,633,115
Total assets									**89,142,633,115**
Segment liabilities	33,475,491,302	6,551,876,849	4,923,686,800	4,469,677,839	7,017,207,538	449,513,845	11,278,225,408	8,150,986,947	76,316,666,528
Total liabilities									**76,316,666,528**

46.2

Group - 2018	Finance Lease LKR	Hire Purchase LKR	Microfinance and SME Loans LKR	Pawning LKR	Term Loan LKR	Revolving Loans LKR	Investments LKR	Unallocated LKR	Total LKR
Interest income	7,575,071,620	1,523,658,051	5,202,190,865	746,836,162	4,163,128,592	1,628,926,828	885,019,721	-	21,724,831,839
Fee based income & others	506,193,831	111,040,400	162,415,392	7,568,068	303,398,432	118,712,126	-	-	1,209,328,249
Net income from real estate sales	-	-	-	-	-	-	-	25,971,410	25,971,410
Net gain from trading	-	-	-	-	-	-	64,676,565	-	64,676,565
Other operating income	161,817,016	32,548,049	111,128,059	15,953,750	88,931,839	34,796,777	9,931,354	146,613,104	601,719,948
Change in fair value of investment property	-	-	-	-	-	-	-	246,352,651	246,352,651
Total revenue	8,243,082,468	1,667,246,500	5,475,734,316	770,357,980	4,555,458,862	1,782,435,781	959,627,640	418,937,165	23,872,880,610
Segmental result before depreciation and amortisation	1,795,819,979	363,222,688	1,192,931,542	167,828,510	992,442,338	388,317,552	209,062,386	91,268,738	5,200,893,733
Depreciation and amortisation	-	-	-	-	-	-	-	-	(320,611,266)
Segments results	-	-	-	-	-	-	-	-	4,880,282,467
VAT on financial services	-	-	-	-	-	-	-	-	(1,010,997,042)
Profits from operations	-	-	-	-	-	-	-	-	3,869,285,425
Income tax expenses	-	-	-	-	-	-	-	-	(1,327,227,317)
Net profit for the year	-	-	-	-	-	-	-	-	2,542,058,108
Segment asset	31,736,375,151	6,573,939,434	12,280,484,740	4,070,736,414	16,567,949,614	2,801,264,789	7,572,206,035	8,516,046,613	90,119,002,790
Total assets									90,119,002,790
Segment liabilities	27,192,161,488	5,632,641,468	10,522,087,750	3,487,862,789	14,195,646,456	2,400,162,090	6,487,969,981	7,296,665,532	77,215,197,555
Total liabilities									77,215,197,555

ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Senior Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Group has identified four operating segments based on products and services, as follows:

- Finance Lease
- Hire purchase
- Microfinance & SME loans
- Pawning
- Term loans
- Revolving loan
- Investments
- Unallocated

Income taxes are managed on a group basis and are not allocated to operating segments. Interest income is reported net, as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the company's total revenue in 2019 or 2018

47. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

47.1

Company	At Fair Value		At Amortised Cost	
As at 31st March 2019	Fair value through profit or Loss LKR	Fair value through Other Comprehensive Income LKR	Loans and Receivables LKR	Total LKR
Assets				
Cash and bank balances	-	-	1,748,596,904	1,748,596,904
Reverse repurchase agreements	-	-	3,662,522,772	3,662,522,772
Placements with banks	-	-	3,603,184,738	3,603,184,738
Financial assets recognised through profit or loss - measured at fair value	2,112,157,240	-	-	2,112,157,240
Financial assets at amortised cost				
Loans and receivables	-	-	23,704,115,396	23,704,115,396
Lease rentals receivable & stock out on hire	-	-	37,150,447,901	37,150,447,901
Debt and other instruments			187,244,522	187,244,522
Financial assets at fair value through other comprehensive income	-	4,310,479	-	4,310,479
Other financial assets	-	-	630,157,554	630,157,554
Total financial assets	2,112,157,240	4,310,479	70,686,269,785	72,802,737,504

Company	At Amortised Cost	
As at 31st March 2019	Other Financial Liabilities LKR	Total LKR
Liabilities		
Due to banks	9,241,472,974	9,241,472,974
Due to customers	51,908,367,338	51,908,367,338
Debt instruments issued and other borrowed funds	3,011,533,608	3,011,533,608
Other financial liabilities	2,162,248,712	2,162,248,713
Total financial liabilities	66,323,622,633	66,323,622,633

Notes to the Financial Statements

Year ended 31st March 2019

Group	At Fair Value		At Amortised Cost	
As at 31st March 2019	Fair value through profit or Loss LKR	Fair value through Other Comprehensive Income LKR	Loans and Receivables LKR	Total LKR
Assets				
Cash and bank balances	-	-	2,340,080,214	2,340,080,214
Reverse repurchase agreements	-	-	3,787,893,629	3,787,893,629
Placement with banks	-	-	3,513,125,045	3,513,125,045
Financial assets recognised through profit or loss - measured at fair value	2,116,671,777	-	-	2,116,671,777
Loans and receivables	-	-	24,000,337,936	24,000,337,936
Lease rentals receivable & stock out on hire	-	-	46,081,967,199	46,081,967,199
Debt and other instruments	-	-	187,244,522	187,244,522
Financial assets at fair value through other comprehensive income	-	63,107,921	-	63,107,921
Other financial assets	-	-	630,157,554	630,157,554
Total financial assets	2,116,671,777	63,107,921	80,540,806,097	82,720,585,795

Group	At Amortised Cost	
As at 31st March 2019	Other Financial Liabilities LKR	Total LKR
Liabilities		
Due to banks	15,027,515,792	15,027,515,792
Due to customers	53,936,319,168	53,936,319,168
Due to customers	3,011,533,608	3,011,533,608
Other financial liabilities	2,546,086,231	2,546,086,231
Total financial liabilities	74,521,454,799	74,521,454,799

47.2

Company	At Fair Value		At Amortised Cost		
As at 31st March 2018	HFT LKR	AFS LKR	L&R LKR	HTM LKR	TOTAL LKR
Assets					
Cash and bank balances	-	-	1,695,964,449	-	1,695,964,449
Reverse repurchase agreements	-	-	2,210,648,881	-	2,210,648,881
Placements with banks	-	-	2,284,987,693	-	2,284,987,693
Financial assets recognised through profit or loss - measured at fair value	2,646,859,663	-	-	-	2,646,859,663
Loans and receivables	-	-	35,198,129,656	-	35,198,129,656
Lease rentals receivable & stocks out on hire	-	-	31,707,315,784	-	31,707,315,784
Financial investments - available for sale	-	182,510,479	-	-	182,510,479
Other financial assets	-	-	712,714,972	-	712,714,972
Total financial assets	2,646,859,663	182,510,479	73,809,761,435	-	76,639,131,577

Company	At Amortised Cost	
As at 31st March 2018	Other Financial Liabilities LKR	Total LKR
Liabilities		
Due to banks	8,581,999,107	8,581,999,107
Due to customers	54,224,084,983	54,224,084,983
Debt instruments issued and other borrowed funds	2,972,221,709	2,972,221,709
Other financial liabilities	2,399,558,467	2,399,558,467
Total financial liabilities	68,177,864,266	68,177,864,266

Group	At Fair Value		At Amortised Cost		
As at 31st March 2018	HFT LKR	AFS LKR	L&R LKR	HTM LKR	TOTAL LKR
Assets					
Cash and bank balances	-	-	1,746,910,928	-	1,746,910,928
Reverse repurchase agreements	-	-	2,302,257,521	-	2,302,257,521
Placement with banks	-	-	2,014,315,126	-	2,014,315,126
Financial assets recognised through profit or loss - measured at fair value	2,646,859,663	-	-	-	2,646,859,663
Loans and receivables	-	-	35,720,435,557	-	35,720,435,557
Lease rentals receivable & stocks out on hire	-	-	38,310,314,585	-	38,310,314,585
Financial investments - available for sale	-	245,706,559	-	-	245,706,559
Other financial assets	-	-	712,714,972	-	712,714,972
Total financial assets	2,646,859,663	245,706,559	80,806,948,689	-	83,699,514,911

Group	At Amortised Cost	
As at 31st March 2018	Other Financial Liabilities LKR	Total LKR
Liabilities		
Due to banks	11,874,786,015	11,874,786,015
Due to customers	55,858,727,085	55,858,727,085
Debt instruments issued and other borrowed funds	2,972,221,709	2,972,221,709
Other financial liabilities	3,039,833,657	3,039,833,657
Total financial liabilities	73,745,568,466	73,745,568,466

HFT - Held for trading HTM - Held to maturity L&R - Loans and receivables AFS - Available for sale

48. FAIR VALUE OF ASSETS AND LIABILITIES

Financial Instruments recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the company's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Assets recognsed through profit or loss / measured at Fair Value

Financial assets measured at fair value are valued using a valuation technique and consists of government debt securities, investments in unit trust and listed equity securities.

The company values the government securities using discounted cash flow valuation models which incorporate observable data. Observable inputs include assumptions regarding current rates of interest, daily unit traded prices, broker statements and market data published by Central Bank of Sri Lanka.

Financial Assets at Fair Value through other comprehensive income / available for sale

Financial instruments-available for sale, primarily consist of equity securities and government debt securities which are valued using valuation techniques or pricing models. These assets are valued using models that use both observable and unobservable data. Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka and quoted equities are valued using quoted market prices in the active market as at the reporting date.

48.1 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 : quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

As at 31st March 2019	Company				Group			
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial assets								
Financial assets - recognised through profit or loss								
Government of Sri Lanka treasury bills	2,054,937,004	-	-	2,054,937,004	2,054,937,004	-	-	2,054,937,004
Quoted equities	57,220,236	-	-	57,220,236	60,256,805	-	-	60,256,805
Investments in unit trusts	-	-	-	-	1,477,968	-	-	1,477,968
Financial assets -fire value through other comprehensive income								
Government of Sri Lanka treasury bonds	-	-	-	-	56,928,315	-	-	56,928,315
Government of Sri Lanka treasury bills	-	-	-	-	-	-	-	-
Quoted equities	-	-	-	-	-	-	-	-
Unquoted equities	-	-	4,310,479	4,310,479	-	-	6,179,606	6,179,606
Unit trusts	-	-	-	-	-	-	-	-
Total financial assets	2,112,157,240	-	4,310,479	2,116,467,719	2,173,600,092	-	6,179,606	2,179,779,698
Non-financial assets measured at fair value								
Freehold land	-	-	1,727,729,685	1,727,729,685	-	-	1,727,729,685	1,727,729,685
Building & building integrals	-	-	92,535,320	92,535,320	-	-	92,535,320	92,535,320
Investment property	-	-	1,448,351,320	1,448,351,320	-	-	1,448,351,320	1,448,351,320
	-	-	3,268,616,324	3,268,616,324	-	-	3,268,616,324	3,268,616,324

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

As at 31st March 2018	Company				Group			
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial assets								
Financial investments - held for trading								
Government of Sri Lanka treasury bills	2,489,999,998	-	-	2,489,999,998	2,489,999,998	-	-	2,489,999,998
Quoted equities	132,065,766	-	-	132,065,766	132,065,766	-	-	132,065,766
Investments in unit trusts	24,793,899		-	24,793,899	24,793,899	-	-	24,793,899
Financial investments - available for sale				-				
Government of Sri Lanka treasury bonds	-	-	-	-	-	-	-	-
Government of Sri Lanka treasury bills	-	-	-	-	56,641,074	-	-	56,641,074
Quoted equities	178,200,000	-	-	178,200,000	182,304,139	-	-	182,304,139
Unquoted equities	-	-	4,310,479	4,310,479	-	-	4,838,346	4,838,346
Investments in unit trusts	-	-	-	-	1,923,000	-	-	1,923,000
Total financial assets	2,825,059,663	-	4,310,479	2,829,370,142	2,887,727,875	-	4,838,346	2,892,566,221
Non-financial assets measured at fair value								
Freehold land	-	-	746,633,985	746,633,985	-	-	746,633,985	746,633,985
Building & building integrals	-	-	92,535,320	92,535,320	-	-	92,535,320	92,535,320
Investment property	-	-	1,983,431,494	1,983,431,494	-	-	1,983,431,494	1,983,431,494
	-	-	2,822,600,798	2,822,600,798	-	-	2,822,600,798	2,822,600,798

There were no financial liabilities recorded at fair value as at 31st March 2019 and 31st March 2018.

