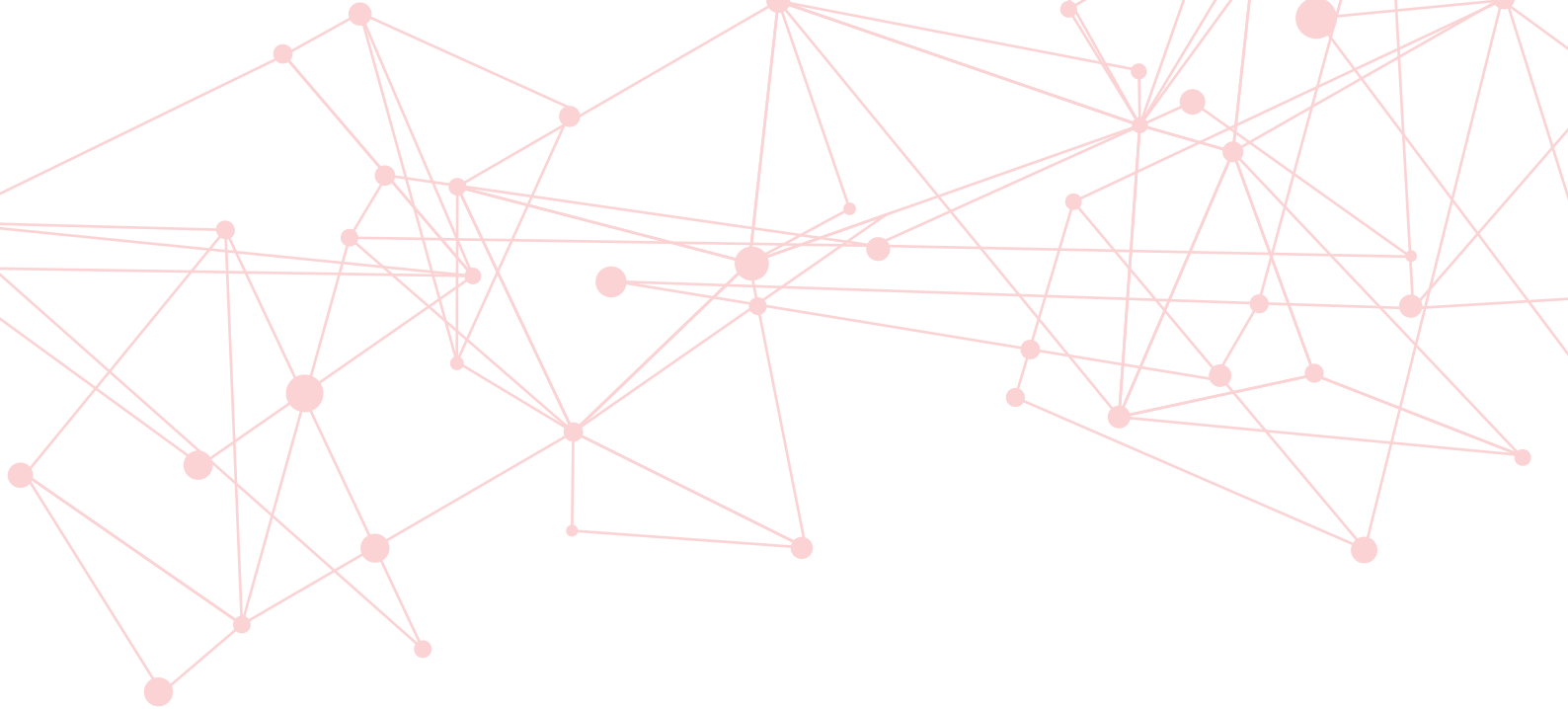


PURPOSE

Commercial Credit and Finance PLC
Company Journal | Annual Report 2019/2020







PURPOSE

The word 'PURPOSE' is rendered in large, bold, black letters. Each letter is filled with a different black and white photograph: 'P' shows a man and a child; 'U' shows a woman; 'R' shows a woman with a child; 'P' shows an elderly man; 'O' shows a young girl; 'S' shows a woman with a child; 'S' shows an elderly man; 'E' shows a woman.

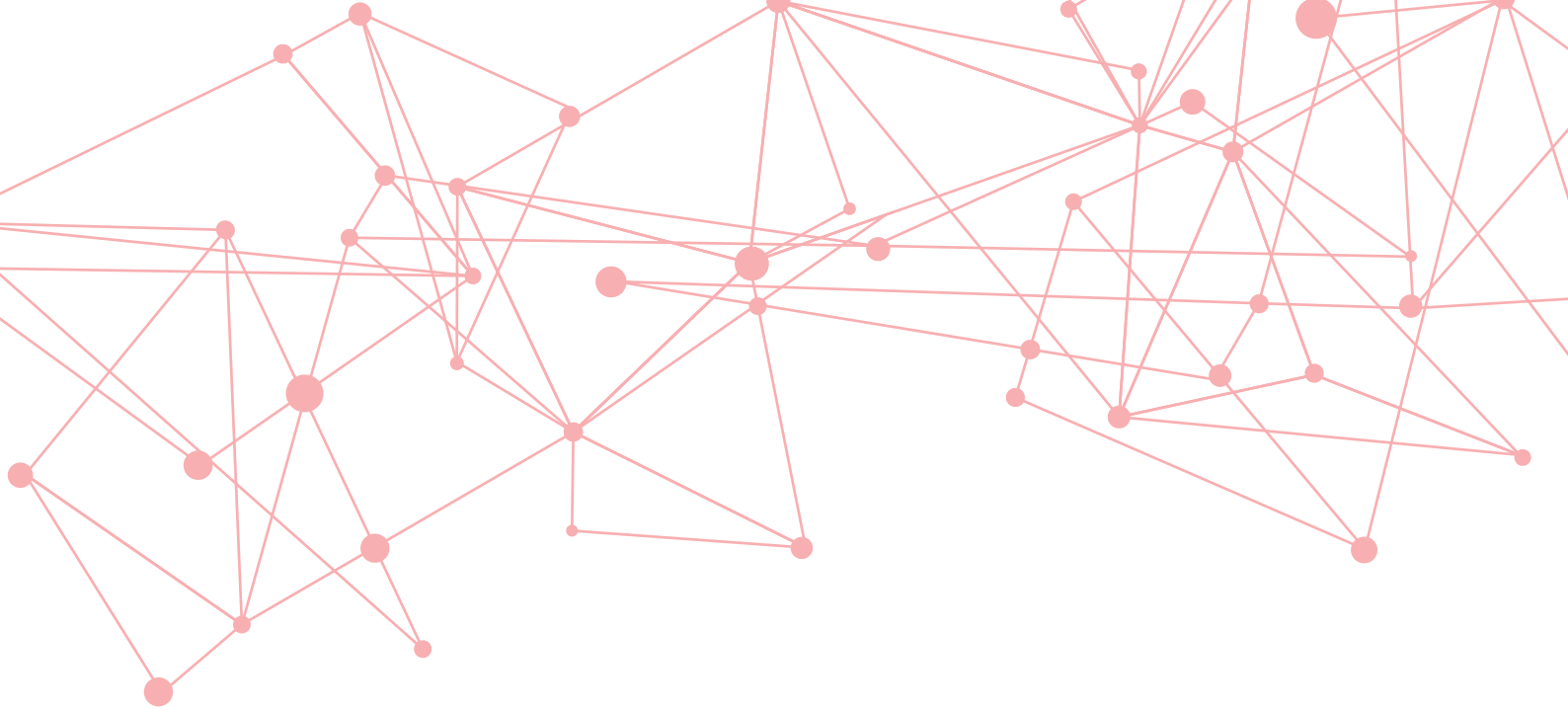


As a Company, whose purpose is to build leaders who uplift the lives of people by simple acts of love, we endeavor to maintain our determination to achieve this goal.

We train our family to cultivate a win-win attitude that inspires synergy and teamwork with love and caring instilled within a culture of continuous learning and development that enhances the essence of integrity and trust.

Driven by this strong purpose, we have managed to put a brave front irrespective of the numerous adversities faced and have continued to uplift lives of all our stakeholders.





Best is Achieved Together.

The challenges of today cannot be resolved individually. That is why we, Commercial Credit appreciate the differences of others and work together to achieve a common purpose.



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 to uplift their lives. Those who seek to love feel happy and satisfied. Love energises everyone and benefits of unconditional love 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, love others and also love life. By 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 to another. This creates a ripple effect 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 that our lives are intergrated around principles and that our security comes from within, nor from outside. 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.

Learning & Development

Learning at Commercial Credit is characterised as the process of renewing and enhancing the physical, emotional, mental and spiritual dimensions of our lives, 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 do the best in every single activity that it engages in.



Think Win-Win

Win-Win is one paradigm of human interaction and 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, mutual respect 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 do not bring 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.



Synergy & Teamwork

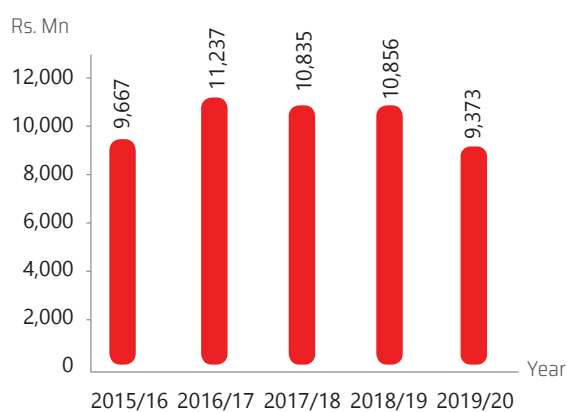
Commercial Credit believes that Synergy creates better alternatives by valuing the mental, emotional and psychological differences between people; recognising that strength lies not in similarities but in differences. A team combines individual strengths with a shared commitment to perform towards a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



Company Financial Highlights

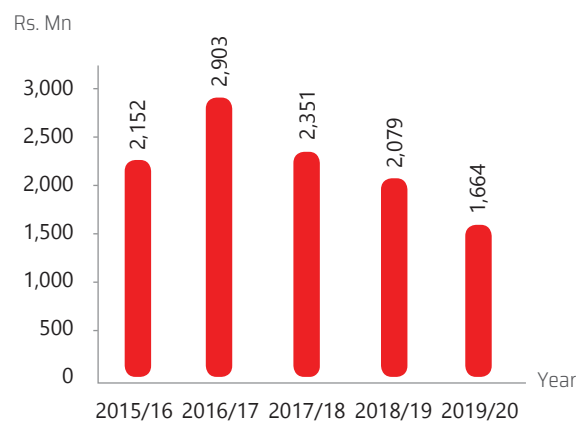
	2019/20 Rs. '000	2018/19 Rs. '000	Per cent Change
Financial Performance			
Gross Income	19,885,682	21,883,626	-9.1%
Net Interest Income	9,372,982	10,856,187	-13.7%
Profit Before Taxation	1,797,487	2,841,772	-36.7%
Profit After Taxation	1,663,899	2,078,679	-20.0%
Financial Position			
Leases, Hire Purchases, Loans and Advances	61,615,324	60,854,563	1.3%
Total Assets	80,360,309	80,110,747	0.2%
Total Deposit Base	47,394,522	51,908,367	0.3%
Borrowings	16,011,511	12,253,007	30.7%
Shareholders' Funds	13,316,658	11,986,997	11.1%
Key Indicators per Ordinary Share			
Earnings per Share(Rs.)	5.23	6.54	
Net Assets per Share (Rs.)	41.43	37.69	
Year end Market Price per Share	18.30	27.30	
Key Performance Indicators			
Return on Average Assets (%)	2.24	3.47	
Interest Cover (times)	1.20	1.32	
Equity / Assets (%)	16.57	14.96	
Gross Non Performing Accommodations (%)	9.85	6.51	
Net Non Performing Accommodations (%)	2.72	-1.08	
Return on Average Shareholders' Funds (%)	13.15	17.14	
Statutory Ratios			
Capital Funds to Deposits (%)	27.80	23.67	
Core Capital Ratio (%) (Minimum Required 6.5%)	14.14	11.38	
Total Risk Weighted Capital Ratio (%) (Minimum Required 10.5%)	14.95	12.87	

Net Interest Income



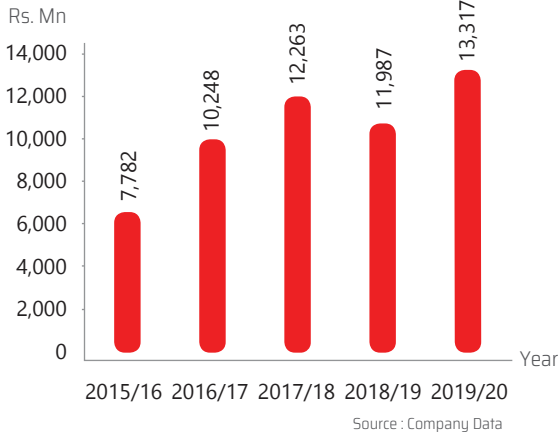
Source : Company Data

Profit After Taxation

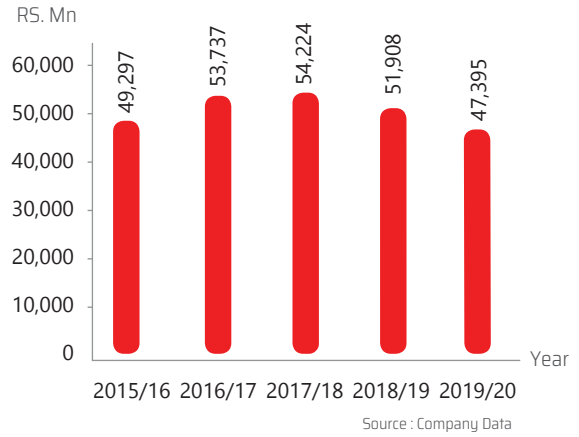


Source : Company Data

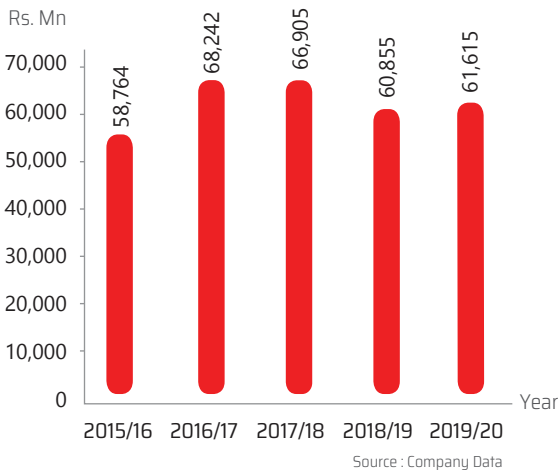
Shareholders Funds



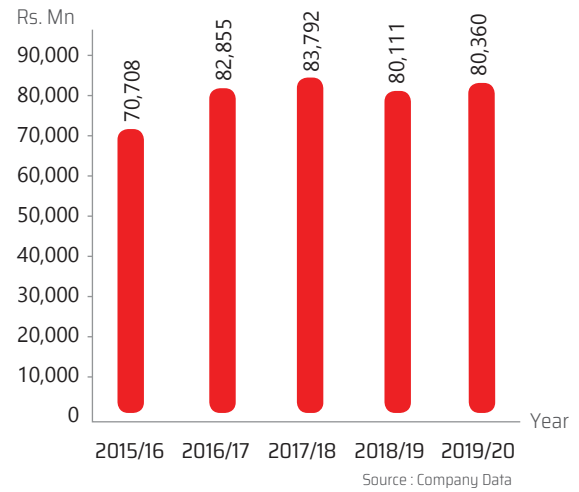
Total Deposit Base



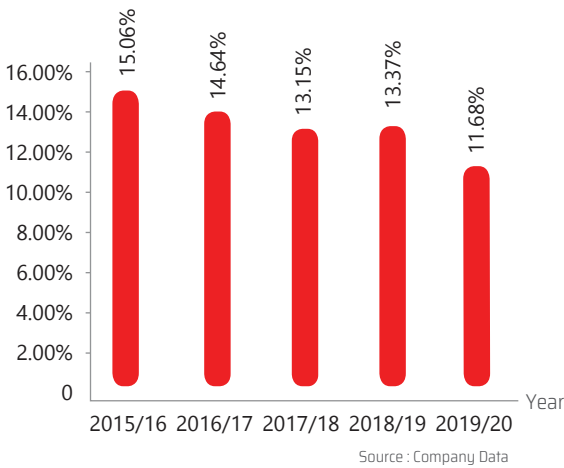
Lease, Hire Purchase, Loan and Advances



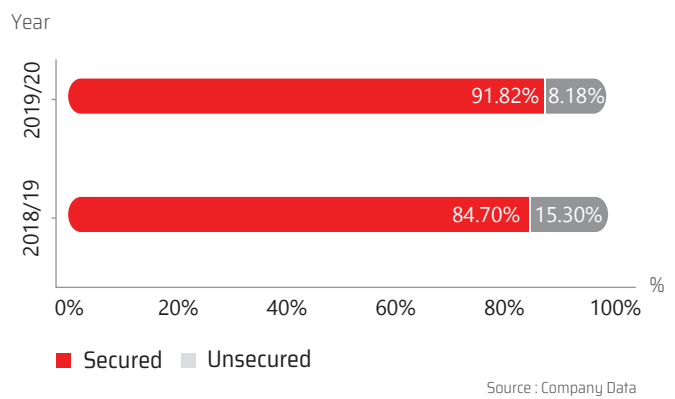
Total Assets



Net Interest Margin



Lending Composition



Non Financial Highlights



Manufactured Capital

	2019/20	2018/19
Number of Locations:	119	119
Number of ATMs:	13	13



Intellectual Capital

Investments in IT Developments (Rs.)	2019/20	2018/19
	481,892,077	496,702,312



Human Capital

	2019/20	2018/19
Total Customers (Number)	943,284	1,499,713
Total Employees (Number)	2863	3227
Total Employees Training Hours	107,583	107,769
Investments in Training (Rs.)	39,250,167	104,452,653
Industrial Disputes	Nil	Nil



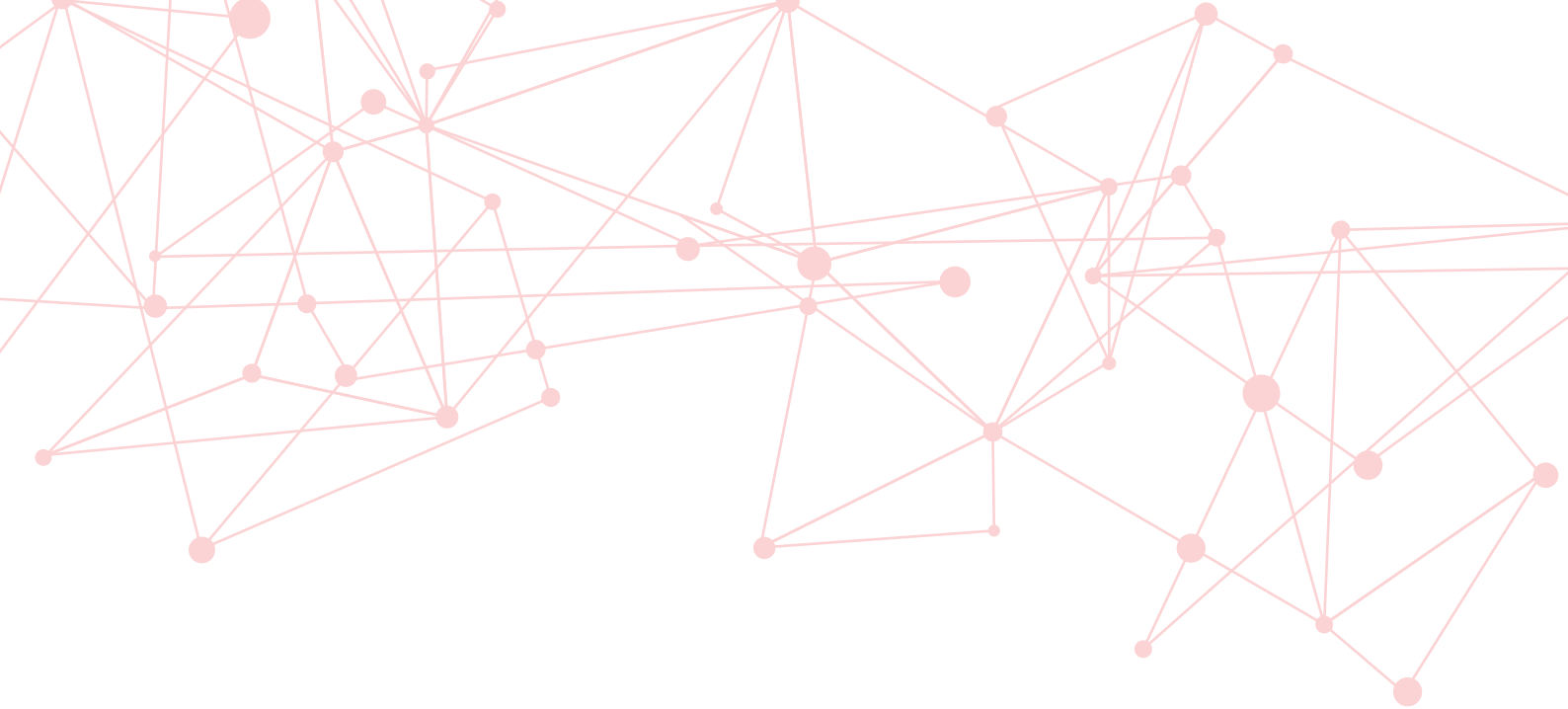
Social & CSR Capital

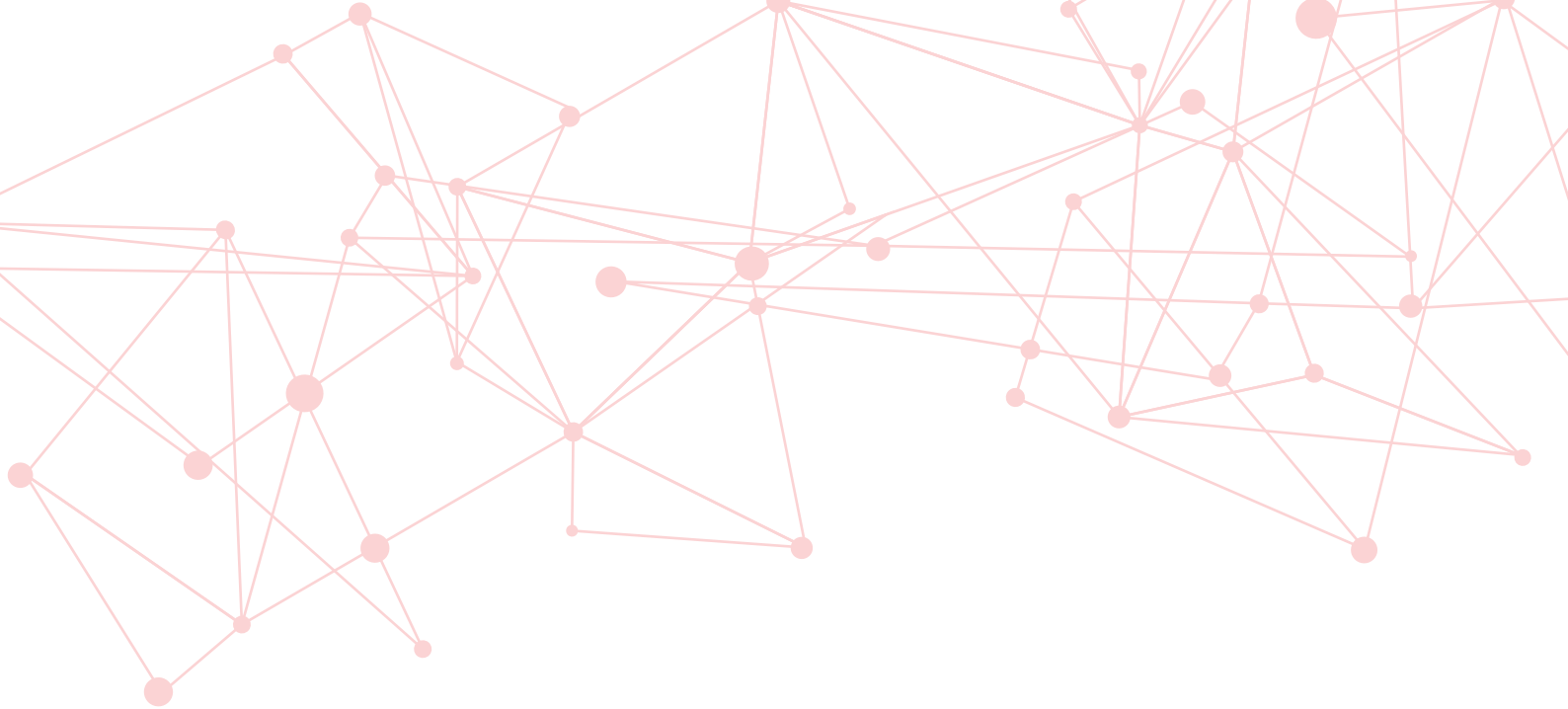
	2019/20	2018/19
Management Trainees & Intern opportunities (Number)	4	78
Total Taxes Paid (Rs.)	1,425,826,160	2,030,719,690

“නමක්, ගමක් දන්නේ නම් නෑ.
හැබැයි මුහුද්දෙයින්”



COMMERCIAL
CREDIT





Board of Directors & Executive Management

Chairman's Statement



Your Company demonstrated noteworthy resilience in the face of adversity, continuing to consolidate its business activities, with an uncompromising commitment towards improving its systems & procedures, and the knowledge & skill development of its employees.



On behalf of the Board of Directors, I extend a warm welcome to you to the 37th Annual General Meeting of Commercial Credit and Finance PLC. It gives me great pleasure to present to you, on behalf of your Board of Directors, the Annual Report of the Company for the financial year ended 31st March 2020. It has been with the shareholders for the prescribed period of time, and I shall, with your permission, take it as read.

The Company proved more than equal to the task in a turbulent year marked more by events of disruption in numerous macroeconomic fronts which tested the resilience of the Company throughout the year. As a Company that has stood the test of time, I'm optimistic that the Company will take it in its stride demonstrating the versatility and adaptability which is inherent to us as an organization.

We ended the year on a moderately successful note although it must be added, with dampened enthusiasm and dented optimism for the year ahead. In the last quarter of the year, the effects of the Covid 19 crisis began to manifest itself in the local and global business environment, with deteriorating customer revenues creating severe liquidity and plummeting confidence levels adversely affecting the general business sentiment.

Economic performance

During the year 2019, Sri Lanka's real economic growth was less than desired. The Easter Sunday attacks had a severe impact on the tourism sector, and their adverse spillover effects were felt across the economy, worsening the sluggish growth of the economy and further dampening business confidence.

As a result the Sri Lankan economy recorded a subdued growth of 2.3% in 2019, compared to the growth of 3.3% in 2018. All major sectors of the economy recorded positive, but modest growth rates with the service sector being the main contributor. Wholesale and retail trade mainly contributed to the growth of the services sector, while telecommunication and Information Technology programming consultancy & related activities continued to record a double digit growth. Accommodation, food and beverage services recorded a contraction during 2019 in the aftermath of the Easter Sunday attacks.