48.2 Movements in level 3 financial instruments measured at fair value

	Company		Group	
	2019 LKR	2018 LKR	2019 LKR	2018 LKR
Equity Securities				
As at 1st April	4,310,479	103,326,023	4,838,346	106,948,446
Sold during the financial year		(99,015,544)	(527,867)	(102,110,100)
Acquired during the year	-	-	-	-
Reclassified from investments in associates	-	-	-	-
As at 31st March	4,310,479	4,310,479	4,310,479	4,838,346

48.3 Movements in level 3 Non financial assets measured at fair value

	Company/Group		
	Free hold Land LKR	Building & building integrals LKR	Investment Property LKR
Balance as at 1st April 2017	492,973,800	83,159,398	1,461,413,125
Net deposit/Transfers	(13,050,000)	-	13,050,000
Acquired during the year	256,426,185	11,325,869	425,615,717
Fair Value Recognised During the year	10,284,000	-	246,352,651
Disposals	-	-	(162,999,999)
Depreciation	-	(1,949,947)	-
Balance as at 31st March 2018	746,633,985	92,535,320	1,983,431,494
Disposals/Transfers		(14,700,000)	(19,568,545)
Acquired during the year	915,095,700	289,949,853	620,692,023
Fair Value Recognised During the year	66,000,000	75,277,647	208,796,848
Disposals/Transfers	-	-	(1,345,000,000)
Depreciation	-	(2,961,763)	-
Balance as at 31st March 2019	1,727,729,685	440,101,057	1,448,351,820

48.4 Estimated Fair Value of financial assets and liabilities carried at other than fair value

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

Movements in level 3 financial instruments measured at fair value

Company		2019		2018	
	Level	Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets					
Cash and Bank Balances		1,748,596,904	1,748,596,904	1,695,964,449	1,695,964,449
Reverse Repurchase Agreements		3,662,522,772	3,662,522,772	2,210,648,881	2,210,648,881
Placement with Banks		3,603,184,738	3,603,184,738	2,284,987,693	2,284,987,693
Loans and Receivables	Level 2	23,704,115,396	36,126,081,319	35,198,129,656	34,886,808,193
Lease rentals receivable & Stock out on hire	Level 2	37,150,447,901	28,461,642,471	31,707,315,784	30,400,566,120
Debt and other instruments		187,244,522	187,244,522	363,067,165	363,067,165
Other financial assets		630,157,554	630,157,554	712,714,972	712,714,972
Total Financial Assets		70,686,269,785	74,419,430,278	74,172,828,600	72,554,757,473
Financial Liabilities					
Due to Banks	Level 2	9,241,472,974	8,646,435,290	8,581,999,107	8,609,176,658
Due to Customers	Level 2	51,710,377,365	51,446,889,741	54,224,084,983	54,172,613,416
Debt Instruments Issued and Other borrowed funds	Level 2	3,011,533,608	2,999,705,378	2,972,221,709	2,982,566,261
Other Financial Liabilities		2,162,248,713	2,162,248,713	2,399,558,467	2,399,558,467
Total Financial Liabilities		66,125,632,660	65,255,279,122	68,177,864,265	68,163,914,802

Group		2019		2018	
	Level	Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets					
Cash and Bank Balances		2,340,080,214	2,340,080,214	1,746,910,928	1,746,910,928
Reverse Repurchase Agreements		3,787,893,629	3,787,893,629	2,302,257,521	2,302,257,521
Placement with Banks		3,513,125,045	3,513,125,045	2,014,315,126	2,014,315,126
Loans and Receivables	Level 2	24,000,337,936	49,300,138,723	35,720,435,557	35,400,228,885
Lease rentals receivable & Stock out on hire	Level 2	46,081,967,199	28,461,642,471	38,310,314,585	36,887,931,976
Debt & other instruments		187,244,522	187,244,522	363,067,165	363,067,165
Other financial assets		630,157,554	630,157,554	712,714,972	712,714,972
Debt and other instruments		187,244,522	187,244,522		
Total Financial Assets		80,540,806,097	88,220,282,157	81,170,015,854	79,427,426,573
Financial Liabilities					
Due to Banks	Level 2	15,027,515,789	8,646,435,290	11,874,786,012	11,901,963,567
Due to Customers	Level 2	53,936,319,168	53,108,041,518	55,858,727,085	55,807,185,565
Debt Instruments Issued and Other borrowed funds	Level 2	3,011,533,608	2,999,705,378	2,972,221,709	2,982,566,261
Other Financial Liabilities		2,546,086,230	2,546,086,231	3,039,833,657	3,039,833,657
Total Financial Liabilities		74,521,454,796	67,300,268,417	73,745,568,463	73,731,549,050

48.4 Movements in level 3 financial instruments measured at fair value

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to fixed deposits, certificate of deposits and savings deposits without a specific maturity.

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

Fixed Rate Financial Instruments

Carrying amounts are considered as fair values for short term credit facilities. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. Interest rates based on Treasury Bond rates with similar tenors have been used to arrive at the fair value of debentures issued.

49. RISK MANAGEMENT

49.1 Introduction

Risk is inherent in a financial business and it became more challenging during the year with the implementation of SLFRS 9 and adverse market situation, such risks are managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the sustainability of the company and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is primarily exposed to credit risk, interest rate risk, operational risk and liquidity risk the management of which is explained below.

49.1.1 Risk Management structure

The Board of Directors is responsible for establishing the overall risk management framework within the Company. Integrated Risk Management Committee (IRMC), which is a sub-committee of the board has been established with delegated risk management responsibilities. The IRMC plays a vital role in establishing best practices in relation to risk policies and practices within the Company.

The activities of the Company's risk management system take place at three broad levels of hierarchy, as follows:

- Strategic Level

Overall risks are monitored at the IRMC level, and the decisions made by the IRMC are communicated to the Board of Directors. The Board ratifies the risk policies and directions issued to the management by the IRMC.

- Management Level:

Development and implementation of underlying procedures, processes and controls are carried out at the Management Level. Assuring the compliance with laid down policies, procedures and controls and reviewing the outcomes of operations, and measuring and analysing risk related information is also performed at this level.

- Operational Level:

The individuals accountable for the risk exposures relating to his or her responsibilities are required to comply with approved policies, procedures and controls.

49.1.2 Risk measurement and reporting system

A risk management process has been developed and is continuously reviewed by the IRMC together with the operational management. The Company has established four risk sub committees, namely Assets and Liability Management Committee (ALCO), Fixed Deposits sub-committee, Investment sub committee and Human Resources sub-committee to review operational risks and liquidity risk related to respective areas. The effectiveness of these committees is assessed by the IRMC.

The risk sub committees comprise of selected members of the operational management, middle management and operational staff of each relevant department. These sub committees meet on a regular basis and are responsible for identifying and analysing risks. The identified risks are taken up for discussion at risk subcommittee meetings and the minutes of the subcommittee meetings are circulated among the members of the IRMC. The decisions and directives of the IRMC are communicated to the operational management through the sub committees for operationalisation of such decisions and directives.

49.2 Credit Risk

Credit risk is the potential loss incurred in the event that a borrower fails to fulfil agreed obligations. It arises principally from various accommodations granted and could be identified as the most significant risk faced by the Company. The company manage the credit risk in the entire portfolio as well as individual credits. Objectives of credit risk management.

- Ensure optimize risk reward generate for the company to maximize return
- Maintain the quality of the portfolio by minimizing non-performing loans.
- Maintain a diversified portfolio to ensure profitability and quality of the portfolio
- Ensure that single exposures limit according to the regulatory requirements.

Mitigation:

Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analysing customer credit worthiness through rigorous customer investigation before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location. The loan approval delegation limits are reviewed periodically and high risk loans are evaluated at credit committee which is comprised business line and non-business line members.

Microfinance Loans & Abhivurdhi SME Loans

Micro finance loans and Abhiwurdhi Loans form a substantial part of the loans and advances granted by the Company in previous years, however portfolio has reduced to 10.68 per cent by the end of 2018/19 financial year from 18.45 per cent in 2017/18 due to prevailing market situation in micro finance industry. The practice in general in the industry both in Sri Lanka and Internationally, Micro finance loans are granted without obtaining any security from the borrower. Abhiwurdhi Loans are granted mainly to Micro finance customers who have obtained Micro finance loans in the past and settled them satisfactorily. As these accommodations are not covered by collateral they could lead to substantial credit risks to the Company however during last financial year the risk has come down significantly due to portfolio scale down . Credit risks associated with Micro finance and Abhiwurdhi portfolios are controlled by the following measures:

- Limiting individual's first Microfinance loan to less than Rs. 40,000 and these are granted as group-loans where loans granted to each member of the group is guaranteed by the other members of the group. Loans are granted after careful evaluation of the purpose for which they are taken and the repayment capacity,
- Microfinance Loans in higher amounts and Abhivurdhi SME Loans are granted based on past credit performance of applicants and with careful evaluation of the purpose for which they are taken and the repayment capacity,
- Weekly and fortnightly collection system which is closely monitors for each loan granted,
- Careful monitoring of various ratios such as Portfolio-at-Risk (PAR)

Pawning

The Company also has a substantial portfolio of loans and advances granted under pawn brokering and related activities. These facilities are granted mainly based on gold articles obtained as security. In the event the price of gold in the local market reduce substantially, this would lead to a reduction in the value of the security obtained thereby exposing the Company to the risk that some customers may not redeem the articles retained by the Company. In such a situation in the cases where the articles are not so redeemed, the difference between the realizable value of the article held and the total of the capital , interest and other charges due would result in a loss to the Company. In order to manage this risk the Company has adopted the following practices:

- Frequent review of gold prices in the local and international markets and adjusting the amount of the loans granted for each sovereign of gold contained in the article,
- Close follow up of the payment of capital and interest due on loans and advances granted,
- Structuring of the loans and advances granted in a manner that recovery action is possible

49.2.1 Assessment of Expected Credit Losses

(a) Analysis of the total impairment for expected credit losses is as follows,

Company

	Note	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	10.1	733,748,121	519,855,371	2,049,479,170	3,303,082,662
Lease rentals receivable & stocks out on hire	11.1	427,941,583	448,797,797	764,650,377	1,641,389,758
Other financial assets	13.1	23,678,810	-	-	23,678,810
		1,185,368,514	968,653,168	2,814,129,547	4,968,151,229

Group

	Note	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	10.1	748,151,580	521,121,688	2,085,213,897	3,354,487,165
Lease rentals receivable & stocks out on hire	11.1	506,495,757	571,770,481	915,878,693	1,994,144,932
Other financial assets	13.1	23,678,810	-	-	23,678,810
		1,278,326,148	1,092,892,169	3,001,092,590	5,372,310,907

Please refer Note 10.1 and 11.1 for the movement of expected credit loss of the loans & receivables and lease rentals receivables & stock out on hire respectively.