Operating environment

The Non-Bank Financial sector performance deteriorated during the year, with negative credit growth, declining profitability and an increase in Non-Performing Accommodation (NPA). The slowdown in the sector was driven by subdued economic conditions, prevalent political uncertainty, lack of investor confidence and security concerns created by the Easter Sunday attacks.

The industry's asset base stood at Rs. 1,432.7 Bn at the end of 2019 expanding a marginal 0.1% during the year. Lending activity slowed down in 2019 in response to macro prudential policy measures to curtail the importation of motor vehicles, prevalent higher market interest rates on lending and sluggish economic conditions.

The gross NPA ratio increased to 10.6% at end-December 2019, from 7.7% reported at end December 2018, reflecting a deterioration in the asset quality of the sector.

Deposits dominated the funding mix, as increased assets were mainly funded through deposits, while borrowings of the sector largely declined compared to the previous year.

Business performance

Your Company demonstrated noteworthy resilience in the face of adversity, continuing to consolidate its business activities, with an uncompromising commitment towards improving its systems & procedures and the knowledge & skill development of its employees.

Holding its asset base virtually flat against last year, the Company generated a Net Interest Margin (NIM) of 11.7% against the industry NIM of 7.7% driven by its high yielding asset backed products. The Company's Profit after Tax declined by 20% to Rs. 1.66 Bn owing to the reduction in interest income and the high impairment charge typical of today's challenging economic conditions.

Chairman's Statement [Cont.]

Even though there was a 23.9% drop in group profitability, the group maintained a Return of Assets (ROA) of 2.4% compared to the industry ratio of 2.2%. The group's Return on Equity (ROE) of 14.7% also compared well with the industry's 7.5%.

Trade Finance and Investments PLC (TFI) the subsidiary of Commercial Credit was also negatively impacted by the macroeconomic adversity and reversing its trend of strong growth. TFI's Profit after Tax declined by 42.5% to Rs. 358.42 Mn during the year. TFI's total assets grew by 2.6% during the financial year to Rs. 10.63 Bn. This resulted in a group profit after tax of Rs. 2.0 Bn compared to Rs. 2.62 Bn recorded in the previous year.

Commercial Credit and Finance PLC advanced its ranking from No.27 to No.21 among the best performing corporates in the Business Today's Top 30 Companies, retaining its position for the third consecutive year. This reaffirms the competences of our management and the commitment and dedication of our team in driving the Company towards greater heights.

Consolidating our Strengths

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 various stakeholders. Consequently, several positive steps were taken at regular intervals to ensure that the Company meets and exceed such standards. Of these, a significant measure taken was the continuous improvement and revisions made to the Company's Code of Ethics and Internal Controls.

Moreover, during the year, all Board Sub-Committees and operational Sub-Committees played an active role by conducting regular meetings to discuss operational matters in detail, make assessments of changing situations and to recommend necessary actions. These constructive steps were considered vital in ensuring the effortless continuity of the business processes of the Company and its competency to face challenges while seizing new business opportunities in the market.

We, at Commercial Credit, strongly believe that a value-based culture is crucial to the continuing 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 of credibility and public trust in our effort to increase our footprint in today's fast-evolving financial services landscape of Sri Lanka. Employee engagement and satisfaction remained at the heart

of our activities and all our employees are inculcated with the importance of carrying out day-to-day operations in line with such Shared Values and delivering unique value propositions to our customers as Brand Ambassadors of Commercial Credit.



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Defining the future

For some organizations, near-term survival is the only agenda item. Others are peering through the fog of uncertainty, thinking about how to position themselves once the crisis has passed and things return to normal. Whilst the question of what will the new normal look like, is beyond the grasp of many, even less can predict how long the Covid 19 crisis will last, and what we will discover on the other side.

Covid-19 is not a one-off challenge. We should expect additional phases to the current epidemic and additional epidemics in the future. Research on the effectiveness of organizational responses to dynamic crises indicates that there is one variable which is most predictive of eventual success – preparation and pre-emption. Preparing for the next crisis, the next phase of the current crisis, is now likely to be much more effective than an ad hoc, reactive response when the crisis actually hits. The past five months have shown us that, if nothing else.

The COVID 19 outbreak has upended the way corporates function in an unprecedented shift away from what was before the crisis, forcing them to reimagine an entire business paradigm. The global demand chain destruction has severely impacted key export and foreign exchange earning industries, such as agriculture, garments & textile and tourism. The lockdown imposed and the continuing compliance with a raft of new Public Health regulations to curtail the spread has led to widespread impact in the domestic economy, resulting in a marked slowdown. Consequently, the GDP growth forecast for 2020 has been revised down to 1%.

In this backdrop, as a purpose driven corporate, our focus will be on reviving the livelihoods of our customers by providing them with financial assistance while adhering to the government imposed debt moratorium scheme.

Appreciation

The Board of Directors and I extend our heartfelt gratitude to our loyal customers who have demonstrated their confidence in the Company's offerings and services for yet another year. Without their trust and loyalty, we would not have been able to scale the lofty heights that we have reached today.

I also take this opportunity to express my sincere appreciation to my colleagues on the Board for being a source of discerning guidance, inestimable support & sincere encouragement to me in a challenging year. It is this outstanding group of professionals who have tapped into their wealth of knowledge & experience and steered our path to progress. I also thank our Chief Executive Officer and Board Member Mr. Roshan Egodage for the inspiration he provides consistently and his inspiring leadership over the years which has enabled us to reach higher and in navigating the Company to where it is today.

No amount of appreciation is complete 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.

I also place on record our collective thanks and appreciation to our Directors, Mr. Cecil Perera, my predecessor and Mr. Susantha Pinto for their contribution to the Company over the years and who stepped down from the board this year on completion of their tenures.

I thank CBSL who provided support and guidance throughout the year and to all our stakeholders for their confidence in us and look forward to their continued support into the future.

I envision that we will make use of this moment to make Commercial Credit much stronger in the years to come.



E. D. P. Soosaipillai
Chairman

22 July 2020

Review of the Chief Executive Officer



As a new decade dawns upon us with challenging business conditions underfoot, our focus remains fixated upon the purpose of the organization. We envisage that our purpose and shared values will provide us with guidance and direction to navigate through these headwinds.



As the financial year 2019/20 draws to a close, it gives me immense pleasure to present the performance review of Commercial Credit and Finance PLC for the period ending 31st March 2020.

This gives me the opportunity to share some of the main highlights and key achievements of the Company during the period of review. 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

As a new decade dawns upon us with challenging business conditions underfoot, our focus remains fixated upon the purpose of the organization. We envisage that our purpose and shared values will provide us with guidance and direction to navigate through these headwinds.

The long and eventful journey which lays claim to the resounding success of the Company can be primarily attributed to the passion, dedication and the drive of all members of the Commercial Credit team. Nevertheless, a key element which has attributed towards our continuous success through the years is our Shared Values and the unique principle-based culture. These trail blazing standards which are nurtured within the organization has set us apart from our competitors and ensured an ever-growing customer base. 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. In addition to this unique culture that exists within the Company, we have also instilled a sense of self confidence in all our employees –encouraging them to serve our customers with empathy and understanding while retaining their loyalty. Thus, their goal is to enrich and uplift the lives of all our customers by supporting them to attain their dreams and aspirations.

We constantly emphasize the importance of these Shared Values and Principles to all our employees at every level through a comprehensive set of initiatives. These are a prerequisite in convincing all members of the Commercial Credit family that meaningful progression towards the Company's purpose "to build leaders who uplift the lives of people by simple acts of love" is only possible through the promotion of our unique corporate culture within the organization.

Subsequently, we have instigated activities towards this effort; such as conducting 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. This is also to inculcate a sense of camaraderie and bonhomie among our employees as they face each day with positivity and reflect this attitude in every sphere of their lives.

Additionally, the value badge earned by the employee based on their practice of Shared Values within the interior and exterior of the Company plays a pivotal role in employee's remunerations and promotions. Therefore, employee performance is monitored and measured by a 360 Degree Evaluation conducted quarterly by the Company's Enterprise Resource Planning system.

Furthermore, the Company finds inspiration through "The 7 Habits of Highly Effective People" authored by the late Dr. Stephen Covey, the Founder of the World-renowned personal development organization- Franklin Covey. Thereby, the Company has initiated effective measures in communicating these '7 habits' to the employees through comprehensive residential workshops and training programs which are conducted across the Company at all locations with the participation of a significant number of employees at each level. This has enabled our employees, who participate with unbridled enthusiasm and zeal to experience a holistic and integrated approach to achieving success in their professional and personal lives, which in turn has a positive impact on all our internal and external stakeholders as its influence is reflected in every aspect of our business operations.

Performance

The Company was faced with yet another year of macro-economic adversity which took a toll on the financial system domestically as well as globally. With continued volatility in the micro finance industry the Company continued to rely on high yielding asset backed products. The year ended on a sour note with the island wide lock down imposed towards the end of the financial year due to the COVID 19 pandemic.

Review of the Chief Executive Officer [Cont.]

The Company's asset base increased marginally by 0.3%, finishing the financial year at Rs.80.4Bn. This is in correspondence to the 1.3% increase in the loan portfolio which accounted for 76.7% of the total asset base. In line with the Company's overall strategy to promote asset backed products, the leasing & hire purchase portfolio and the gold loan portfolio grew by 18.5% & 10.2% gross of impairment allowance respectively.

The lending activities were mainly funded through the mobilization of public deposits with a composition of 74.7% against the total funding base. However the deposit base declined by 8.7% during the year owing to adversity created in the market following the cancellation of several NBFIs licenses during the year. In response the Company increased its borrowing base by 37.0% which is in line with the Company's overall funding strategy.

With major events of disruption scattered throughout the financial year, the Company's Gross Non Performing Accommodation (NPA) worsened to 9.9% from 6.5%. The sector gross NPA also deteriorated sharply demonstrating a 290 basis point increase, finishing the year at 10.6%. The Company's Net NPA was at 2.7% compared to -1.1% last year.

The Company NIM dropped to 11.7% from 13.4% the previous year, owing to the 8.5% reduction in the interest income. This was caused by the Company's decisions to further downsize the non-asset backed products which yield more. The profit after tax for the year was at Rs.1.66Bn, a 20.0% decline against last year. Further to the reduction in the NIM, the cost to income ratio which increased to 55.3% from 54.3% also contributed to the contraction in profitability.

Despite operating in a challenging environment for business, Commercial Credit and Finance PLC was ranked No 21 in the Business Today Top 30 Awards for 2018/19. This is the third consecutive year the group was recognized among the elite group of corporates, speaking volumes about our service delivery and accountability.

The inclusion of sports benefits every aspect of our lives and that has been recognized by the Company, which has resulted in the constant encouragement given to the employees who

are keen to pursue their affinity towards a sport, be it an individual or team oriented. The extensive support network set in motion for our sportsmen/ sportswomen include the granting of freedom and resources to achieve their goals by participating in both local and international events. These supportive measures have paved the way for remarkable sports achievements by our employees over the past years.

Despite operating in a challenging environment for business, Commercial Credit and Finance PLC was ranked No 21 in the Business Today Top 30 Awards for 2018/19.

This is the third consecutive year the group was recognized among the elite group of corporates, speaking volumes about our service delivery and accountability.

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 steadfastly go beyond the standard rules and regulations and predominantly invest in inculcating the concept of Shared Values in our employees. It is these Shared Values that has laid a strong foundation within the structure of the Company and is effectively intertwined with our processes, 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 an 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.

Future Focus

The COVID 19 outbreak has changed the outlook of corporates globally in an unprecedented manner, forcing them to re-strategise and restructure its business operation. The impact of the pandemic is felt across the key export and foreign exchange earning industries, such as export of agriculture, garments & textile and tourism. The lock down imposed to curtail the spread has led to a widespread impact in the domestic economy resulting in a marked slowdown.

As a customer centric organization our recurring focus will be aimed at assessing the damage the pandemic has caused to our customer base and collectively finding avenues to overcome this predicament together. We are sincerely grateful to the Central Bank of Sri Lanka who have introduced a debt moratorium scheme for COVID 19 affected businesses and individuals and pledge to extend our fullest support.

We strongly believe that our people of Commercial Credit will realise the Company's future potential towards progression amid the inevitable challenges that we are bound to encounter in the years to come. Therefore, we have taken necessary steps to invest in the personal and professional development of all our employees in preparation to face the perplexities of life and achieve success.

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

Appreciation

I am honoured to acknowledge the fact that Commercial Credit has endured immense success during the past several years, becoming one of the leading companies in the Non-Bank Financial Institutions (NBFIs) sector of the country. In this regard, I wish to express my heartfelt gratitude towards our valued customers and shareholders for the trust placed in us. You have given us the strength to make our goals a reality and strive towards achieving unprecedented heights.

I take this opportunity to warmly welcome our newly appointed Chairman Mr. D. Soosaipillai. His wealth of knowledge and expertise will surely provide guidance and leadership in navigating through these times. I would also extend my sincere gratitude to the outgoing Chairman, Mr. Cecil Perera for his tremendous contribution during his tenure. I'm also pleased to welcome Mrs. Tamara Paktsun who will be replacing Mr. M. S. D. Pinto as an independent Non-Executive Director.

Finally and most importantly, I would like to pay tribute to the incredible team at Commercial Credit. They continuously amaze me with their exemplary work ethics, professionalism and innovation and it is understood that their determination and hard work have made Commercial Credit illuminate brightly since its inception. With such amazing individuals at the helm driving us forward, Commercial Credit will continue to attain remarkable achievements in the financial services sector of Sri Lanka, while setting the benchmark for many other entities who extend a helping hand in terms of financial support to those who wish to make their dreams a reality.