(b) Analysis of inputs to the ECL model under multiple economic scenarios

Key Drivers	ECL Scenario	Assigned Probabilities	2019	2020	2021	2022	2023	2024	2025
GDP growth (%)	Best case	30%	3.92	4.03	4.15	4.27	4.32	4.32	4.32
	Base case	30%	3.80	3.80	3.80	3.80	3.80	3.80	3.80
	Worst case	40%	3.62	3.58	3.54	3.50	3.40	3.40	3.40
Inflation (YoY average)	Best case	30%	4.09	4.04	4.00	3.95	3.83	3.83	3.83
	Base case	30%	4.30	4.30	4.30	4.30	4.30	4.30	4.30
	Worst case	40%	4.44	4.57	4.71	4.84	4.90	4.90	4.90
Interest rate (PLR)	Best case	30%	11.18	11.00	10.81	10.63	10.23	10.23	10.23
	Base case	30%	11.94	11.94	11.94	11.94	11.94	11.94	11.94
	Worst case	40%	12.48	12.98	13.49	14.02	14.25	14.25	14.25
Exchange rate-YE (US$:LKR)	Best case	30%	183.27	183.69	184.11	184.53	184.96	185.38	185.81
	Base case	30%	194.62	207.15	220.49	234.68	249.79	250.00	250.00
	Worst case	40%	218.74	250.00	250.00	250.00	250.00	250.00	250.00
Unemployment (% of labor force)	Best case	30%	4.08	4.07	4.07	4.06	4.05	4.05	4.05
	Base case	30%	4.10	4.10	4.10	4.10	4.10	4.10	4.10
	Worst case	40%	4.12	4.13	4.14	4.16	4.16	4.16	4.16

(c) Sensitivity analysis of impairment allowance for Loans, Advances and Lease rentals receivables

Change Criteria	Change Factor	Sensitivity Effect on impairment allowance increase
Probability of default	Increase by 5%	84,246,434
Loss given default	Increase by 5%	230,549,414
Realisation of cash flows - individually significant loans	Delayed by 1 year	125,840,921

49.2.2 Credit Quality by Class of Financial Assets

Company

As at 31st March 2019	Neither Past Due Nor Impaired Individually LKR	Past Due But Not Impaired Individually LKR	Individually Impaired LKR	Total LKR
Assets				
Cash and bank balances	1,748,596,903	-	-	1,748,596,903
Reverse repurchase agreements	3,662,522,772	-	-	3,662,522,772
Placements with banks	3,603,184,738	-	-	3,603,184,738
Financial assets recognised through profit or loss - measured at fair value	2,112,157,240	-	-	2,112,157,240
Financial assets at amortised cost				
Loans and receivables	12,519,538,478	13,792,482,228	720,490,769	27,032,511,475
Lease rentals receivable & stock out on hire	16,506,447,786	21,876,812,810	382,377,460	38,765,638,057
Debt & other instruments	187,244,522			187,244,522
Financial assets at fair value through other comprehensive income	-	-	4,310,479	4,310,479
Other financial assets	415,503,314	214,654,240	-	630,157,554
Total financial assets	40,755,195,751	35,883,949,278	1,107,178,708	77,746,323,739

Company

As at 31st March 2018	Neither Past Due Nor Impaired Individually LKR	Past Due But Not Impaired Individually LKR	Individually Impaired LKR	Total LKR
Assets				
Cash and bank balances	1,695,964,449	-	-	1,695,964,449
Reverse repurchase agreements	2,210,648,881	-	-	2,210,648,881
Placements with banks	2,284,987,693	-	-	2,284,987,693
Financial investments - held for trading	2,646,859,663	-	-	2,646,859,663
Loans and receivables	20,232,551,730	16,020,343,770	1,108,525,036	37,361,420,536
Lease rentals receivable & stock out on hire	13,249,866,492	20,062,589,503	103,240,663	33,415,696,658
Financial investments - available for sale	178,200,000	-	4,310,479	182,510,479
Other financial assets	712,714,972	-	-	712,714,972
Total financial assets	43,211,793,878	36,082,933,273	1,216,076,177	80,510,803,329

Group

As at 31st March 2019	Neither Past Due Nor Impaired Individually LKR	Past Due But Not Impaired Individually LKR	Individually Impaired LKR	Total LKR
Assets				
Cash and bank balances	2,340,080,213	-	-	2,340,080,213
Reverse repurchase agreements	3,787,893,629	-	-	3,787,893,629
Placements with banks	3,513,125,045	-	-	3,513,125,045
Financial assets recognised through profit or loss - measured at fair value	2,116,671,776	-	-	2,116,671,776
Financial assets at amortised cost				
Loans and receivables	12,773,799,611	13,885,849,139	720,490,769	27,380,138,519
Lease rentals receivable & stock out on hire	19,643,111,554	27,886,346,015	540,454,959	48,049,912,529
Debt & other instruments	187,244,522	-	-	187,244,522
Financial assets at fair value through other comprehensive income	58,797,442	-	4,310,479	63,107,921
Other financial assets	415,503,314	214,654,240	-	630,157,554
Total financial assets	44,836,227,106	41,966,848,394	1,265,256,007	88,068,331,707

Group

As at 31st March 2018	Neither Past Due Nor Impaired Individually LKR	Past Due But Not Impaired Individually LKR	Individually Impaired LKR	Total LKR
Assets				
Cash and bank balances	1,746,910,928	-	-	1,746,910,928
Reverse repurchase agreements	2,302,257,521	-	-	2,302,257,521
Placements with banks	2,014,315,126	-	-	2,014,315,126
Financial investments - held for trading	2,646,859,663	-	-	2,646,859,663
Loans and receivables	20,232,551,730	16,550,890,806	1,108,525,036	37,891,967,572
Lease rentals receivable & stock out on hire	13,249,866,492	26,645,772,165	239,333,821	40,134,972,478
Financial investments - available for sale	241,396,080	-	4,310,479	245,706,559
Other financial assets	712,714,972	-	-	712,714,972
Total financial assets	43,146,872,511	43,196,662,971	1,352,169,336	87,695,704,818

49.2.2.1 Aging analysis of past due (i.e facilities in arrears of one day and above but not individually impaired loans by class of financial assets

Company

	Past Due But Not Individually Impaired				
As at 31st March 2019	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	"More than 91 days" LKR	Tota LKR
Loans and receivables	4,197,462,783	2,658,027,926	2,245,444,518	4,691,547,000	13,792,482,228
Lease rentals receivable & stock out on hire	7,353,626,183	5,533,359,124	4,382,162,654	4,607,664,849	21,876,812,810
	11,551,088,967	8,191,387,051	6,627,607,172	9,299,211,849	35,669,295,038

Company

	Past Due But Not Individually Impaired				
As at 31st March 2018	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	"More than 91 days" LKR	Tota LKR
Loans and receivables	7,255,877,156	2,975,925,675	1,588,065,553	4,200,475,386	16,020,343,770
Lease rentals receivable & stock out on hire	7,187,133,633	5,091,296,407	2,687,604,106	5,096,555,357	20,062,589,503
	14,443,010,789	8,067,222,081	4,275,669,659	9,297,030,743	36,082,933,273

Group

	Past Due But Not Individually Impaired				
As at 31st March 2019	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	"More than 91 days" LKR	Tota LKR
Loans and receivables	4,224,207,438	2,674,700,628	2,261,144,167	4,725,795,905	13,885,848,139
Lease rentals receivable & stock out on hire	8,649,941,677	6,449,057,869	4,911,999,764	7,855,346,705	27,866,346,015
	12,874,149,116	9,123,758,498	7,173,143,931	12,581,142,609	41,752,194,154

Group

	Past Due But Not Individually Impaired				
As at 31st March 2018	Less than 30 days LKR	31 to 60 days LKR	61 to 90 days LKR	"More than 91 days" LKR	Tota LKR
Loans and receivables	7,255,877,156	2,975,925,675	2,048,683,393	4,270,404,582	16,550,890,806
Lease rentals receivable & stock out on hire	7,187,133,633	5,091,296,407	8,521,155,267	5,846,186,858	26,645,772,165
	14,443,010,789	8,067,222,082	10,569,838,660	10,116,591,438	43,196,662,971

49.2.3 Analysis of maximum exposure to credit risk and collateral

The following table shows the maximum exposure to credit risk by class of financial asset.

Company

	As at 31st March 2019		As at 31st March 2018	
	Maximum Exposure to Credit Risk LKR	Net Exposure LKR	Maximum Exposure to Credit Risk LKR	Net Exposure LKR
Assets				
Cash and bank balances	1,748,596,903	1,748,596,903	1,695,964,449	1,695,964,449
Reverse repurchase agreements	3,662,522,772	-	2,210,648,881	-
Placements with banks	3,603,184,738	3,603,184,738	2,284,987,693	2,284,987,693
Financial assets recognised through profit or loss - measured at fair value	2,112,157,240	2,112,157,240	2,646,859,662	2,646,859,662
Financial assets at amortised cost				
Loans and receivables	27,032,511,475	13,136,034,977	37,361,420,536	22,431,777,531
Lease rentals receivable & stock out on hire	38,765,638,057	707,046,840	33,415,696,657	2,107,645,165
Debt & other instruments	187,244,522	187,244,522	-	-
Financial assets at fair value through other comprehensive income	4,310,479	4,310,479	182,510,479	182,510,479
Other financial assets	630,157,554	630,157,554	712,714,972	712,714,972
Total financial assets	77,746,323,741	22,128,733,252	80,510,803,331	32,062,459,950

Group

	As at 31st March 2019		As at 31st March 2018	
	Maximum Exposure to Credit Risk LKR	Net Exposure LKR	Maximum Exposure to Credit Risk LKR	Net Exposure LKR
Assets				
Cash and bank balances	2,340,080,214	2,340,080,214	1,746,910,928	1,746,910,928
Reverse repurchase agreements	3,789,768,571	-	2,302,257,521	-
Placements with banks	3,513,125,045	3,513,125,045	2,014,315,126	2,014,315,126
Financial investments - held for trading	2,116,672,126	2,116,672,126	2,646,859,662	2,646,859,662
Financial assets at amortised cost				
Loans and receivables	27,380,138,520	13,445,201,329	37,891,967,572	22,953,959,129
Lease rentals receivable & stock out on hire	48,049,912,529	707,046,840	40,134,972,476	2,107,645,165
Debt & other instruments	187,244,522	187,244,522	-	-
Financial assets at fair value through other comprehensive income	60,607,465	60,607,465	245,706,559	245,706,559
Other financial assets	630,157,554	630,157,554	712,714,972	712,714,972
Total financial assets	88,067,706,545	23,003,135,095	87,695,704,817	32,428,111,542

49.3 Liquidity Risk & Funding Management

Liquidity risk is the risk of only being able to meet liquidity obligations at increased cost or, ultimately, being unable to meet obligations as they fall due. In the case of the Company this relates mainly to the ability to meet refund of deposits obtained from the public as they fall due and settlement of installments on bank and other borrowings. Liquidity risk management is governed under ALCO policy, while treasury department is responsible for maintaining day to day liquidity management.

Fund management is mainly involving with maximizing income from funds comply with board approved risk parameters set out in investment policy.

Mitigation:

Special attention is focused on the liquidity of the Company as it provides critical defence against this and several other risks such as reputational, compliance, and financial risks. A liquidity policy has been developed and integrated in to risk policy to provide necessary guidelines. The Company's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise. The Company also strives to ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with.

49.3.1 As per the requirements of Finance Companies (Liquid Assets) Direction No. 01 of 2009, Company has to maintain minimum liquid assets as follows;

a) 10% of the outstanding value of time deposits received by the company and accrued interest payable at close of business on such day; and
b) 15% of the outstanding value of savings deposits accepted by the company and accrued interest payable at close of business on such day: and
c) 10% of total outstanding borrowings and any other payable that may be determined by the CBSL excluding the borrowings that are included in the capital funds of the company and borrowings which are secured by the mortgage of any assets of the company.

49.3.2 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 31st March 2019.

Company	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and bank balances	1,748,596,903	-	-	-	-	1,748,596,903
Reverse repurchase agreements		949,988,430	2,760,034,595	-	-	3,710,023,025
Placement with banks	26,013,169	1,546,800,604	2,173,124,127	-	-	3,745,937,900
Financial assets recognised through profit or loss - measured at fair value	-	1,053,986,125	1,069,778,800	-	-	2,123,764,925
Financial assets at amortised cost						
Loans and receivables	4,482,420,755	8,603,700,279	11,645,146,212	6,301,025,012	115,881,229	31,148,173,486
Lease rentals receivable & stock out on hire	3,364,071,042	6,205,345,096	16,587,892,966	26,546,270,600	2,768,095	52,706,347,800
Debt & other instruments		178,397,589		15,250,000		193,647,589
Financial assets at fair value through other comprehensive income	-	-	-	-	4,310,479	4,310,479
Other financial assets	-	585,136,006	45,021,547	-	-	630,157,554
Total financial assets	9,621,101,869	19,123,354,129	34,280,998,246	32,862,545,612	122,959,803	96,010,959,660

Company	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Liabilities						
Due to banks	807,941,181	2,723,212,147	4,710,492,634	2,317,851,558	-	10,559,497,519
Due to customers	1,128,154,468	7,352,811,147	6,909,413,043	49,931,264,951	-	65,321,643,609
Debt instruments issued and other borrowed funds	96,612,665	78,731,269	236,193,808	3,175,087,592	-	3,586,625,335
Other financial liabilities	-	2,676,161,155	-	-	-	2,676,161,155
Total financial liabilities	2,032,708,315	12,830,915,718	11,856,099,485	55,424,204,101	-	82,143,927,619
Total net financial assets/(liabilities)	7,588,393,555	6,292,438,412	22,424,898,761	(22,561,658,489)	122,959,803	13,867,032,041

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31st March 2018.

Company	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and bank balances	1,695,964,449	-	-	-	-	1,695,964,449
Reverse repurchase agreements	-	838,323,426	1,433,899,897	-	-	2,272,223,323
Placement with banks	22,464,603	1,833,851,900	490,216,627	-	-	2,346,533,130
Financial investments - held for trading	156,859,665	1,562,246,020	1,006,688,970	-	-	2,725,794,655
Loans and advances	2,788,902,714	14,098,762,790	17,754,786,733	8,833,940,332	133,802,390	43,610,194,959
Lease rentals receivable & stock out on hire	1,784,991,737	5,179,064,240	13,781,256,145	22,832,919,232	1,145,149,036	44,723,380,390
Financial investments - available for sale	-	-	-	-	182,510,479	182,510,479
Other financial assets	103,370,208	12,150,936	24,450,936	420,804,559	246,277,600	807,054,239
Total financial assets	6,552,553,375	23,524,399,312	34,491,299,308	32,087,664,122	1,707,739,505	98,363,655,621
Financial Liabilities						
Due to banks	373,872,303	2,470,456,953	3,420,067,288	3,125,834,728	-	9,390,231,272
Due to customers	1,186,177,399	16,166,882,956	23,429,149,884	21,488,027,009	2,227,749	62,272,464,997
Debt instruments issued and Other borrowed funds	-	130,737,520	183,237,520	3,549,200,078	-	3,863,175,118
Other Financial liabilities	-	2,384,977,198	2,521,102	12,060,166	-	2,399,558,466
Total financial liabilities	1,560,049,702	21,153,054,626	27,034,975,794	28,175,121,981	2,227,749	77,925,429,853
Total net financial assets/(liabilities)	4,992,503,672	2,371,344,686	7,456,323,514	3,912,542,141	1,705,511,756	20,438,225,768

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31st March 2019.

Group	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and bank balances	2,340,080,214	-	-	-	-	2,340,080,214
Reverse repurchase agreements	-	949,988,430	2,760,034,595	-	-	3,710,023,025
Placement with banks	26,013,169	1,546,800,604	2,173,124,127	-	-	3,745,937,900
Financial assets recognised through profit or loss - measured at fair value	-	1,053,986,125	1,069,778,800	-	-	2,123,764,925
Financial assets at amortised cost						
Loans and advances	4,482,420,755	8,603,700,279	11,645,146,212	6,301,025,012	115,881,229	31,148,173,486
Lease rentals receivable & stock out on hire	3,364,071,042	6,205,345,096	16,587,892,966	26,546,270,600	2,768,095	52,706,347,800
Debt & other instruments	-	178,397,589	-	15,250,000	-	193,647,589
Financial assets at fair value through other comprehensive income	-	-	-	-	4,310,479	4,310,479
Other financial assets	-	585,136,006	45,021,547	-	-	630,157,554
Total financial assets	10,212,585,180	19,123,354,129	34,280,998,246	32,862,545,612	122,959,803	96,602,442,971
Financial Liabilities						
Due to banks	807,941,181	2,723,212,147	4,710,492,634	2,317,851,558	-	10,559,497,519
Due to customers	1,128,154,468	7,352,811,147	6,909,413,043	49,931,264,951	-	65,321,643,609
Debt instruments issued and other borrowed funds	96,612,665	78,731,269	236,193,808	3,175,087,592	-	3,586,625,335
Other financial liabilities	-	2,676,161,155	-	-	-	2,676,161,155
Total financial liabilities	2,032,708,315	12,830,915,718	11,856,098,485	55,424,204,102	-	82,143,927,621
Total net financial assets/(liabilities)	8,179,876,864	6,292,438,410	22,424,899,761	(22,561,658,490)	122,959,803	14,458,515,351

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31st March 2018.

Group	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and bank balances	1,746,910,928	-	-	-	-	1,746,910,928
Reverse repurchase agreements	-	929,932,066	1,433,899,897	-	-	2,363,831,963
Placement with banks	22,464,603	1,549,487,409	503,838,597	-	-	2,075,790,609
Financial investments - held for trading	156,859,665	1,562,246,020	1,006,688,970	-	-	2,725,794,655
Loans and receivables	2,788,902,714	14,114,371,749	17,839,383,818	9,256,040,189	133,802,390	44,132,500,860
Lease rentals receivable & stock out on hire	1,784,991,737	5,376,412,165	14,850,838,047	28,169,632,278	1,145,149,036	51,327,023,263
Financial investments - available for sale	-	-	56,896,515	6,027,139	183,038,346	245,962,000
Other financial assets	103,370,208	12,150,936	24,450,936	420,804,559	246,277,600	807,054,239
Total financial assets	6,603,499,854	23,544,600,344	35,715,996,780	37,852,504,165	1,708,267,372	105,424,868,514
Financial Liabilities						
Due to banks	373,872,303	3,481,091,568	4,553,430,941	4,024,092,267	-	12,432,486,080
Due to customers	1,186,177,399	16,808,686,144	24,000,255,951	21,909,689,902	2,227,749	63,907,037,146
Debt instruments Issued and other borrowed funds	-	130,737,520	183,237,520	3,549,200,078	-	3,863,175,118
Other financial liabilities	-	3,025,252,389	2,521,102	12,060,166	-	3,039,833,657
Total financial liabilities	1,560,049,702	23,445,767,621	28,739,444,513	29,495,042,414	2,227,749	83,242,532,001
Total net financial assets/(liabilities)	5,043,450,152	98,832,723	6,976,552,266	8,357,461,750	1,706,039,623	22,182,336,514

49.3.3 Contractual Maturities of Financial Commitments

The table below shows the contractual expiry by maturity of the customers' undrawn loan commitments. These are included in the time band containing the earliest date such can be drawn down by the customers.

Company/Group

As at 31st March 2019	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Commitments						
Commitment for unutilised facilities	920,531,781	-	-	-	-	920,531,781
Financial gurantee contracts	44,163,000	-	-	-	-	44,163,000
Total commitments	964,694,781	-	-	-	-	964,694,781

Company/Group

As at 31st March 2018	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Commitments						
Commitment for unutilised facilities	1,513,599,590	-	-	-	-	1,513,599,590
Financial gurantee contracts	47,900,000	-	-	-	-	47,900,000
Total commitments	1,561,499,590	-	-	-	-	1,561,499,590

49.4 Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, equity prices and gold prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

Mitigation:

Movements in interest rates are closely monitored. Further the Company maintains an adequate Net Interest Margin (NIM) so that increases in interest expenses can be absorbed. The assets and liabilities maturity mismatch is also closely monitored so that the possible adverse effects arising due to interest rate movements could be minimized. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

49.4.1 Equity price risk

Equity price risk is the risk that the fair value of equities decreasing as a result of changes in the level of equity indices and individual stocks. The market value of the Company's equity portfolio as of 31st March 2019 is LKR 57,220,236/- (2018 - LKR 132,065,766/-).

The table below shows the impact on the profit or loss due to a reasonably possible change in the price of the Company's investment in trading securities with all other variables held constant:

	Impact on profit/loss Company/Group	
	2019 LKR	2018
+10%	5,722,024	13,206,577
-10%	(5,722,024)	(13,206,577)

49.4.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

49.4.3 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's Profit or Loss Statements and equity, arising from interest bearing loans and borrowings.

Company

Financial Instrument	Increase/ (Decrease) in basis points	Sensitivity of Profit/(Loss)		Sensitivity of Equity	
		2019 LKR Mn	2018 LKR Mn	2019 LKR Mn	2018 LKR Mn
Long term loans linked to AWPLR*	+100/ (-100)	(65.84)/65.84	(44.23)/44.23	(65.84)/65.84	(44.23)/44.23

Group

Financial Instrument	Increase/ (Decrease) in basis points	Sensitivity of Profit/(Loss)		Sensitivity of Equity	
		2019 LKR Mn	2018 LKR Mn	2019 LKR Mn	2018 LKR Mn
Long term loans linked to AWPLR*	+100/ (-100)	(122.25)/122.25	(74.36)/74.36	(122.25)/122.25	(74.36)/74.36

*AWPLR – Average Weighted Prime Lending Rate

49.4.4 Interest Rate Risk Exposure on Financial Assets & Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amounts and categorised by the earlier of contractual repricing or maturity dates.

Company

As at 31st March 2019	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non interest bearing LKR	Total as at 31st March 2018 LKR
Assets						
Cash and bank balances	679,650,166	-	-	-	1,068,946,737	1,748,596,903
Reverse repurchase agreements	3,662,522,772	-	-	-	-	3,662,522,772
Placement with banks	1,557,445,749	2,045,738,989	-	-	-	3,603,184,737
Financial investments - held for trading	1,039,054,806	1,015,882,199	-	-	57,220,236	2,112,157,241
Financial investments measured at amortised cost						
Loans and receivables	11,271,530,668	10,888,244,441	4,771,790,071	100,946,296	-	27,032,511,475
Lease rentals receivable & stock out on hire	8,235,684,444	10,630,347,894	19,897,055,940	2,549,778	-	38,765,638,057
Debt & other instruments	176,417,686	-	10,826,835	-	-	187,244,522
Financial investments - available for sale	-	-	-	-	4,310,479	4,310,479
Other financial assets	-	-	-	-	630,157,554	630,157,554
Total financial assets	26,622,306,291	24,580,213,523	24,679,672,846	103,496,074	1,760,635,006	77,746,323,740
Financial Liabilities						
Due to banks	8,506,567,974	632,805,000	102,100,000	-	-	9,241,472,974
Due to customers	7,166,291,969	3,269,357,209	40,100,794,664	-	1,371,923,495	51,908,367,338
Debt instruments issued and other borrowed funds	-	250,010,000	2,749,990,000	-	11,533,608	3,011,533,608
Other financial liabilities	-	-	-	-	2,162,248,712	2,162,248,712
Total financial liabilities	15,672,859,943	4,152,172,209	42,952,884,664	-	3,545,705,815	66,323,622,632
Interest sensitivity gap	10,949,446,348	20,428,041,313	(18,273,211,818)	103,496,074	(1,785,070,809)	11,422,701,108

Company

As at 31st March 2018	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non interest bearing LKR	Total as at 31st March 2018 LKR
Assets						
Cash and bank balances	839,675,584	-	-	-	856,288,865	1,695,964,449
Reverse repurchase agreements	810,110,962	1,374,472,827	-	-	26,065,092	2,210,648,881
Placement with banks	1,783,403,902	452,117,611	-	-	49,466,180	2,284,987,693
Financial investments - held for trading	1,435,393,857	942,487,931	-	-	268,977,875	2,646,859,663
Loans and receivables	13,983,510,578	14,476,541,769	6,617,910,086	120,167,223	-	35,198,129,656
Lease rentals receivable & stock out on hire	4,940,538,573	9,129,219,450	17,202,329,187	435,228,573	-	31,707,315,783
Financial investments - available for sale	-	-	-	-	182,510,479	182,510,479
Other financial assets	-	-	360,276,750	-	352,438,222	712,714,972
Total financial assets	23,792,633,456	26,374,839,589	24,180,516,023	555,395,796	1,735,746,713	76,639,131,577
Financial Liabilities						
Due to banks	6,650,323,898	1,194,211,427	452,784,475	-	284,679,307	8,581,999,107
Due to customers	15,602,179,740	19,626,677,769	17,476,282,312	1,259,250	1,517,685,912	54,224,084,983
Debt instruments issued and other borrowed funds	-	-	3,000,000,000	-	(27,778,291)	2,972,221,709
Other financial liabilities	-	-	-	-	2,399,558,467	2,399,558,467
Total financial liabilities	22,252,503,638	20,820,889,195	20,929,066,787	1,259,250	4,174,145,395	68,177,864,266
Interest sensitivity gap	1,540,129,818	5,553,950,393	3,251,449,236	554,136,546	(2,438,398,683)	8,461,267,311