R.S. Egodage

Chief Executive Officer

22 July 2020

Profiles of the Board of Directors



Mr. E.D.P Soosaipillai
Chairman,
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 specialized 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 chairs the Board Audit Committee and is 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, the Board HR and Remuneration 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 Plantation Companies.

Mr. Soosaipillai is a member of the Sri Lanka Institute of Directors and is an active member of the Audit Committee Forum and the INED Forum of SLID.

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. 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 boards of 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).

Mihindakulasuriya Susantha Devapriya Pinto started his career as a Trainee Planter in 1996 with Balangoda Estate, Sri Lanka State Plantation Corporation and later functioned as Assistant Superintendent and Superintendent in leading plantation companies in Sri Lanka. He served at Solar Electric Light Company (USA) as the Director - Operations during which he contributed in many ways towards the improvement of operations such as financing, after sales service of Renewable Energy- Solar Photovoltaic etc, in countries such as Sri Lanka, India and Vietnam. He was the Director/Chief Executive Officer of Ceylinco Renewables (Pvt) Limited.

Dr. M.S.D.Pinto also served as the Chairman at Green Earth Group, Independent Director of Commercial Credit PLC, Group Chief Executive Officer of KDU Group a diversified group into tea production (largest black tea manufacturer in Sri Lanka), Director KDU Exports (Pvt) Ltd, Double Tree by Hilton Weerawila and many hospitality entities. An old boy of St. Anthony's College, Kandy, he holds a PhD in Business Administration.



Dr. M.S.D. Pinto
Independent Non-Executive Director

Profiles of the Board of Directors [Cont.]



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 four 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. 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, and Vivriti Capital-India.



Mr. K.D Vander Weele
Non-Executive Director



Mr. R.C Chitty
Chief Operating Officer
Executive Director

Mr Rajiv Casie Chitty is a Fellow member of the Association of Chartered Certified Accountants (ACCA), UK and 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 thirty years' experience in the private sector of which over fifteen years has been at senior management level.

Mr. Dufes started his career as a Tennis coach in 1985 in France, then he moved to the 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 and of GL-AMMK in Myanmar. 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. A. J. P. Dufes
Non-Executive Director

Profiles of the Board of Directors [Cont.]



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 PricewaterhouseCoopers 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 Frankfurt, Germany, where he received the title Diploma - Kaufmann as well as of University Paris Dauphine IX, France where he received a Master in Finance and Accounting.

Mr. Lasantha Wickremasinghe, is a fellow member and a past President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and a fellow member of the Association of Accounting Technicians of Sri Lanka (AAT). He is a partner at B R DE SILVA & Company Chartered Accountants since 1997 and specialized in Audit, Assurance Services. Member of Board of Management and the Audit Committee Chairman of the Postgraduate Institute of Management, University of Sri Jayewardenepura (PIM) and Board of Management Member of the Api Wenuwen Api Fund. He serves as the Treasurer of Sri Lanka Cricket.



Mr. Lasantha Wickremasinghe
Independent Non-Executive Director



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 J.P Morgan 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 Banks 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 organizations. Mr. Fisher is a graduate of the J.L. 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 continues his studies in Spanish, Mandarin and Koine Greek.

Profiles of the Board of Directors [Cont.]



Ms.T. M. L. Paktsun
Independent Non-Executive Director

Tamara Paktsun is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA Sri Lanka), a Fellow of the Chartered Association of Certified Accountants (FCCA UK) and is a senior finance professional with wide experience in the private sector, both in Sri Lanka and overseas.

She was appointed to the Board of Commercial Credit and Finance PLC in February 2020 and is a member of the Board Audit Committee, she is also a member of the Board Integrated Risk Management Committee.

Ms. Paktsun was the Director Finance & Operations of PricewaterhouseCoopers Sri Lanka and Maldives for over 13 years and previously functioned as the Chief Financial Officer of Ceylease Financial Services Limited, the leasing subsidiary of the Bank of Ceylon until 2004.

During a career spanning almost thirty eight 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. K.J.C. Perera
(Former Chairman)
(Retired w.e.f. 14 March 2020)
Independent Non-Executive Director

Executive Management Team



Roshan Egodage



Geya Egodage



Rajiv Casie Chitty



K.L.A. Senaviratne



Janaka Deshapriya



Prasanna Wickramasinghe



Lawrence Fernando



Lalith Karunarathna



Anuradha Ranaweera



D.G. Jayaratne



Nirosch Madawala



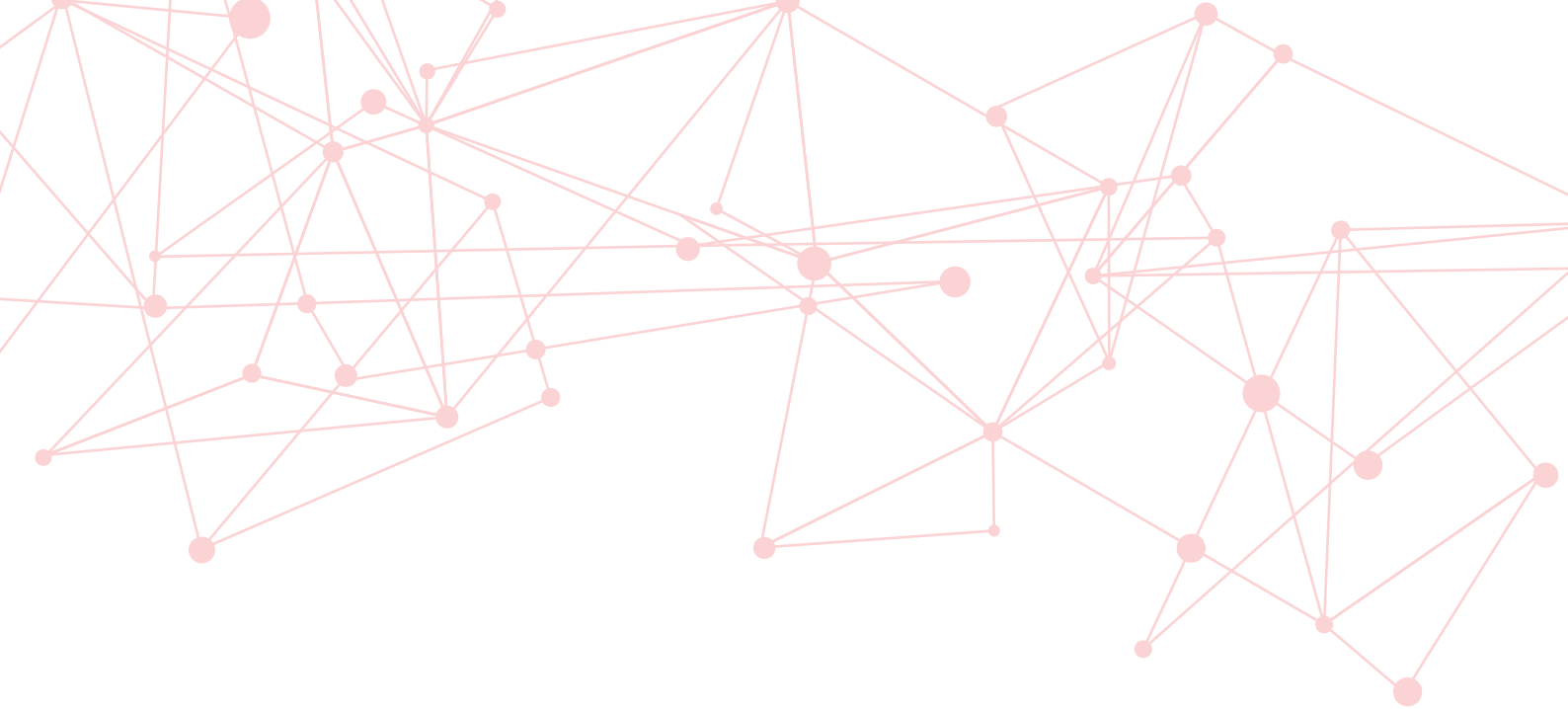
Sisira Attanayake

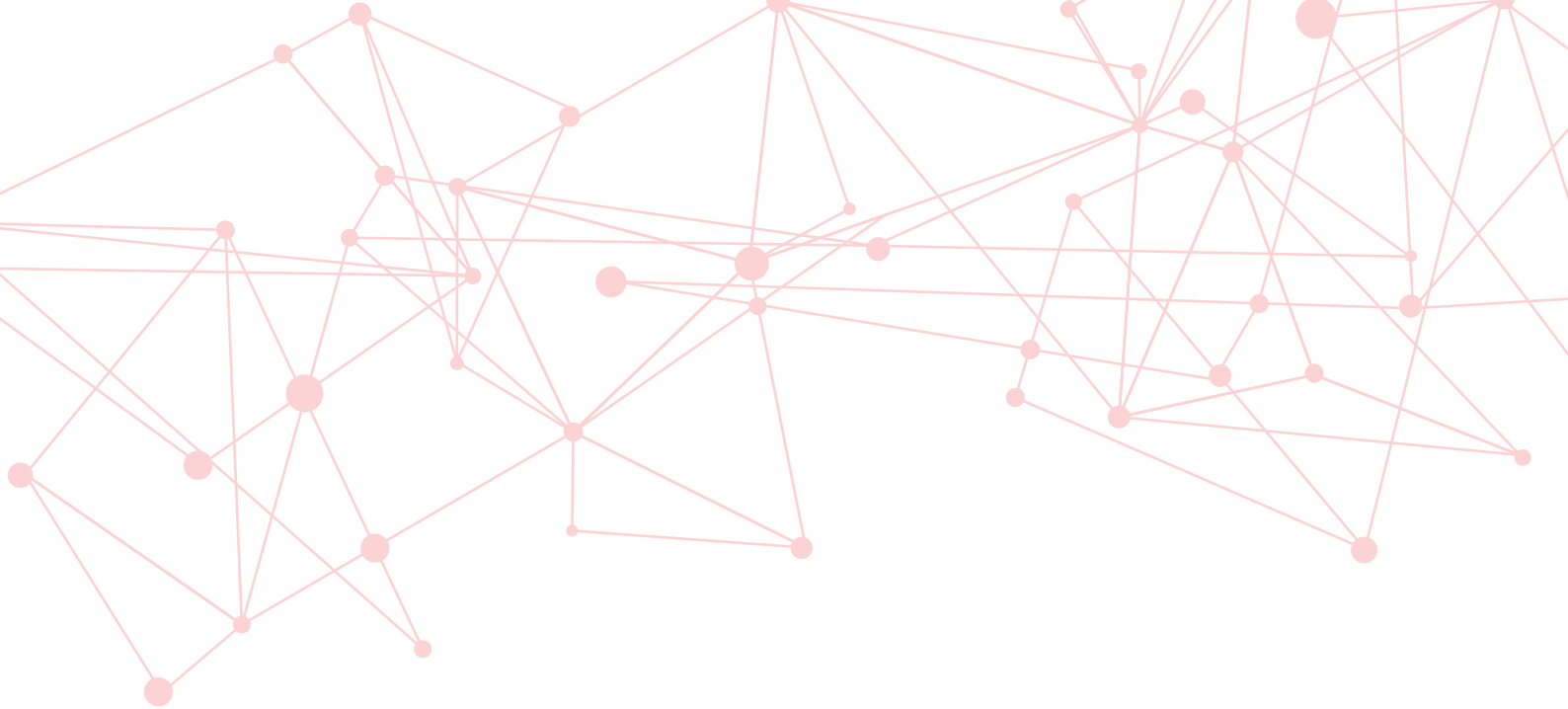


Ayesh Pitigala



Shammi Jayathilake





Management Discussion & Analysis

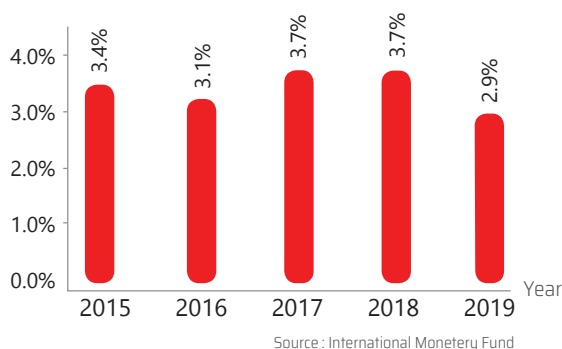
Management Discussion & Analysis

GLOBAL ECONOMY

The global economic growth for the year 2019 was estimated at 2.9%, which reflects a significant decline from 3.7% in 2018. This drop is a result of the trade war between China and the United States of America escalating and culminating into a global effect across the European continent and the stronger Asian economic powers inclusive of Singapore, Korea and Hong Kong.

Further, significant cuts in interest rates thrice in the four month duration ending October 2019 was made by the US Federal Reserve. This accommodative strategy has served to cushion the negative impacts of the US-China trade tensions, while the United States and a host of advanced and emerging market economies made a significant transition from the 2018 trend towards tightening to an increased monetary easing.