Group

As at 31st March 2019	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non interest bearing LKR	Total as at 31st March 2018 LKR
Assets						
Cash and bank balances	679,650,166	-	-	-	1,660,430,047	2,340,080,213
Reverse repurchase agreements	3,787,893,629	-	-	-	-	3,787,893,629
Placement with banks	1,557,445,749	1,955,679,297	-	-	-	3,513,125,046
Financial investments - held for trading	1,039,054,806	1,020,396,735	-	-	57,220,236	2,116,671,777
Financial investments measured at amortised cost						
Loans and receivables	11,585,857,750	10,921,544,404	4,771,790,071	100,946,296	-	27,380,138,521
Lease rentals receivable & stock out on hire	14,113,250,618	13,878,029,750	20,056,082,382	2,549,778	-	48,049,912,528
Debt & other instruments	176,417,686	-	10,826,835	-	-	187,244,521
Financial investments - available for sale	-	58,797,442	-	-	4,310,479	63,107,921
Other financial assets	-	-	-	-	630,157,554	630,157,554
Total financial assets	32,939,570,405	27,834,447,627	24,838,699,288	103,496,074	2,352,118,316	87,881,087,189
Financial Liabilities						
Due to banks	9,326,948,895	3,343,072,264	2,357,494,634	-	-	15,027,515,793
Due to customers	7,857,655,861	3,824,977,302	40,881,762,509	-	1,371,923,495	53,936,319,167
Debt instruments issued and other borrowed funds	-	250,010,000	2,749,990,000	-	11,533,608	3,011,533,608
Other financial liabilities	-	-	-	-	2,546,086,230	2,546,086,230
Total financial liabilities	17,184,604,756	7,418,059,566	45,989,247,143	-	3,929,543,333	74,521,454,798
Interest sensitivity gap	15,754,965,649	20,416,388,061	(21,150,547,855)	103,496,074	(1,577,425,017)	13,359,632,391

Group

As at 31st March 2018	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non-interest bearing LKR	Total as at 31st March 201 LKR
Assets						
Cash and bank balances	890,622,062	-	-	-	856,288,864	1,746,910,926
Reverse repurchase agreements	901,719,602	1,374,472,827	-	-	26,065,092	2,302,257,521
Placement with banks	1,499,109,365	465,739,581	-	-	49,466,180	2,014,315,126
Financial investments - held for trading	1,435,393,857	942,487,931	-	-	268,977,875	2,646,859,663
Loans and advances	13,999,119,537	14,561,138,854	7,040,009,943	120,167,223	-	35,720,435,557
Lease rentals receivable & stock out on hire	5,137,886,498	10,198,157,280	22,539,042,234	435,228,573	-	38,310,314,585
Financial investments - available for sale	-	56,641,074	-	-	189,065,485	245,706,559
Other financial assets	-	-	360,276,750	-	352,438,222	712,714,972
Total financial assets	23,863,850,921	27,598,637,547	29,939,328,926	555,395,796	1,742,301,719	83,699,514,908
Financial Liabilities						
Due to banks	7,911,489,615	2,327,575,079	1,351,042,014	-	284,679,307	11,874,786,015
Due to customers	16,244,052,882	20,197,783,836	17,897,945,205	1,259,250	1,517,685,912	55,858,727,085
Debt instruments issued and other borrowed funds	-	-	3,000,000,000	-	(27,778,291)	2,972,221,709
Other financial liabilities	-	-	-	-	3,039,833,657	3,039,833,657
Total financial liabilities	24,155,542,497	22,525,358,915	22,248,987,219	1,259,250	4,814,420,585	73,745,568,466
Interest sensitivity gap	(291,691,576)	5,073,278,632	7,690,341,707	554,136,546	(3,072,118,867)	9,953,946,442

50. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2019			2018		
	With in 12 Months	After 12 Months	Total as at 31st March 2019	With in 12 Months	After 12 Months	Total as at 31st March 2018
Company	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and bank balances	1,748,596,904	-	1,748,596,904	1,695,964,449	-	1,695,964,449
Reverse repurchase agreements	3,662,522,772	-	3,662,522,772	2,210,648,881	-	2,210,648,881
Placement with banks	3,603,184,738	-	3,603,184,738	2,284,987,693	-	2,284,987,693
Financial investments - held for trading	-	-	-	2,646,859,663	-	2,646,859,663
Financial assets recognised through profit or loss - measured at fair value	2,054,937,004	57,220,236	2,112,157,240	-	-	-
Loans and receivables	18,649,752,781	5,054,362,614	23,704,115,396	28,460,052,348	6,738,077,308	35,198,129,656
Lease rentals receivable & stock out on hire	14,269,806,994	22,880,640,907	37,150,447,901	14,069,758,023	17,637,557,761	31,707,315,784
Debt & other instruments	177,244,522	10,000,000	187,244,522	-	-	-

Company	2019 With in 12 Months LKR	2019 After 12 Months LKR	2019 Total as at 31st March 2019 LKR	2018 With in 12 Months LKR	2018 After 12 Months LKR	2018 Total as at 31st March 2018 LKR
Financial investments - available for Sale	-	-	-	-	182,510,479	182,510,479
Financial assets at fair value through other comprehensive income	-	4,310,479	4,310,479	-	-	-
Other financial assets	132,465,413	497,692,140	630,157,554	106,437,372	606,277,600	712,714,972
Inventories	-	77,133,325	77,133,325	128,327,562	-	128,327,562
Other assets	53,100,210	261,695,163	314,795,373	147,518,126	94,985,352	242,503,478
Investments in subsidiaries	-	1,599,288,321	1,599,288,321	-	1,599,288,321	1,599,288,321
Investment property	-	1,448,351,320	1,448,351,320	-	1,983,431,494	1,983,431,494
Property, plant and equipment	-	3,059,953,319	3,059,953,319	-	1,765,510,672	1,765,510,672
Intangible assets & goodwill	-	176,116,081	176,116,081	-	166,427,661	166,427,661
Prepaid rent	122,805	7,942,297	8,065,102	122,805	8,065,102	8,187,907
Current tax assets	234,306,485	-	234,306,485	-	-	-
Deferred tax assets	-	-	-	-	1,260,138,949	1,260,138,949
Total assets	44,586,040,628	35,524,706,202	80,110,746,829	51,750,676,922	32,042,270,698	83,792,947,621
Liabilities						
Due to banks	7,235,269,394	2,006,203,580	9,241,472,974	5,787,669,052	2,794,330,055	8,581,999,107
Due to customers	33,071,366,833	18,837,000,505	51,908,367,338	36,559,981,366	17,664,103,617	54,224,084,983
Debt instruments issued	-	3,011,533,608	3,011,533,608	34,223,419	2,937,998,291	2,972,221,709
Other financial liabilities	2,162,248,713	-	2,162,248,712	2,399,558,467	-	2,399,558,467
Other liabilities	1,239,960,094	-	1,239,960,094	520,322,161	-	520,322,161
Current tax liabilities	-	-	-	2,675,490,550	-	2,675,490,550
Deferred tax liabilities	384,558,207	-	384,558,207	-	-	-
Post employment benefit obligations	-	175,608,858	175,608,858	-	155,833,660	155,833,660
Total liabilities	44,093,403,241	24,030,346,551	68,123,749,792	47,977,245,015	23,552,265,622	71,529,510,637

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2019			2018		
Group	With in 12 Months	After 12 Months	Total as at 31st March 2019	With in 12 Months	After 12 Months	Total as at 31st March 2018
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and bank balances	2,340,080,214	-	2,340,080,214	1,746,910,927	-	1,746,910,927
Reverse repurchase agreements	3,787,893,629	-	3,787,893,629	2,302,257,521	-	2,302,257,521
Placement with banks	3,513,125,045	-	3,513,125,045	2,014,315,126	-	2,014,315,126
Financial investments - held for trading	-	-	-	2,646,859,663	-	2,646,859,663
Financial assets recognised through profit or loss - measured at fair value	2,059,451,541	57,220,236	2,116,671,777	-	-	-
Loans and advances	18,649,752,781	5,350,585,154	24,000,337,936	28,559,290,469	7,161,145,087	35,720,435,556
Lease rentals receivable & stock out on hire	14,269,806,994	31,812,160,204	46,081,967,199	15,324,327,796	22,985,986,789	38,310,314,585
Debt & other instruments	177,244,522	10,000,000	187,244,522	-	-	-
Financial investments - available for Sale	-	-	-	-	245,706,559	245,706,559
Financial assets at fair value through other comprehensive income	58,797,442	4,310,479	63,107,921	-	-	-
Other financial assets	132,465,413	497,692,140	630,157,554	106,437,372	606,277,600	712,714,972
Inventories	-	77,133,325	77,133,325	128,327,562	-	128,327,562
Other assets	53,100,210	328,705,429	381,805,639	204,495,578	94,985,352	299,480,930
Investments in subsidiary	-	-	-	-	-	-
Investments in associates	-	379,914,143	379,914,143	-	-	-
Investment property	-	1,448,351,320	1,448,351,320	-	1,983,431,494	1,983,431,494
Property, plant and equipment	-	3,131,138,603	3,131,138,603	-	1,812,095,231	1,812,095,231
Intangible assets & goodwill	-	941,044,856	941,044,856	-	923,466,904	923,466,904
Prepaid rent	122,805	7,942,297	8,065,102	122,805	8,065,102	8,187,907
Current tax assets	54,594,333	-	54,594,333	-	-	-
Deferred tax assets	-	-	-	-	1,264,497,450	1,264,497,849
Total assets	45,096,434,928	44,046,198,185	89,142,633,115	53,033,344,818	37,085,657,568	90,119,002,788
Liabilities						
Due to banks	10,765,917,943	4,261,597,849	15,027,515,792	8,182,198,421	3,692,587,594	11,874,786,015
Due to customers	34,421,747,078	19,514,572,090	53,936,319,168	37,772,960,574	18,085,766,510	55,858,727,084
Debt instruments issued	-	3,011,533,608	3,011,533,608	34,223,419	2,937,998,291	2,972,221,709
Other financial liabilities	2,162,248,713	383,837,518	2,546,086,231	3,039,833,657	-	3,039,833,657
Other liabilities	1,398,867,679	-	1,398,867,679	533,966,381	-	533,966,381
Current tax liabilities	-	-	-	2,769,337,135	-	2,769,337,135
Deferred tax liabilities	207,060,291	-	207,060,291	-	-	-
Post employment benefit obligations	-	189,283,759	189,283,759	-	166,395,524	166,395,524
Total liabilities	48,955,841,704	27,360,824,824	76,316,666,528	52,332,519,588	24,882,747,918	77,215,267,506

51. COMMITMENTS AND CONTINGENCIES

There were no material contingent liabilities outstanding as at the reporting except the following.

51.1 Legal Claims

The Company has 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 year-end the company had seven unresolved legal claims amounting to LKR 40,300,000/- (2018 - LKR 40,300,000/-) against the company.

Although there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect of the results of operations, financial position of liquidity. Accordingly, no provision for any liabilities has been made in these financial statements.

51.2 Commitments

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Commitment for unutilised facilities	920,531,781	1,513,599,590	920,531,781	1,513,599,590
Bank gurantees issued	44,163,000	47,900,000	44,163,000	47,900,000
Total commitments and contingencies	964,694,781	1,561,499,590	964,694,781	1,561,499,590

52. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Company/Group Nature of Assets	Nature of Liability	Carrying Amount Pledged				Included Under
		Company		Group		
		2019	2018	2019	2018	
		LKR	LKR	LKR	LKR	
Lease rentals receivable & stock out on hire	Loans	5,501,219,648	6,000,419,039	10,483,818,128	8,935,419,039	Lease rentals receivable & stock out on hire
Microfinance loans	Loans	-	1,049,916,649	1,049,916,649	1,049,916,649	Loans & receivables
Land & building	Overdraft	156,300,000	156,300,000	156,300,000	156,300,000	Property, plant and equipment
Balance held in foreign currency account	Loans	397,071,378	-	-	-	Cash & bank balances
Placement with banks	Loans	891,111,094	359,868,653	891,111,094	359,868,653	Placement with banks
		6,945,702,119	7,566,504,341	12,581,145,870	10,501,504,341	

53. RELATED PARTY TRANSACTIONS

The company carried out transactions with parties who are defined as related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

The pricing applicable to such transactions is based on the assessment of risk and pricing method of the company and is compairable with what is applied to transactions between the company / group and its unrelated customers.