World Economic Growth

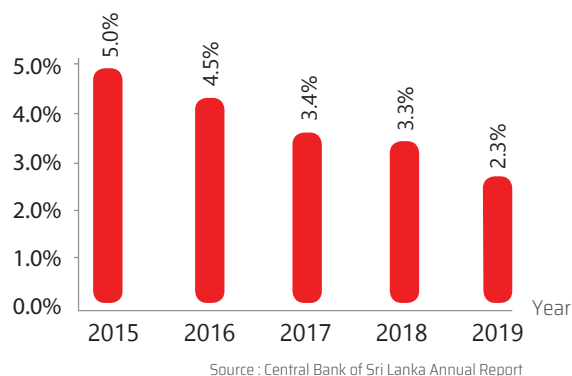


SRI LANKAN ECONOMY

While the economic growth in 2019 was below par, the Easter Sunday attacks further compounded the crisis. The aftermath of the tragedy significantly affected the economic landscape of the country, bringing the economic functions of the Tourism sector to an abrupt halt and adversely affecting all other business spheres.

This resulted in a subdued growth of 2.3% in 2019, in comparison to the growth of 3.3% in 2018. Yet the ensuing months, following the attack all the major sectors recorded a positive growth with modest growth in the service sector which was seen as a major contributor with the wholesale and retail trade contributing a largely towards the growth of the aforementioned sector. A record, double-digit growth spurt was duly noted in the IT programming consultancy and related activities, while a contraction was seen in the food and beverage services and accommodation sectors.

Real GDP Growth Rate



The unemployment rate saw an increase from 4.4% in 2018 to 4.8% in 2019, reflecting subdued economic activity. The headline and core inflation moved simultaneously in a broader capacity in the desired range of 4%-6% during 2019 in spite of changes which occurred in supply side disturbances. This was predominantly due to subdued demand conditions and well anchored inflation expectations.

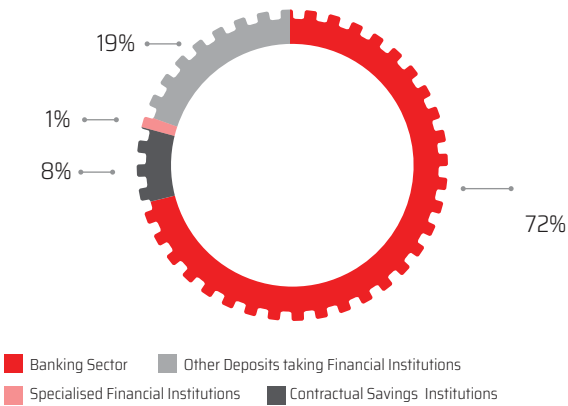
The Central Bank of Sri Lanka addressed the persistent liquidity deficit in the domestic money market by adopting an accommodative monetary policy stance in 2019. This was solely for the purpose of reviving the economic activity and addressing the slow progress in terms of credit extended to the private sector. Within a neutral monetary policy stance, the Central Bank reduced the Statutory Reserve Ratio (SRR) which was applicable on all rupee deposit liabilities of Licensed Commercial Banks (LCB) by a total of 250 basis points in November 2018 and March 2019 respectively.

FINANCIAL SECTOR

Resilience in the face of adversity was witnessed in the financial system as it retained its status quo without causing major macro prudential concerns, though the performance of the sector, in terms of expansion, credit quality and profitability was moderated during the year. Yet the uncertainty that prevailed and the added strains caused by subdued economic activity resulted in the slowing down of the financial sector expansion and performance during 2019 in comparison to 2018.

The total assets of the banking sector recorded a lower growth in 2019 compared to 2018 which was in the context of subdued economic activities of the country. This was largely due to low demand for loans and advances and tightened credit screening by banks due to increasing Non-Performing Accommodation (NPA). Meanwhile, the profitability of the banking sector, as reflected by the Return on Assets (ROA) ratio and Return on Equity (ROE) ratio saw a significant decline during the stipulated time frame due to various factors such as the increase in taxes, rise in operating costs and the deterioration in assets quality.

Composition of the Total Assets in the Financial System



Source : Central Bank of Sri Lanka Annual Report

LICENSED FINANCE COMPANIES & SPECIALISED LEASING COMPANIES (LFC and SLC) SECTOR

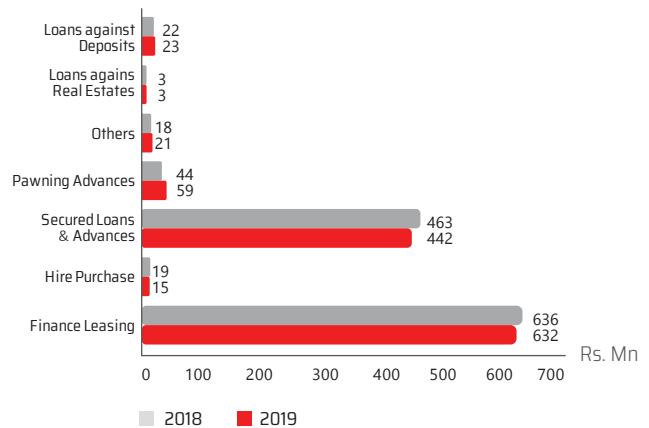
The LFCs and SLCs sector performance deteriorated during the year, with negative credit growth, declining profitability and increase in NPLs. The slowdown in the sector was mainly due to subdued economic activities, the political uncertainty which prevailed, lack of investor confidence and security concerns in the aftermath of the Easter Sunday attacks. The total assets of the sector stood at Rs.1,432.7 Bn by end-December 2019, representing 7.6% of Sri Lanka's financial system. The sector as a whole remained stable, with capital maintained at healthy levels along with adequate liquidity buffers well above the regulatory minimum levels. Deposits dominated the funding mix, as increased assets were mainly funded through deposits, while borrowings of the sector largely declined compared to the previous year. The Central Bank continued to take prudential measures to maintain the stability of the sector with much consideration on reviving LFCs with supervisory concerns.

Assets

The total asset base of the sector stood at Rs.1,432.7 Bn, which expanded marginally by 0.1% (Rs.1.3 Bn) during the stipulated year, compared to 5.6% growth reported in 2018. The asset base of the sector mainly consisted of loans and advances which accounted for 77.0% of the total assets. Finance leases accounted for the major part, representing 52.9% of the gross loans and advances, followed by other secured loans, representing 37.0%.

Lending Activities of the sector showed signs of slowing down during 2019. This has been in response to macro-prudential policy measures to curtail importation of motor vehicles, higher market interest rates on lending, sluggish economic & commercial activities due to loss of business confidence which resulted from political instability in the run up to the presidential election and negative sentiments caused by the Easter Sunday attacks. Credit provided by the LFCs and SLCs sector declined by 3.0 per cent (Rs.34.3 Bn) to Rs.1,102.7 Bn, compared to the growth of 7.6 per cent in the corresponding period of 2018. Loans and advances portfolio of product categories such as finance leases (Rs.3.9 Bn), secured loans and advances (Rs.20.8 Bn) and hire purchases (Rs.4.3 Bn) contracted, while pawning advances increased by Rs.15.5 Bn and loans against deposits increased by Rs.0.6 Bn.

Productwise Loans & Advances



Source : Central Bank of Sri Lanka Annual Report

Management Discussion & Analysis [Cont.]

Liabilities & Capital

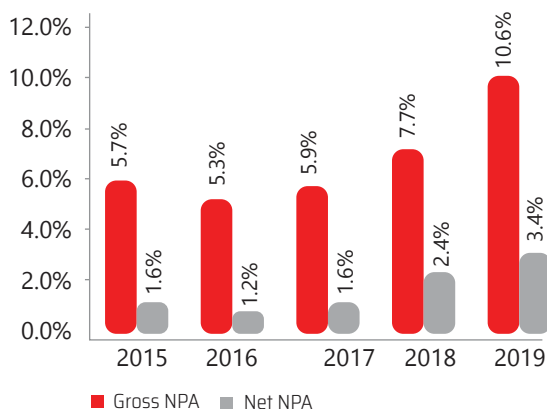
Customer deposits continued to dominate the major portion of liabilities with increased assets being mainly funded through deposits, which accounted for 52.8% of the total liabilities of the sector. The deposit growth accelerated to 5.6% (Rs.39.9 Bn), while borrowings declined by 12.6% (Rs.58.2 Bn) in 2019.

Capital position improved due to the enhancement of regulatory capital requirements. The equity capital of the sector increased by 10.6% (Rs.19.5 Bn), which stood at Rs.203.2 Bn by end 2019, mainly on account of the increase in capital due to the steps taken by LFCs to enhance the minimum core capital to meet requirement of Rs.2.0 Bn by 1 January 2020. The sector's core capital and total Risk Weighted Capital Adequacy Ratio (RWCAR) stood at 11.1% and 12.5%, respectively, by end December 2019, compared to the reported levels of 9.8% and 11.1% in the corresponding period of 2018.

Credit Quality

The gross NPA ratio increased to 10.6% at end-December 2019, from 7.7% reported at the end of December 2018, reflecting deterioration in the asset quality of the sector. This is mainly due to the slowing down in economic activities due to the Easter Sunday attacks, declined lending activities of the sector and spillover effects of the Debt Relief Program. The provision coverage ratio slightly deteriorated to 56.6% by end December 2019, compared to 57.0% reported at end December 2018. With the implementation of SLFRS 9, NPA will rise further which would highlight the significant credit risk of the sector.

Gross NPA and Net NPA

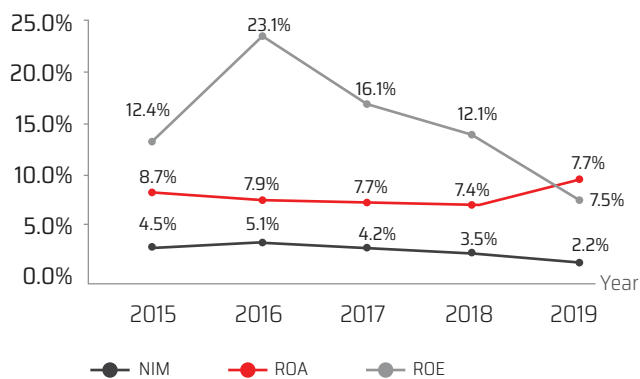


Profitability

Net interest income of the sector during the year was Rs.117.4 Bn, which increased by 7.9% (Rs.8.6 Bn). This was due to the combined effects of increased interest income by 7.6% (Rs.18.3 Bn) and increased interest expenses by 7.4% (Rs.9.8 Bn). Net interest margin of the sector (net interest income as a percentage of average assets) increased to 7.7% in 2019 from 7.4% in 2018, due to the combined effects of increased net interest income (7.9%) and increased (gross) average assets (4.3%).

Non-interest income increased by 3.4% (Rs.1.3 Bn) mainly due to increase in default charges and other service charges, while non-interest expenses increased by 15.5% (Rs.12.6 Bn) affecting sector profitability in an adverse manner. Non-interest expenses increased mainly due to increased administrative expenses (Rs.4.1 Bn), loss on valuation/ disposal of repossessed items (Rs.2.7 Bn), staff costs (Rs.2.5 Bn) and other expenses (Rs.1.3 Bn). The loan loss provisions made against NPAs during the year was Rs.30.2 Bn, which increased by 16.2% (Rs.4.2 Bn), in comparison to the provision made in 2018.

Key Industry Performance Indicators



The sector posted a profit after tax of Rs.14.5 Bn, a decline of 31.9% compared to the profit recorded in year 2018, mainly due to increased non-interest expenses and higher loan loss provisions. ROA also decreased by 56 basis points during the year, reporting a ratio of 2.2%, and ROE decreased by 463 basis points, reporting a ratio of 7.5% which shows signs of stress in the sector profitability.

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.



- Highlights
- Board of Directors & Executive Management
- **Management Discussion and Analysis**
- Sustainability Report
- Risk Management & Corporate Governance
- Financial Information

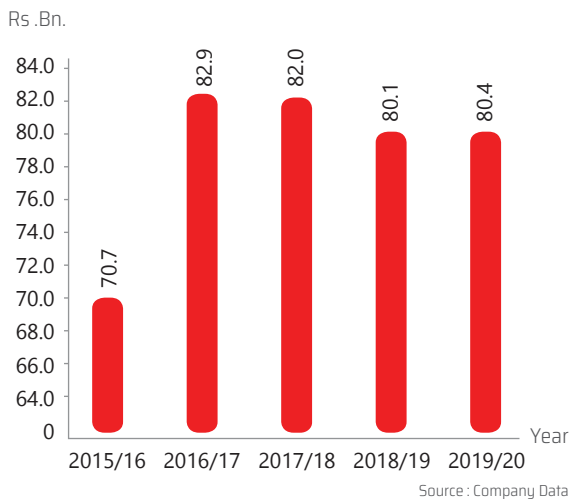
Management Discussion & Analysis [Cont.]

Company Financial Review

Assets

The total asset base recorded a marginal growth of 0.3% finishing the financial year at Rs.80.4Bn. This was mainly aided by the 1.3% growth in the net lending portfolio which accounted for 76.7% of the total asset base. This marginal growth is justified through the disruption in new investments during the first and fourth quarter of the financial year, caused by the Easter Sunday attacks and the lockdown imposed to curtail the spreading of the Covid 19 virus respectively. The LFC and SLC sector asset base also grew by 0.1% with a 3% drop in the lending portfolio.