Details of significant related party transactions which the company had during the year are as follows,

53.1 Transactions with Key Managerial Personnel (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the company and "Key Management Personnel" has been defined to be the Board of Directors of the Company fall under such definition.

53.1.1 Key Management Personnel Compensation

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Short term employment benefits	185,962,000	158,248,150	185,962,000	158,783,150
Post employment benefits	9,035,550	8,460,550	9,035,550	8,460,550
Directors fees & expenses	6,112,040	8,551,500	6,272,040	9,086,500
	201,109,590	175,260,200	201,269,590	176,331,200

53.1.2 Transactions, Arrangements and Agreements Involving KMPs, and their Close Members of Family (CFMs)

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Fixed deposits held at the end of the year	14,030,392	15,096,343	24,390,392	15,096,343
Interest on fixed deposits	1,100,261	975,069	2,084,082	975,069
Dividend paid	353,856	580,979	353,856	580,979

53.2 Transactions with related entities

53.2.1 Transactions with Ultimate Controlling Party

Amounts paid for being a member of the Key Management Personnel as included in 53.1.1 above.

53.2.2 Transactions with Ultimate Parent Entity BG Capital (Pvt) Ltd.

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Short term Loans repayment by Commercial Credit and Finance PLC including interest expenses	-	231,034,088	-	231,034,088

53.2.3 Transactions with Immediate Parent Entity BG Investments (Pvt) Ltd.

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Dividends paid (gross)	119,874,131	159,432,592	119,874,131	159,432,592
Investment in fixed deposit at Commercial Credit and Finance PLC as at 31/3/2017	893,300,506	-	1,081,724,388	-
Investment in Fixed Deposit at Trade Finance and Investments PLC as at 31/3/2017	-	-	280,850,000	280,850,000
Short term loans obtained by Commercial Credit and Finance PLC	-	-	-	-
Short term loans repayments by Commercial Credit and Finance PLC	-	281,629,401	-	281,629,401

53.2.4 Transactions with Significant Investor - Group Lease Holdings Pte Ltd.

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Dividends paid (gross)	71,542,875	95,390,500	71,542,875	95,390,500

53.2.5 Transactions with Subsidiary Trade Finance and Investments PLC

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
Dividend received (gross)	56,800,430	226,531,226	-	-
Investment in fixed deposits at Trade Finance and Investments PLC as at 31.03.2018	103,369,260	284,294,537	-	-
Interest earned on fixed deposit at Trade Finance and Investment PLC	28,185,756	9,294,537	-	-

53.2.6 Transactions with other group entities

	Company		Group	
	2019	2018	2019	2018
	LKR	LKR	LKR	LKR
(a) BG International (Pvt) Limited				
Short term loan repayment by Commercial Credit and Finance PLC including interest expenses	-	232,778,297	-	232,778,297
Proceeds from winding up of Capitalife Assurance Limited	-	96,450,000	-	96,450,000
Maturity refund of fixed deposits	-	540,225,246		540,225,246
(b) K Seeds Investments (Pvt) Ltd.				
Investment in fixed deposits at Commercial Credit and Finance PLC	-	836,783	-	836,783
Professional fees paid	-	2,205,000	-	2,205,000
(c) Creation Investments Lanka LLC				
Dividend paid	20,672,635	20,347,220	30,360,125	20,347,220

54. EVENTS AFTER THE REPORTING DATE

There are no events occurring after the reporting date which require adjustments to or disclosure in the financial statements, other than those disclosed below:

ACCOUNTING POLICY

All material events after the reporting date events have been considered where appropriate judgement or disclosures are made in respective notes to the Financial Statements

55. CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

TEN YEAR SUMMARY

Operating Results	2009/10	2010/11	2011/12	2012/13
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Income	377,101	1,112,597	2,442,086	3,963,168
Net Interest Income	170,400	702,488	1,741,800	2,408,012
Interest Expenses	206,701	410,109	700,285	1,555,156
Operating Expenses	203,774	497,323	881,341	1,620,520
Profit/(Loss) before Tax	(25,942)	244,366	960,421	865,704
Income Tax & VAT on Financial Services	71,132	184,272	388,139	288,670
Net Profit/(Loss)	45,190	60,094	655,609	679,401
Dividend Paid	-	-	-	238,074
Assets				
Cash & Bank Balance	51,924	203,708	140,961	395,655
Treasury Bills & Bonds	116,251	66,969	83,558	257,673
Placements with Banks & Other Finance Companies	9,707	112,056	378,394	572,721
Investment in Dealing Securities	55	30,165	45,320	46,705
Lease,Hire Purchase,Loans and Advances	1,690,317	4,323,467	8,413,092	14,485,926
Property, Plant and Equipment	160,488	238,532	290,505	557,661
Total Assets	2,270,642	5,238,595	10,244,294	18,285,191
Liabilities				
Deposits	1,732,958	3,958,394	6,925,890	13,155,609
Borrowings	73,576	594,986	1,517,721	2,796,157
Total Liabilities	2,043,717	4,909,633	9,259,724	16,831,846
Share Holders' Funds				
Stated Capital	73,718	170,640	170,640	470,640
Reserves	153,206	158,322	813,931	982,705
Total Share Holders' Funds	226,925	328,962	984,571	1,453,345
Ratios				
Growth of Income (%)	19.99	195.04	119.49	62.29
Growth of Net Profit (%)	536.66	32.98	990.97	3.63
Interest Cover (times)	0.87	1.69	2.37	1.62
Net Assets Growth (%)	1.28	44.97	199.3	47.61
Equity Assets Ratio (%)	9.99	6.28	9.61	7.95
Growth of Leases, Hire Purchases, Loans and Advances (%)	106.65	155.78	94.59	72.18
Return on Assets (%)	(1.42)	4.66	9.38	6.07
Return on Equity (%)	20.04	18.27	66.59	55.74
Total Assets to Share Holders' Funds (times)	10.01	15.92	10.40	12.58
Fixed Assets to Share Holders' Funds (times)	0.71	0.73	0.30	0.38
Net Asset per Share	46.83	1.51	4.51	6.10
Earning per Share	9.33	0.28	3.01	2.85
Dividend per Share	-	-	-	1.00

2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
6,913,772	11,901,148	15,729,164	19,048,828	20,141,562	19,626,812
4,037,642	7,000,942	9,667,331	11,237,208	10,834,606	10,856,187
2,876,129	4,145,627	6,061,833	7,811,619	9,306,956	8,770,625
2,555,196	3,770,097	4,920,180	5,529,662	5,537,152	6,403,618
1,194,504	2,500,686	2,769,691	3,910,562	3,479,819	2,841,772
353,109	761,441	1,085,927	1,771,799	2,017,071	1,752,340
1,007,836	2,103,953	2,151,694	2,902,978	2,350,694	2,078,679
119,037	143,037	318,074	477,112	318,078	238,556
1,123,108	2,470,271	1,142,136	1,851,853	1,695,964	1,748,597
811,343	857,039	1,679,596	1,854,181	2,490,000	2,054,937
624,132	798,534	1,119,606	1,507,448	2,284,988	3,603,185
144,356	279,846	474,212	358,391	310,266	57,220
25,931,647	46,555,625	58,764,061	68,242,214	66,905,445	60,854,563
607,580	1,197,329	1,393,909	1,548,296	1,765,511	3,059,953
31,643,210	57,706,278	70,707,765	82,854,513	83,792,948	80,110,747
22,855,779	42,185,524	49,297,299	53,737,081	54,224,085	51,908,367
4,251,989	6,386,357	10,399,324	14,274,358	11,554,221	12,253,007
28,340,201	51,807,928	62,925,888	72,606,699	71,529,511	68,123,750
1,478,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640
1,824,369	3,747,710	5,631,236	8,097,173	10,112,797	9,836,357
3,303,009	5,898,351	7,781,877	10,247,814	12,263,437	11,986,997
74.45	61.22	41.11	21.11	5.74	(2.56)
48.34	108.76	2.27	34.9	(19.0)	(11.6)
1.47	1.60	1.53	1.60	1.47	0.87
127.27	78.58	31.93	31.69	19.67	(2.25)
10.44	10.22	11.00	12.37	14.64	14.96
79.01	79.53	26.22	16.13	(1.96)	(9.04)
4.78	5.60	4.31	5.09	4.18	3.47
42.38	45.73	31.46	32.20	20.88	17.14
9.58	9.78	9.09	8.09	6.83	6.68
0.18	0.20	0.18	0.15	0.14	0.26
11.55	18.54	24.46	32.22	38.56	37.69
4.20	7.15	6.76	9.13	7.39	6.54
0.50	0.50	1.00	1.50	1.00	0.75

INVESTOR INFORMATION

1. STOCK EXCHANGE LISTING

The Ordinary shares of the company listed on the Colombo Stock Exchange since 1 June 2011 and the stock exchange ticker symbol for commercial credit and finance PLC is "COCR".

The Audited Statement of profit or Loss for the year ended 31st March 2019 and the Audited statement of Financial Position of the company will be submitted to the colombo exchange before 30 June 2019.

2. SHARE HOLDER BASE

The Total Number of (Ordinary Voting) shareholders as at 31st March 2019 were 1,564 compared to 1,607 shareholders as at 31st March 2018.

3. ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2019 AS PER RULE 7.6 (X) OF THE LISTING RULES OF THE CSE

3.1 Distribution Shareholders

	As at 31st March 2019			As at 31st March 2018		
Range of Shares	No. of Shareholders	No. of Shares	% of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
1 - 1,000	998	240,275	0.08	998	243,760	0.08
1,001 - 5,000	333	822,952	0.26	361	923,296	0.29
5,001 - 10,000	98	768,878	0.24	107	837,149	0.26
10,001 - 50,000	102	2,165,467	0.68	105	2,254,090	0.71
50,001 - 100,000	10	708,846	0.22	11	817,104	0.26
100,001- 500,000	9	2,093,775	0.66	10	2,283,978	0.72
500,001 & Above	14	311,274,172	97.86	15	310,714,988	97.69
Total	1,564	318,074,365	100.00	1,607	318,074,365	100.00

3.2. Resident / non-resident shareholding

	As at 31st March 2019			As at 31st March 2018		
Shareholders	No. of Shareholders	No. of Shares	% of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
Resident	1552	194,938,208	61.29	1595	196,839,323	61.88
Non-Resident	12	123,136,157	38.71	12	121,235,042	38.12
Total	1,564	318,074,365	100.00	1,607	318,074,365	100.00

3.3. Individual / institutional shareholding

	As at 31st March 2019			As at 31st March 2018		
Shareholders	No. of Shareholders	No. of Shares	% of Shareholding	No. of Shareholders	No. of Shares	% of Shareholding
Individual	1461	23,012,798	7.24	1491	25,592,139	8.05
Institution	103	295,061,567	92.76	116	292,482,226	92.95
Total	1,564	318,074,365	100.00	1,607	318,074,365	100.00

As per Rule No. 7.6 (iv) of the Colombo Stock Exchange, percentage of public holding as at 31st March was 13.21% and the number of public shareholders as at 31st March 2019 was 1,556.