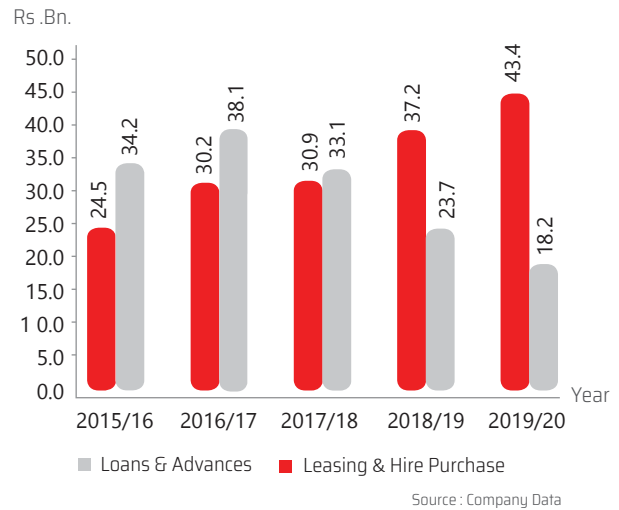
Total Assets



Lending Portfolio

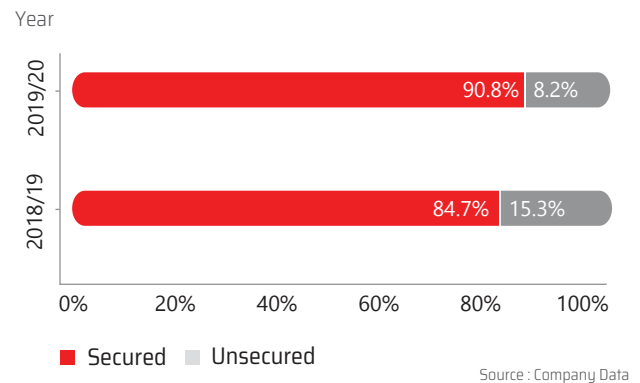
The net lending portfolio was at Rs.61.6 Bn witnessing a 1.3% growth YOY. The main contributor of growth was the leasing and hire purchase portfolio which expanded by 16.8% accounting for 70.4% of the net lending portfolio. In contrast loans and advances dropped by 23.1% owing to reduction in the micro finance and revolving business loan portfolio which dropped by 49.6% and 27.3% respectively on a gross basis. However the gold loan portfolio grew by 10.2% going by the management's decision to promote asset backed products.

Net Lending Portfolio



With strong growth in the leasing, hire purchase and gold loan products, the Company's asset backed portfolio grew by 9.5% tipping the asset backed composition to 91.8% from 84.7%. On the other hand, the non-asset backed portfolio contracted by 46.0% sending the composition down to 8.2%.

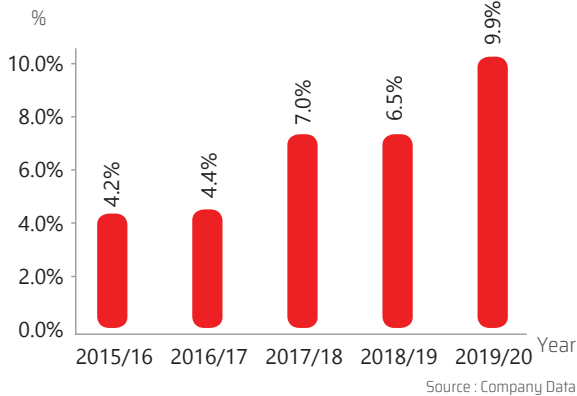
Secured and Unsecured Portfolio



Asset Quality

Asset quality deteriorated further during the year with events of disruption and periods of uncertainty curtailing the recovery efforts of the Company, resulting in a Gross Non Performing Accommodation (NPA) ratio of 9.85% compared to 6.51% last year. This deterioration is consistent with the LFC and SLC sector Gross NPA which increase by 290 basis points finishing the year at 10.6%. The Company's net NPA stood at 2.7% compared to -1.1% last year. The NBFI sector Net NPA deteriorated to 3.4% from 2.4% in the previous year.

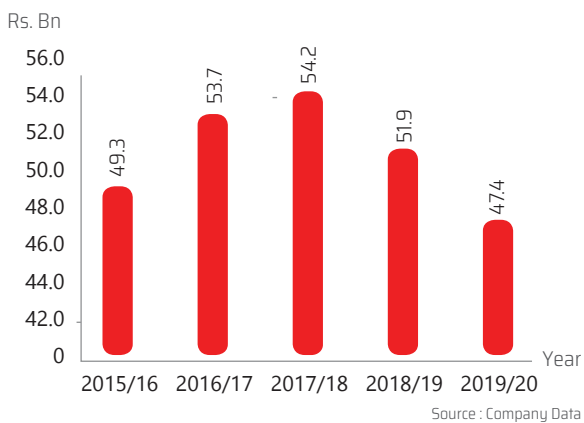
Gross NPA



Deposits

The Company deposit base dropped by 8.7% during the year to Rs.47.4Bn. This drop was caused by the lingering uncertainty that prevailed in the market due to the cancellation of several NBFI licenses during the year, stifling the opportunity for mobilizing public deposits. In this backdrop the Company decided to shift its funding mix towards bank borrowings. As a result bank borrowing grew by 37.0% with the overall funding composition increasing to 20% from 14.4%.

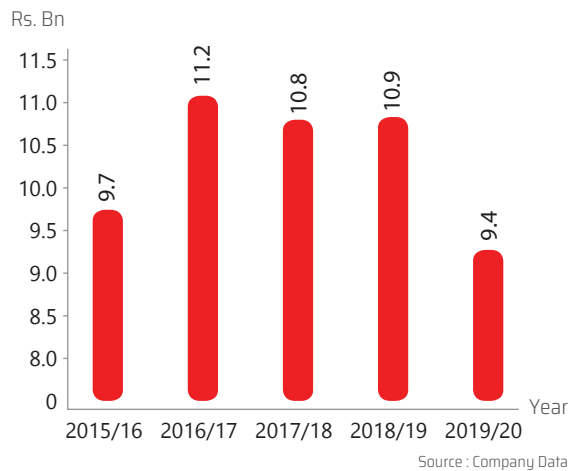
Total Deposits



Net Interest Income

The net interest income dropped by 13.7% mainly due to the 8.5% drop in interest income. This was caused by the reduction in new investments during the year especially in high yielding products such as micro finance and revolving business loans. Interest expense dropped by 2.0% in line with the reduction in fixed deposit rates during the year.

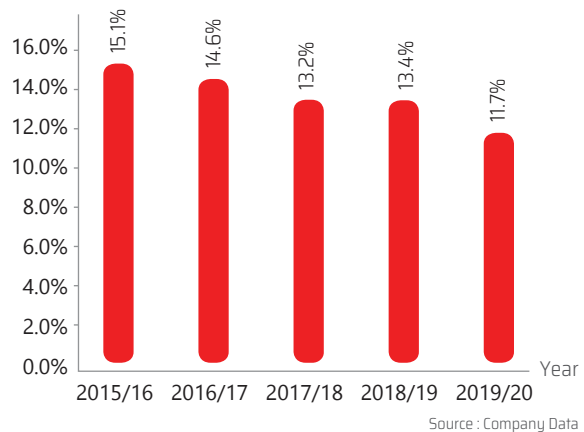
Net Interest Income



Net Interest Margin

The Company Net Interest Margin (NIM) dropped to 11.7% from 13.4% the previous year due to the 13.7% drop in net Interest Income during the year while the average asset base remained stagnant. The NBFI sector NIM improved marginally to 7.7% from 7.4% on the back of a 7.9% growth in net interest income.

Net Interest Margin



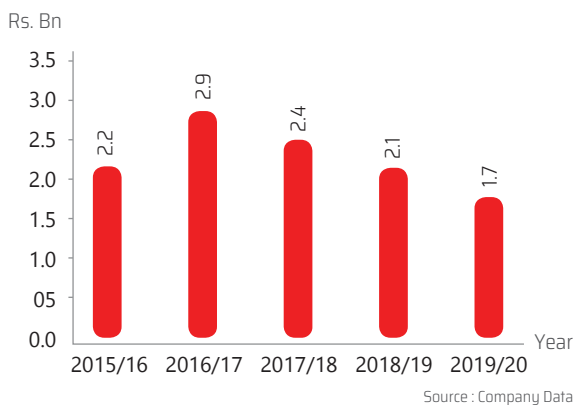
Management Discussion & Analysis [Cont.]

Profitability

The Company recorded a profit after tax of Rs.1.66 Bn during the year a 20% drop compared to the previous financial year. The main cause for the drop was the 8.5% reduction in interest income and high impairment charge. The cost to income ratio was sufficiently managed despite the loss in interest income, finishing the year at 55.3% compared to the 53.9% the previous year.

The NBFIs sector profitability dropped by 31.9% during the year, mainly due to high interest expense and impairment charge. The Company's subsidiary, Trade Finance & Investment PLC recorded profit after tax of Rs. 358.4 Mn which accounted to a consolidated profit after tax of Rs. 2.0 Bn.

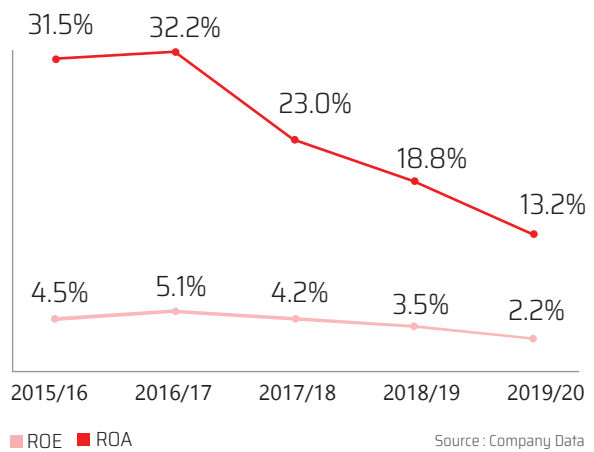
Company Profitability



Following a 20% drop in profitability during the year, the Company's ROA dropped to 2.2% from 3.5% the previous year. The NBFIs sector ROA also stood at 2.2%. Similarly the Company ROE also plunged to 13.2% from 18.8% while the NBFIs sector ROE stood at 7.5% compared to 12.1% the previous year.

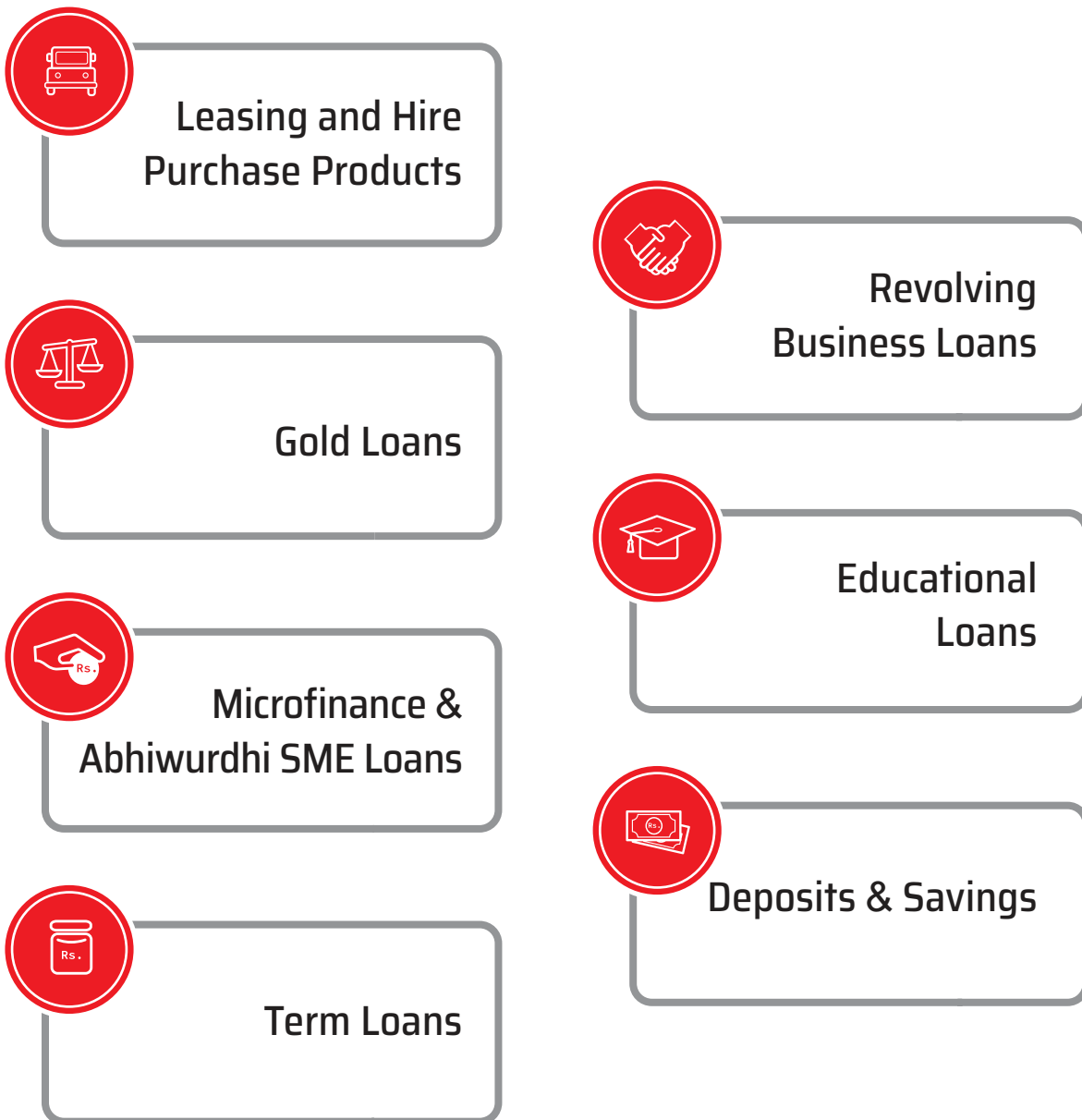
The core capital ratio was affected by lackluster profitability, despite increasing to 14.1% from 11.4% while the tier 02 capital ratio came up to 15.0% from 12.9%. These ratios were well above the minimum regulatory requirement of 6% and 10.5% respectively.

ROE and ROA



Product Portfolio

We strongly believe that, our customer is the most important stakeholder who drives the business forward. The main interface with our customer base is carried out through our product portfolio. Accordingly, the products we offer and their various features and benefits are carefully thought out to ensure that they address the unique financial needs of our customers while uplifting their lives.



Product Portfolio [Cont.]



Leasing & 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 our multi-faceted customers seeking to acquire their dream vehicle. The Company has always endeavoured to introduce pioneering Auto products that have been well-received by our customer base, resulting in continued success for the organisation. These innovative products help uplift the lives of every market segment of the country by enabling customers from all across the island to acquire registered and unregistered vehicles through the Company's network.

The key features of the Leasing and Hire Purchase products are that they demonstrate the customer-oriented approach of the Company. Prospective customers are always provided an efficient service through a friendly, professional agent who will visit the customer, communicate clearly and transparently, understand his or her needs and provide a flexible leasing or hire purchase solution that meets the customer's requirements.

Highlights of the year

The leasing & hire purchase portfolio grew by 18.5% gross of impairment on the back of strong investments made in three wheeler and motor bike segments. Investing in these high yielding asset backed products contributed to the retention of the NIM which dropped marginally during the year. The Company utilized the micro finance work force and its network to good effect during the year, penetrating into the rural areas of the island through the Company's registered motor bike and three wheeler products. Relationship with the motor bike and three wheeler dealer network also strengthened during the year, resulting in an increase in motor bikes and three wheeler investments. Further the rural and suburban parts of the island were exploited with mini truck products.



Gold Loans

Overview

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

Highlights of the year

The gold loan portfolio expanded by 10.2% during the year ending at Rs.6.12 Bn. Fueled by multiple events causing disruption to economic activities and strong gold prices the demand for gold loans remained strong during the year. The gold loan network expanded within the existing branch network of the Company from 105 locations to 110 locations during the year. While demand for shorter cycles remained strong throughout the year, the management introduced a new six month product to maintain a balance.



Microfinance & Abhiwurdhi SME Loans

Overview

Microfinance is a financial assistance concept where small loans are given to individuals or communities who have no access to banking facilities, for the purpose of establishing or developing an enterprise of their own. For several years, by leveraging the efficient client servicing process of the Company, Commercial Credit has successfully provided Microfinance services to customers, thereby paving the way for them to uplift their lives. The products are offered through an efficient service, minimum documentation and convenient repayment methods and is backed by effective use of technology.

Highlights of the year

On the back of the rate cap imposed on the micro enterprises and SMEs during the previous financial year and inconsistent policy stances, opportunity for sustainable growth in the segment remained skeptical during the year. This resulted in curtailing new investments with strong dependence on existing customers with a proven track record with the Company. As a result the micro finance and Abhiwurdhi SME loan portfolio shrunk by 49.6% during the year. Alternatively the Microfinance staff members were provided with training to promote leasing and hire purchase products. Their contribution was strongly felt during the year as they promoted motor bike and three-wheeler products through their already established Customer Service Units (CSU) network.



Term Loans

Overview

The Term Loan product is a type of Cash Loan specifically designed to provide financial assistance to customers who can demonstrate a repayment capacity via 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 provide them the best available service to fulfil 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, providing sound, unbiased advice and a timely service. The Division has the ability to provide a quick evaluation of a loan request, helping the customer get access to the loan and providing them peace of mind. With multiple security features and a hassle-free documentation process, customers are provided a comprehensive solution for their loan requirements.

Highlights of the year

With unfavorable economic conditions underfoot the term loan department curtailed its investment during the year, focusing solely on mortgage loans which is in line with the Company's drive to grow the asset backed portfolio. This resulted in a 31.4% drop in the term loan portfolio during the year.



Revolving Business Loans (RBL)

Overview

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

During the past several years, there has been a significant growth in the SME sector of the country with key economic indicators portraying an upward trend. This has resulted in a positive outlook for the Company as businesses have turned to innovative products such as RBL to find the necessary 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) machines for collection.

Highlights of the year

The Company continued to cater to its customer base which is above the "micro business" threshold of annual revenue being greater than Rs.15 Mn. or employing more than 10 employees. This threshold limited the market size significantly while economic conditions curtailed opportunities for growth. As a result the RBL portfolio declined by 27.3% during the year.

Product Portfolio [Cont.]



Educational Loans

Overview

The Educational Loan product is aimed at providing financial support for students who intend to pursue higher education in Sri Lanka and abroad. The loan scheme is built upon the concept that a student, irrespective of 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.

Over time, 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 journey to achieve knowledge and skill. This, in turn, will hold them in good stead as they prepare to face the challenges of the future. This particular loan product allows the employees of the Company to engage with young customers and their guardians and show them the loving and caring nature of the Company. As a result, the Company views these loans as the initial and most vital process in building a long-term relationship with the customer. All loans are provided in a speedy and flexible manner with minimum documentation and hassle.

Highlights of the year

The education loan portfolio dropped by 23.4% owing to the drop in student numbers from key markets such as Australia and New Zealand. This is due to the new immigration restrictions being imposed, limiting opportunities to study in Australia and New Zealand. The management also took a conservative stance on new investments due to the economic and political uncertainty which clouded the year and the emergence of the Covid 19 pandemic which restricted academic activities during the final quarter of the year.



Deposits & Savings

Overview

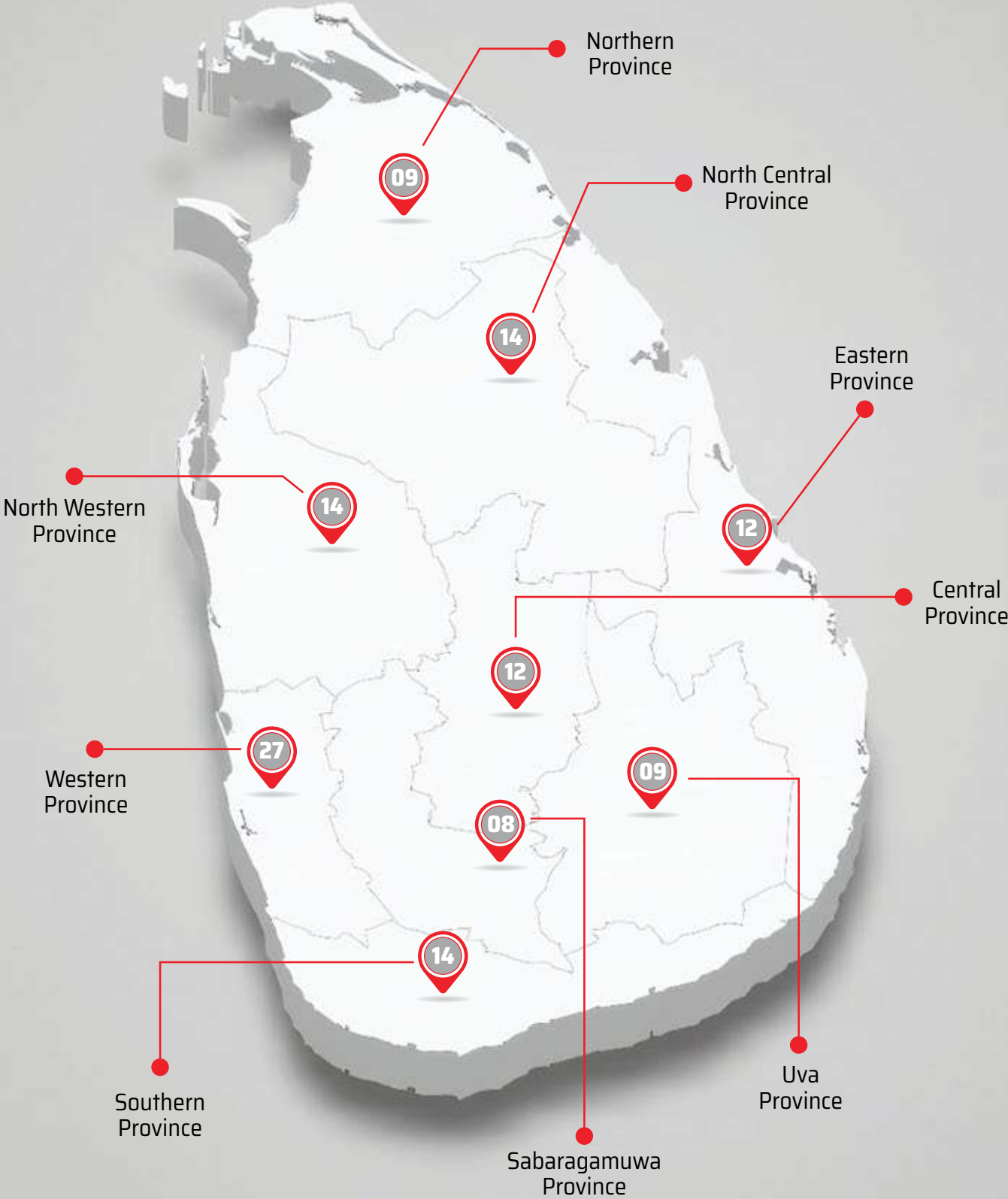
Public Deposits was the main source of funding to carry out business operations at Commercial Credit with the Company's wide range of deposit products helping it to expand the customer base across the island. The product range includes Fixed Deposits, General Savings and Minor Savings - all of which provide numerous benefits to the customer. Fixed deposits are accepted for periods ranging from one (01) month to five (05) years with interest being paid either monthly or at maturity.

In keeping with the culture of the Company, customers' deposits are handled with utmost care and managed by means of a framework of ethical fund management. All funds received are re-invested into the various lending products offered by the Company, thereby adding value to all stakeholders.

Highlights of the year

Marginal credit growth and Company's increased focus on bank borrowing in a low interest rate environment saw the deposits & savings base drop by 8.7% during the year. Cancellation of a few NBF1 licenses during the year created doubts in the minds of depositors making the task of mobilizing public funds arduous.

Branch Network



Branch Network [Cont.]



Central Province

Province Count: 12

KANDY - 8

- Gampola
- Kandy City Centre
- kandy
- Nawalapitiya
- Pilimathalawa
- Pussellawa
- Rikillagaskada
- Theldeniya

NUWARA ELIYA - 2

- Hatton
- Nuwara Eliya

MATALE - 2

- Dambulla
- Matale



Southern Province

Province Count: 12

GALLE - 6

- Ambalangoda
- Galle
- Baddegama
- Elpitiya
- Neluwa
- Udugama

HAMBANTOTA - 4

- Tissamaharama
- Angunakolapelessa
- Tangalle
- Ambalantota

MATARA - 4

- Akuressa
- Matara
- Deniyaya
- Waligama



Western Province

Province Count: 12

COLOMBO - 13

- Avissawella
- Battaramulla
- City Office
- Homagama
- Kotahena
- Kaduwela
- Maharagama
- Mount Lavinia
- Moratuwa
- Nugegoda
- Piliyandala
- Wellawatte
- Borella

GAMPAHA - 8

- Gampaha
- Ja-Ela
- Negambo
- Wattala
- Divulapitiya
- Kiribathgoda
- Kirindiwela
- Nittambuwa

KALUTARA - 6

- Horana
- Kalutara
- Panadura
- Aluthgama
- Beruwala
- Matugama



North Western Province

Province Count: 14

KURUNEGALA - 8

- Kuliapitiya
- Kurunegala
- Nikaweratiya
- Kurunegala
- Giriulla
- Melsiripura
- Polpithigama
- Wariyapola

PUTTALAM - 6

- Chilaw
- Puttalam
- Wennappuwa
- Anamaduwa
- Kalpitiya
- Nattandiya



Eastern Province

Province Count: 12

AMPARA - 6

- Ampara
- Dehiattakandiya
- Akkaraipattu
- Kalmunai
- Mahaoya
- Pottuvil

BATTICALOA - 3

- Batticaloa
- Kalavanchikudy
- Valaichenai

TRINCOMALEE - 2

- Kanthale
- Trincomalee
- Muthur



North Central Province

Province Count: 12

ANURADHAPURA - 9

- Anuradhapura
- Galnewa
- Galenbindunuwewa
- Thambutthegama
- Horowpathana
- Kekirawa
- Medawachchiya
- Nochchiyagama
- Padaviya

POLONNARUWA - 5

- Hingurakgoda
- Polonnaruwa
- Aralaganwila
- Bakamuna
- Welikanda



Sabaragamuwa Province

Province Count: 12

KEGALLE - 3

- Kegalle
- Warakapola
- Deraniyagala

RATNAPURA - 5

- Balangoda
- Embilipitiya
- Ratnapura
- Godakawela
- Kalawana



Uva Province

Province Count: 12

BADULLA - 4

- Badulla
- Bandarawela
- Mahiyanganaya
- Welimada

MONARAGALA - 5

- Monaragala
- Bibile
- Siyambalanduwa
- Thanamalwila
- Wellawaya

Branch Network [Cont.]



Nothern Province

Province Count: 12

JAFFNA - 5

- Jaffna
- Nelliady
- Chunnakam
- Chavakchcheri
- Velanai

MANNAR - 1

- Mannar

MULLAITIVU - 1

- Mullaitivu

VAVUNIYA - 1

- Vavuniya

KILINCHCHI - 1

- Kilinochchi

Summary

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

Never forget that your greatest duty
Is to your loved ones



**COMMERCIAL
CREDIT**

Sports Achievements

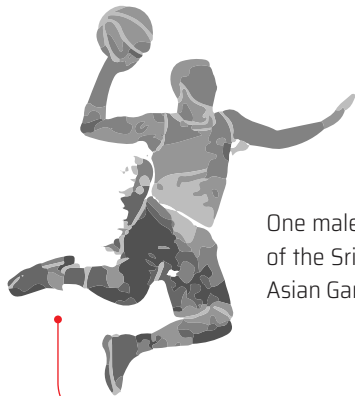
Athletic

Commercial Credit athletes had an outstanding year demonstrating their prowess in the event they took part. In Masters Athletics Open Championships held in Colombo and Gampaha, Commercial Credit athlete bagged a total tally of three Gold Medals, four Silver Medals and two Bronze Medals. The 36th Annual Mercantile Athletic Meet also saw Commercial Credit athlete bagging two Silver Medals and one Bronze Medal.