4. PUBLIC SHAREHOLDING

	As at 31 March 2019	As at 31 March 2018
Float adjusted market capitalisation (LKR)	1,147,081,125	1,806,846,876
Percentage of share held by public (%)	13.21	13.18
Number of public shareholders	1,556	1,536

5. TOP TWENTY SHAREHOLDERS

Ordinary Voting Shares

		As at 31st March 2019	
	Name of the Shareholder	No. of Shares	%
1	B G Investments (Pvt) Ltd.	132,530,096	41.67
2	Group Lease Holdings PTE Ltd.	95,390,500	29.99
3	Lanka Orix Finance PLC/B G Investments (Pvt) Ltd.	26,700,000	8.39
4	Creation Investments Sri Lanaka, LLC	20,347,220	6.40
5	Creation Investments SL1 LLC	7,216,294	2.27
6	Mr. G G Hemachandra	7,184,282	2.26
7	Mrs. E Fernando	6,500,000	2.04
8	People's Leasing & Finance PLC / Ms. S N Egodage	5,093,438	1.60
9	Ceylinco Life Insurance Limited Account No. 1	4,014,843	1.26
10	Mrs. H H J Hewage	1,910,000	0.60
11	Mr. T K Hemachandra	1,555,689	0.49
12	Commercial Bank of Ceylon PLC/Dunamis Capital PLC	1,492,682	0.47
13	Mr. S K Semage	737,049	0.23
14	Mr. M E Wickremesinghe	602,079	0.19
15	People's Leasing & Finance PLC / B G Investments (Pvt) Ltd.	429,808	0.14
16	DFCC Bank PLC / P S R Casie Chitty	425,929	0.13
17	Mrs. L S Semage	405,000	0.13
18	Code-Gen International PVT LTD	200,000	0.06
19	Mr. N A Peiris	180,132	0.06
20	Mr. D K Gunarathne	131,388	0.04
	Sub Total	313,046,429	98.42
	Other	5,027,936	1.58
	Total	318,074,365	100.00

INVESTOR INFORMATION

Ordinary Voting Shares

		As at 31st March 2018	
	Name of the Shareholder	No. of Shares	%
1.	B G Investments (Pvt) Ltd.	132,530,096	41.67%
2.	Group Lease Holdings PTE Ltd.	95,390,500	29.99%
3.	Lanka Orix Finance PLC/B G Investments (Pvt) Ltd.	26,700,000	8.39%
4.	Creation Investments Sri Lanka, LLC	20,347,220	6.40%
5.	Mrs. E. Fernando	8,000,000	2.52%
6.	Mr. G.G. Hemachandra	7,184,282	2.26%
7.	Creation Investments SL1 LLC	5,369,406	1.69%
8.	People's Leasing & Finance PLC / Ms. S N Egodage	4,264,380	1.34%
9.	Ceylinco Life Insurance Limited Account No. 1	4,014,843	1.26%
10.	Mrs. H.H.J. Hewage	1,851,024	0.58%
11.	Mr. T.K. Hemachandra	1,555,689	0.49%
12.	Commercial Bank of Ceylon PLC/Dunamis Capital PLC	1,492,682	0.47%
13.	Mr. S.K. Semage	737,049	0.23%
14.	Mr. M.E. Wickremesinghe	675,738	0.21%
15.	People's Leasing & Finance PLC / B G Investments (Pvt) Ltd.	602,079	0.19%
16.	DFCC Bank PLC / P S R Casie Chitty	429,808	0.14%
17.	Mrs. L.S. Semage	425,929	0.13%
18.	Code-Gen International PVT LTD	405,000	0.13%
19.	Mr. N.A. Peiris	220,000	0.07%
20.	Mr. D.K. Gunarathne	180,132	0.06%
	Sub Total	312,375,857	98.21%
	Other	5,698,508	1.79%
	Total	318,074,365	100.00%

6. DIRECTOR'S SHAREHOLDING

53.2.6 Transactions with other group entities

	As at 31st March 2019		As at March 2018	
	No. of Shares	% of Holdings	No. of Shares	% of Holdings
Mr. K.J.C. Perera	Nil	Nil	Nill	Nill
Mr. R.S. Egodage	Nil	Nil	Nill	Nill
Mr. I.G.S.K. Gunarathne	Resigned	Resigned	109,171	0.03
Mrs. G.R. Egodage	Nil	Nil	Nill	Nill
Mr. M.S.D. Pinto	42,000	0.013	42,000	0.01
Mr. E.D.P. Soosaipillai	Nil	Nil	Nill	Nill
Mr. K.D. Vander Weele	Nil	Nil	Nill	Nill
Mr. P.T. Fisher	Nil	Nil	Nill	Nill
Mr. P.S.R.C. Chitty	429,808	0.14	429,808	0.14

7. INFORMATION ON SHAREHOLDING

	As at March 2019	As at March 2018
Net Asset per Share (Rs.)	37.69	38.56
Share Price		
Highest (Rs.)	28.60	45.70
Lowest (Rs.)	22.70	37.00
Last Rated (Rs.)	27.30	43.10
Earnings		
Basic Earning per share (Rs.)	6.69	7.39
Price Earning Ratio (Times)	4.08	5.83
Dividend per share (Rs.)	1.50	1.00
Dividend Payout Ratio	0.15	0.14
Number of Transactions	1,767	5,955
Market Capitalisation		
Commercial Credit PLC (Rs. Mn)	8,683	13,709

8. DEBENTURE INFORMATION

	As at March 2019	As at March 2018
Debt/Equity Ratio	5.68	5.84
Quick Asset Ratio	0.83	0.64
Interest Cover	0.87	1.47

Company issued LKR 1,000,000,000 rated subordinated guranteed redeemable Debentures for 5 years in June 2015. These debentures were listed on the Colombo Stock Exchange.

	As at March 2019	As at March 2018
Yield as at Date of last Trade	Not traded	11.00
The Market Prices during the year		
Highest Price (LKR)	Not traded	99.00
Lowest Price (LKR)	Not traded	99.00
Last Rated Price (LKR)	Not traded	99.00
Credit Rating (Instrument)	AA	AA
Comparable Government Security		
Coupon Rate (%)	11.04	10.68

INVESTOR INFORMATION

Debenture issue - June 2015

Objective Number	Objective as per prospectus	Amount allocated as per prospectus in LKR	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	Increased the Tier II capital of the Company	1,000,000,000	N/A	100%	100%	1,000,000,000	100%	-
2	Further strengthen the lending portfolio of the Company through the loan disbursements	1,000,000,000	N/A	100%	100%	1,000,000,000	100%	-

Company issued LKR 2,000,000,000 rated subordinated guranteed redeemable Debentures for 5 years in December 2015. These debentures were listed on the Colombo Stock Exchange.

	As at March 2019	As at March 2018
Yield as at Date of last Trade	Not traded	Not traded
The Market Prices during the year		
Highest Price (LKR)	Not traded	Not traded
Lowest Price (LKR)	Not traded	Not traded
Last Rated Price (LKR)	Not traded	Not traded
Credit Rating (Instrument)	A+	A+
Comparable Government Security Coupon Rate		
Coupon Rate (%)	11.04	10.68

Debenture issue - December 2015

Objective Number	Objective as per prospectus	Amount allocated as per prospectus in LKR	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilised in LKR (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested
1	To further reinforce the the Company's Tier II capital base	2,000,000,000	N/A	100%	100%	2,000,000,000	100%	-
2	To further strengthen the asset base	2,000,000,000	N/A	100%	100%	2,000,000,000	100%	-
3	To reduce the interest rate risk by reducing the maturity mismatch of assets and liabilities	2,000,000,000	N/A	100%	100%	2,000,000,000	100%	-

GLOSSARY

A

Accounting Policies
Principles, bases, conventions, rules and practices that are applied in recording transactions and in preparing and presenting Financial Statements.

Accrual Basis
Recognising the effects of transaction and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial Gain/Loss
Gains or loss arising from the difference between estimates and actual experience in the entity's pension plan and retirement gratuity.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its expected useful life.

Amortised Cost
The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through he use of an allowance account) for impairment or uncollectability.

Associate Company
An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Available for Sale (AFS)
A debt or equity security that is purchased with the intent of selling before it reaches maturity or selling prior to a lengthy time period in the event the security does not have a maturity.

C

Capital Adequacy Ratio
The relationship between capital and risk weighted assets as defined by directives issued by Central Bank of Sri Lanka.

Cash Equivalents
Short-term highly liquid investments those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows
Inflows and outflows of cash and cash equivalents collectively Assessed Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Cash Generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Collectively Assessed Impairment
Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.

Control
Control is the power over an investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its powers over the investee to affect the amount of the investor's returns.

Contractual Maturity
Contractual Maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Commercial Paper
An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.

Commitments
Credit facilities approved but not yet disbursed to the customers as at the date of the Statement of Financial Position.

Consolidated Financial Statements
Financial statements of a holding Company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies
A condition or situation, the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others stakeholders.

Cost/Income Ratio
Operating expenses as a percentage of net income.

Credit Risk
Credit risk is the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

GLOSSARY

Credit Ratings
An evaluation of a corporate's ability to repay its obligation or the likelihood of non-defaulting, carried out by an independent rating agency.

Currency Swaps
The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Currency Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Customer Deposits
Money deposited by account holders. Such funds are recorded as liabilities.

D ▶

Dealing Securities
These are marketable securities acquired and held with the intention to resale over a short period of time.

Deferred Taxation
Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Depreciation
The systematic allocation of the depreciable amount of a tangible capital asset or fixed asset over its useful life.

Derecognition
Is the removal of a previously recognised financial asset or financial liability form an entity's Statement of Financial Position.

Derivatives
A financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Cover
Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by current year's distributable profits.

Dividend per Share
Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issues; this indicates the proportion of current year's dividend attributable to an ordinary share in issue.

Dividend Yield
Dividend earned per share as a percentage of its market value.

Discount Rate
A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value

E ▶

Earnings per Ordinary Share (EPS)
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Economic Value Added
A measure of productivity that takes into consideration cost of total invested equity.

Effective Interest Method
Is a method of calculating the amortised cost of financial asset or a financial liability(or group of financial asset or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Effective Tax Rate
Provision for taxation including deferred tax divided by the profit before taxation.

Events after the Reporting Period
Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Exposure
A claim, contingent claim or position which carries a risk of financial loss.

Equity Instrument
Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

Equity Method
A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Equity
Total of shareholders' funds: share capital + statutory reserves + other reserves.

Expected Credit Loss
The amount expected to be lost on an exposure over the life of the asset. ECL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

Exposure at default
A claim, contingent or position which carries a risk of financial loss.

F

Fair Value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Finance Lease
A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of whatever is being leased.

Financial Asset
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Instrument
Is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability
A contractual obligation to deliver cash or another financial asset to an other entity.

G

Gearing
Long-term borrowings divided by the total funds available for shareholders.

Gross Dividend

The portion of profits distributed to the shareholders including the tax with held.

Guarantees
A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfill the contractual Obligations.

H

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rates, commodity prices, etc).

Held-to-Maturity
Investments and debt securities that a Company has the ability and intent to hold until maturity.

Hire Purchase
A system by which a buyer pays for an asset in regular installments while enjoying the use of such asset. During the repayment period, ownership(title) of the asset does not pass to the buyer.

I

Impairment
The value of an asset when the recoverable amount is less than its carrying amount.

Impaired Loans
Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment Allowance for Loans and Receivables
Amount set aside against possible losses on loans, lease rentals and advances as a result of such facilities becoming partly or wholly uncollectible.

Individually Assessed Impairment
Exposure to loss is assessed on all individually significant accounts that do not qualify for collective assessment.

Intangible Assets
An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover
Earnings before interest and taxes for the year divided by total interest expenses.

Interest in Suspense
Interest suspended on non-performing accommodations. (Leases, hire purchases, loans and other advances)

Interest Margin
Net interest income expressed as a percentage of average total assets.

Interest Rate Risk
The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.

Interest Spread
The difference between the average yield a financial institution receives from loans and other interest-accruing activities and the average rate it pays on deposits and Borrowings.

Investment Properties
Property (land or a building – or part of a building – or both) held (by the owner or by lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment Securities
Securities acquired and held for yield and capital growth purposes which are usually held to maturity.

GLOSSARY

K

Key Management Personnel
People having authority and responsibility for planning, directing and controlling the activities of an entity, either directly or indirectly. (The Board of Directors and Corporate Management).

L

Liquid Assets
Assets that are held in cash or can be converted to cash in readily, such as deposits with other banks, Bills of Exchange, Treasury Bills and Bonds.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans Payable
Loan payable are financial liabilities, other than short-term trade payable on normal credit terms.

Loans and Receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available sale on initial recognition.

Loss Given Default (LGD)
The estimated ratio (percentage) of the loss of an exposure to the amount outstanding at default upon default of counter party.

M

Market Capitalization
Number of ordinary shares in issue multiplied by the market value of a share as at date.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net Asset Value per Ordinary Share
Total net asset value of a Company divided by the total number of ordinary shares in issue.

Net Interest Income
Difference between revenue generated from interest bearing assets and interest incurred on interest bearing liabilities.

Net Interest Margin
Net interest income as a percentage of average assets.

Non-Performing Accommodations
A sum of borrowed money upon which the debtor has not made scheduled payments for at least 180 days.

Non-Controlling Interest
Portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Non-Performing Advances

Loans and advances of which rentals are in arrears for six months or more.

NPA Ratio
Total Non-Performing Accommodations (net of interest in suspense and other adjustments) divided by total accommodations (net of interest in suspense and other adjustments).

O

Operational Risk
The losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

Operating Lease
A contract that allows for the use of an asset, but does not convey rights of ownership of the asset. An operating lease is not capitalized; it is accounted for as a rental expense in what is known as "off balance sheet financing." For the lessor, the asset being leased is accounted for as an asset and is depreciated as such. Operating leases have tax incentives and do not result in assets or liabilities being recorded on the lessee's balance sheet, which can improve the lessee's financial ratios.

P

Parent
An entity that controls one or more subsidiaries.

Price Earnings Ratio
Market price of a share divided by earnings per share.

Probability of default (PD)
The probability that an obligor will default on an obligation within a given period of time.

Projected Unit Credit Method (PUC)
An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. (sometimes known as the accrued benefit method pro-rated on service or as the benefit/ years of service method). Prudence Inclusion of a degree of

caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Provision
The amount of an expense that an entity elects to recognise now, before it has precise information about the exact amount of the expense.

Provision Cover
Total provision for losses on loans, leases and advances expressed as a percentage of net non-performing loans before discounting for provision on non-performing loans, leases and advances.

R ▶

Related Parties
Parties where one party has the ability to control the other party exercise a significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transactions
Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Repurchase Agreements
Contracts to sell and subsequently repurchase securities at a specified price at a specified future date.

Return on Average Assets (ROA)
Profit before tax divided by total average assets.

Return on Equity
Profit after tax divided by total average equity.

Reverse Repurchase Agreements
The purchased of securities with the agreement to sell them at a specified price at a specified future date.

Risk Weighted Assets
On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by relevant factors weighted by risk.

S ▶

Segmental Analysis
Separately reported results of individual business activities that are required for publicly-held companies.

Shareholders' Funds
This consists of issued and fully paid up ordinary shares and reserves.

Significant influence
If an entity holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated otherwise.

Statutory Reserve Fund
A capital reserve created as per the provisions of Finance Companies (Capital Funds) Direction No. 01 of 2003.

Specific Impairment Provisions
Impairment is measured individually for loans that are individually significant to the Company

Subsidiary Company
An entity, including an unincorporated entity such as partnership, which is controlled by another entity, known as Parent.

Substance Over Form
The consideration that the accounting treatment and the presentation in Financial Statements of transaction and the events are governed by their financial reality and not merely by its legal form.

T ▶

The Exposure at Default (EAD)
An estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Tier I Capital – Core Capital
Representing permanent shareholders' equity (paid-up shares) and reserves created or increased by appropriations of retained earnings or other surplus, i.e, retained profits and other reserves.

Tier II Capital
Supplementary finance institution capital that includes items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

V ▶

Value Added
Value of wealth created by providing financial and other related services less the cost of providing such services.

Useful Life
Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

Yield
Rate or return on an investment in percentage terms taking into account annual income.

NOTICE OF MEETING

NOTICE is hereby given that the Thirty Sixth Annual General Meeting of Commercial Credit and Finance PLC will be held at No. 106, Yatinuwara Veediya, Kandy on Friday, 23rd August, 2019 at 1.00 pm for the following purposes:

1. To receive and consider the Audited Financial Statements for the Year Ended 31st March 2019 and the Reports of the Auditors' and of the Directors' thereon.
2. To declare a Final Dividend of Rs. 1.00/- per share for the year ended 31st March 2019, as recommended by the Directors.
3. Directors
   (i) To re-elect Mr. B.B. Zschorch, Director who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company

   (ii) To re-elect Mr. A.J.P. Dufes, Director who retires in terms of Article 24(2) of the Articles of Association of the Company

   (iii) To re-elect Mr. L.L.S. Wickremasinghe , Director who retires in terms of Article 24(2) of the Articles of Association of the Company

   (iv) To re-elect Mr. K.D. Vander weele, Director who retires by rotation in Terms of Article 24(6) of the Articles of Association of the Company

   (v) To re-elect Mr. P.T. Fisher, Director who retires by rotation in Terms of Article 24(6) of the Articles of Association of the Company

   (vi) To re-elect Mr. M.S.D. Pinto, Director who retires by rotation in Terms of Article 24(6) of the Articles of Association of the Company
4. Ratification of donations amounting to LKR 4,026,761/- made during the financial year ended 31st March 2019 and to approve donations for the financial year ending 31st March 2020.
5. To re-appoint the Auditors Messrs Ernst & Young, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

General Meeting and to authorize the Directors to determine their remuneration.

By Order of the Board,

Sgd.
Jacey & Company
Secretaries

Colombo
22nd July 2018

Notes

Notes

FORM OF PROXY

I/We the undersigned …………………..…………………………………..………………………

…………………………...…. of ………………………………………………….…………………………………………………

…………....………...…. being a member/members of Commercial Credit and Finance PLC do

hereby appoint ……..........………………..…………………………………… of

…………….....……………………………………………………………..……...................…......…… whom failing

Mr. K.J.C. PERERA, whom failing Mr. R.S. EGODAGE, whom failing Mrs. G.R. EGODAGE, whom failing Mr. M.S.D. PINTO, whom failing Mr. E.D.P. SOOSAIPILLAI, whom failing Mr. K.D. VANDER WEELE, whom failing Mr. P.T. FISHER, whom failing, Mr. P.S.R.C. CHITTY, whom failing, Mr. B.B. Zschorsch, whom failing Mr. A.J.P. Dufes, whom failing Mr. L.L.S. Wickremesinghe as my/our Proxy to represent me/us and *……………….. to vote on my/our behalf at the THIRTY SIXTH ANNUAL GENERAL MEETING of the Company to be held on 23rd August 2019 and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I / We the undersigned hereby authorise my/ our proxy to vote on my/our behalf in accordance with the preference indicated below:

	For	Against
1. To receive and consider the Audited Financial Statements for the Year Ended 31st March 2019 and the Reports of the Auditors' and of the Directors' thereon.		
2. To declare a Final Dividend of Rs. 1.00/- per share for the year ended 31st March 2019, as recommended by the Directors.		
3. Directors		
(i) To re-elect Mr. B.B. Zschorch, Director who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company		
(ii) To re-elect Mr. A.J.P. Dufes, Director who retires in terms of Article 24(2) of the Articles of Association of the Company		
(iii) To re-elect Mr. L.L.S. Wickremasinghe, Director who retires in terms of Article 24(2) of the Articles of Association of the Company		
(iv) To re-elect Mr. K.D. Vander weele, Director who retires by rotation in Terms of Article 24(6) of the Articles of Association of the Company		
(v) To re-elect Mr. P.T. Fisher, Director who retires by rotation in Terms of Article 24(6) of the Articles of Association of the Company		
(v) To re-elect Mr. M.S.D. Pinto, Director who retires by rotation in Terms of Article 24(6) of the Articles of Association of the Company		
4. Ratification of donations amounting to LKR 4,026,761/- made during the financial year ended 31st March 2019 and to approve donations for the financial year ending 31st March 2020.		
5. To re-appoint the Auditors Messrs Ernst & Young, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.		

As witness my/our hand this ……………………………. day of ……………………………. Two Thousand and Nineteen.

Signature of Shareholder

Notes:
* If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk and initial such insertion.

Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxyholder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxyholder should vote, the Proxy holder shall vote as he thinks fit.

A Proxy holder need not be a member of the Company

Instructions as to completion appear on the reverse hereof

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at No. 106, Yatinuwara Veediya, Kandy not less than 48 hours before the time appointed for the holding of the Meeting.
2. The instrument appointing a Proxy shall in the case of an individual be signed by the appointor or by his Attorney and in the case of a Company/ Corporation, the Proxy Form must be executed under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.
3. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it has not already been registered with the Company.
4. The full name and address of the Proxyholder and of the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy.

INVESTOR FEEDBACK FORM

To request information or submit a comment/query to the Company, please complete the following and return this page to,

Chief Financial Officer
Commercial Credit & Financial PLC
No. 165, Kynsey Road,
Colombo 08,
Sri Lanka.
E-mail: janaka@cclk.lk

Name : ....

Permanent Mailing Address : ....

Contact Numbers : ....

E-mail : ....

Name of the Company *(If Applicable)* : ....

Designation *(If Applicable)* : ....

Company Address *(If Applicable)* : ....

Comments/Queries : ....

....

....

....

....

....

....

CORPORATE INFORMATION

COMPANY NAME
Commercial Credit and Finance PLC

LEGAL FORM
Incorporated as a Private Limited Liability Company under the Companies Act No. 17 of 1982 on 4 October 1982 and converted to a Public Company on 16 December 1989 and re-registered under the Companies Act No. 07 of 2007 on 8 April 2008.

A Registered Finance Company under the Finance Companies Act No. 78 of 1988 and re-registered under the Finance Business Act No. 42 of 2011.

A Registered Finance Leasing establishment under the Finance Leasing Act No. 56 of 2000 (as amended).

The Shares of the Company were listed on Dirisavi Board of the Colombo Stock Exchange on 1 June 2011. The Stock Exchange code for the Company share is "COCR".

REGISTRATION NUMBER
PB 269 PQ

PLACE OF INCORPORATION
Kandy, Sri Lanka

REGISTERED OFFICE
No. 106, Yatinuwara Veediya, Kandy

TELEPHONE
+94 (0) 81 2 000 000

FAX
+94 (0) 81 2 234 977

E-MAIL
ccl@cclk.lk

WEBSITE
www.cclk.lk

BOARD OF DIRECTORS OF THE COMPANY
Mr. K.J.C. Perera – Independent Non-Executive Director (Chairman)
Mr. R.S. Egodage – Executive Director (Chief Executive Officer)
Mrs. G.R. Egodage – Executive Director
Mr. M.S.D. Pinto – Independent Non-Executive Director
Mr. E.D.P. Soosaipillai – Independent Non-Executive Director
Mr. P.T. Fisher – Non-Executive Director
Mr. K.D. Vander Weele – Non-Executive Director
Mr. P.S.R.C. Chitty – Executive Director (Chief Executive Officer)
Mr. B.B. Zschorsch – Non-Executive Director

COMPANY SECRETARY
Jacey & Company
No. 9/5, Thambiah Avenue, Colombo 07

LAWYERS OF THE COMPANY
Julius & Creasy, Attorneys-at-Law
No. 41, Janadhipathi Mawatha, Colombo 01

COMPANY AUDITORS
Ernst & Young, Chartered Accountants
No. 201, De Saram Place, Colombo 10

BANKERS OF THE COMPANY
Bank of Ceylon
Cargills Bank Limited
Commercial Bank of Ceylon PLC
Deutsche Bank
DFCC Bank PLC
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Union Bank of Colombo PLC

BOARD AUDIT COMMITTEE
Mr. E.D.P. Soosaipillai (Chairman)
Mr. K.J.C. Perera
Mr. M.S.D. Pinto

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE
Mr. M.S.D. Pinto (Chairman)
Mr. K.J.C. Perera
Mr. P.S.R.C. Chitty

INTEGRATED RISK MANAGEMENT COMMITTEE
Mr. K.J.C. Perera (Chairman)
Mr. R.S. Egodage
Mr. M.S.D. Pinto
Mr. E.D.P. Soosaipillai
Mr. P.S.R.C. Chitty

REMUNERATION COMMITTEE
Mr. M.S.D. Pinto (Chairman)
Mr. K.J.C. Perera

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COMMERCIAL CREDIT AND FINANCE PLC
www.cclk.lk