Basketball

One male and three female basketball players of Commercial Credit were part of the Sri Lankan National Basketball team which took part in the 2019 South Asian Games held in Kathmandu, Nepal.



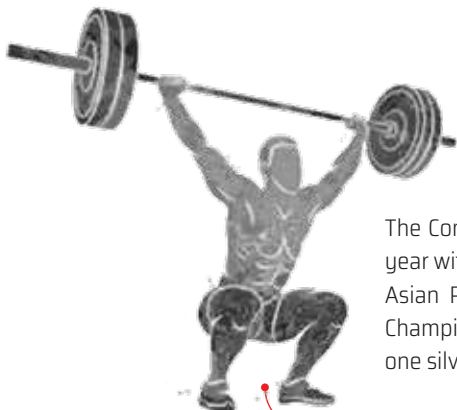
Football

Commercial Credit Football team became champions in the Mercantile Football League Tournament (B Division).



Weightlifting

The Commercial Credit weightlifter continued to achieve impressive heights during the year with several international victories during the year. He won eight Gold medals at the Asian Pacific Championship held in Australia. He was also placed 8th in the World Championship held in Sweden. The outstanding weightlifter won seven Gold medals and one silver medal at the Commonwealth Championships held in Canada.



Business Today Top 30



24

2017/2018

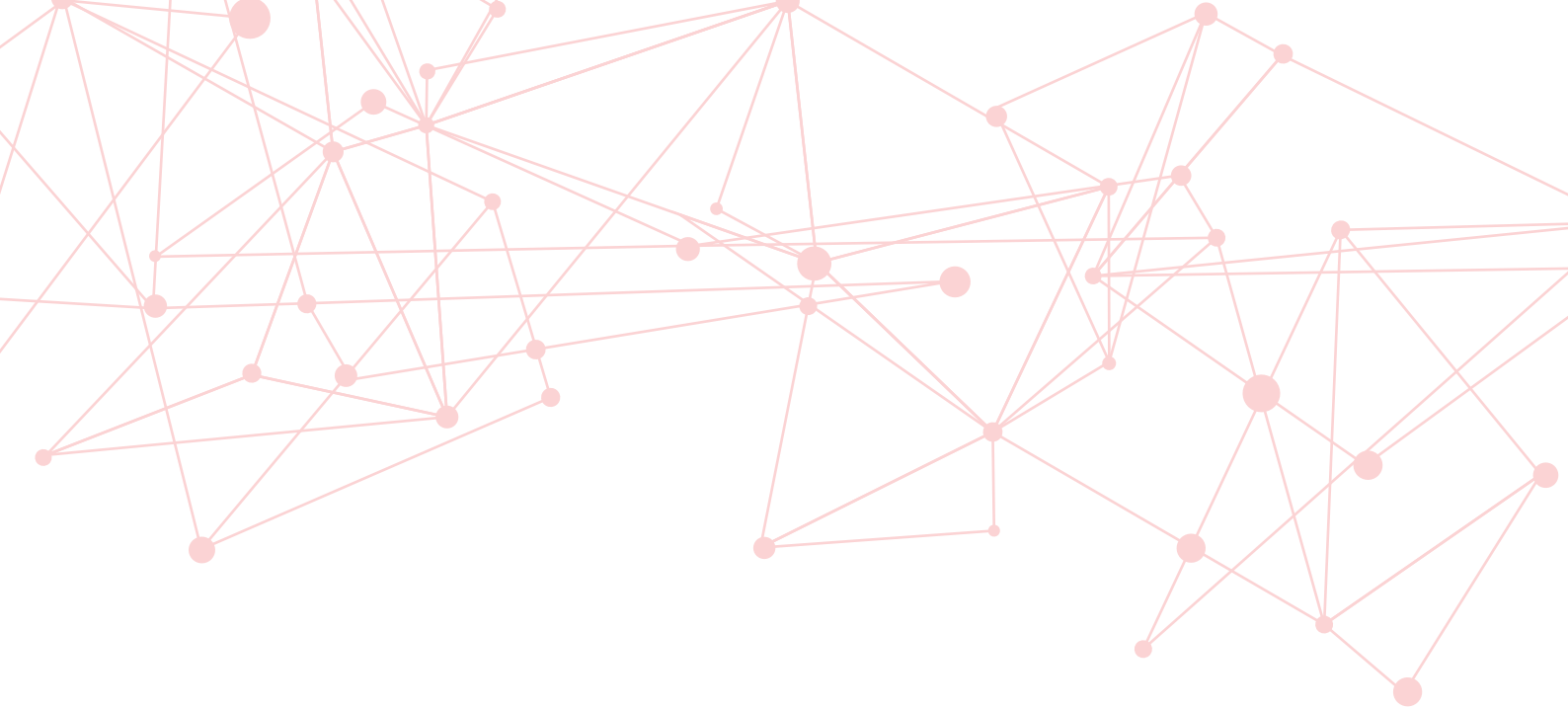
21

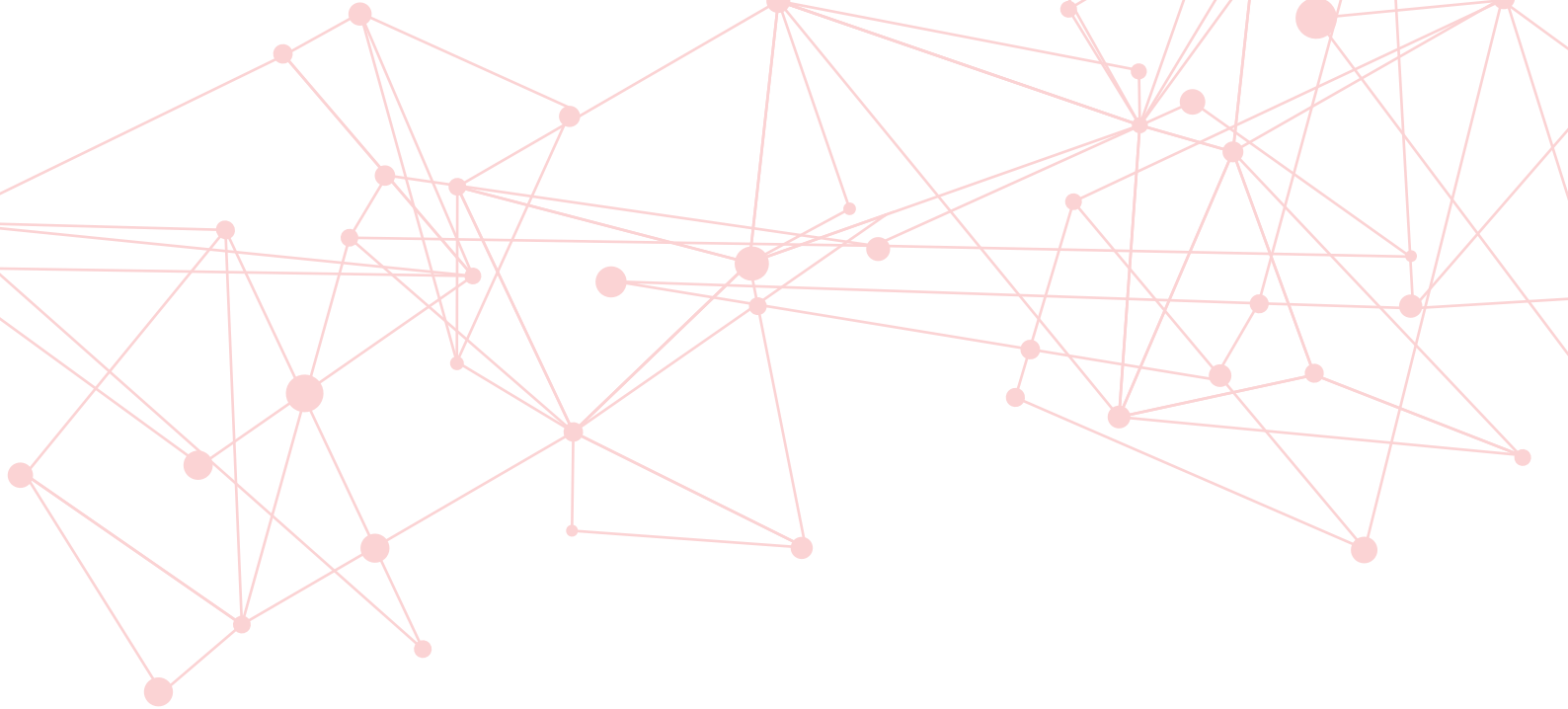
2018/2019

27

2016/2017

Business Today Top 30 Award is a well recognised standard in the business fraternity of Sri Lanka since 1997. It's recognition of Corporate Excellence and contribution of the Private Sector to the Nation's Economy is a much valued and sought 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 **21** for year **2018/19**.





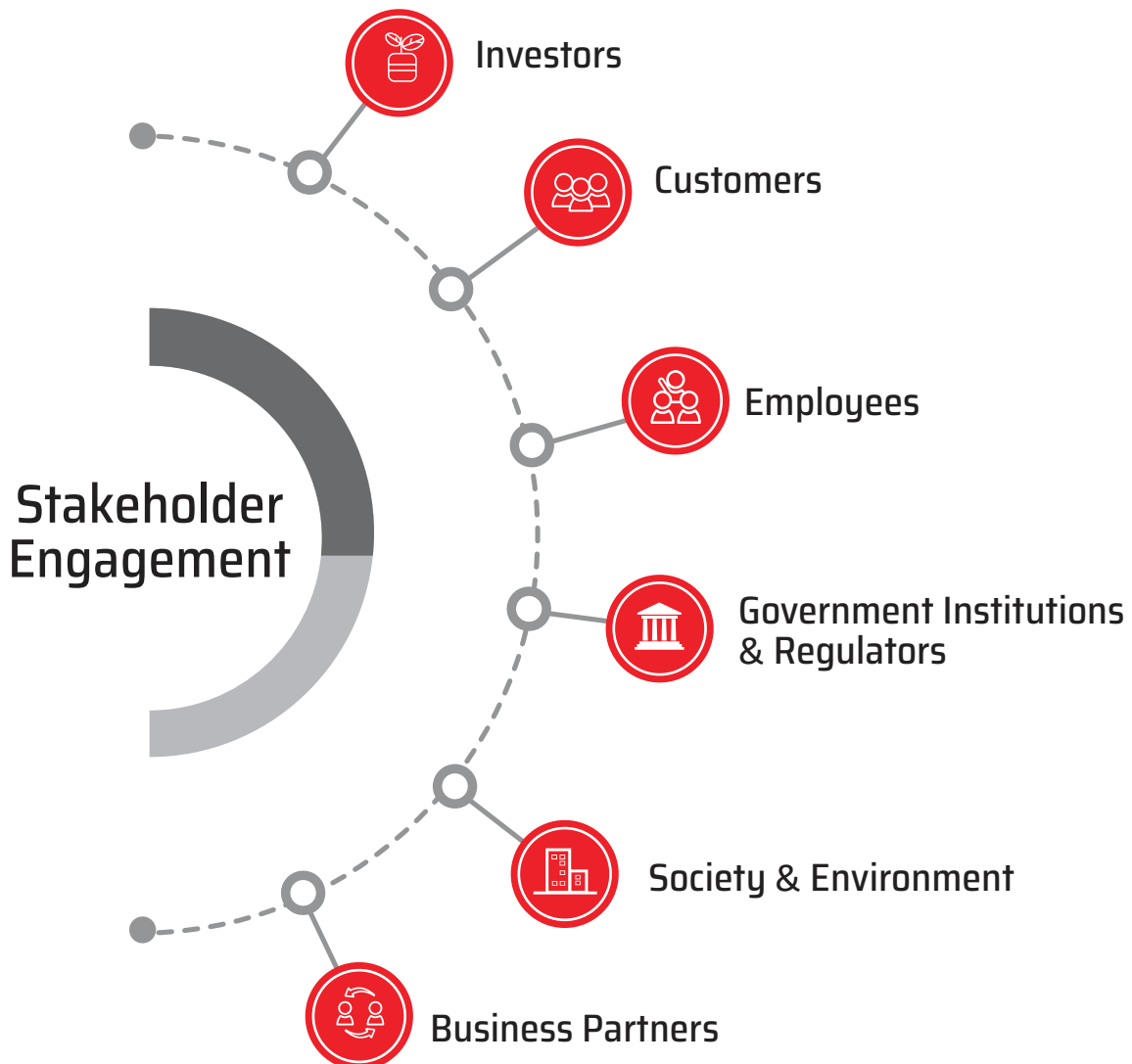
Sustainability Report

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 in conducting our daily operations, while 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

Stakeholder aspirations

- ❖ Financial performance
- ❖ Governance
- ❖ Transparency and disclosure
- ❖ Business expansion plans
- ❖ Risk management
- ❖ Sustainable growth

Mode and frequency

Engagement mechanism	Frequency
Annual Reports and AGMs	Annually
Extraordinary General Meetings	As required
Interim financial statements	Quarterly
Press conferences and releases	As required
Announcements to CSE	As required
Corporate website	Continuous
Investor feedback forms	Annually



Customers

Stakeholder aspirations

- ❖ Customer security and privacy
- ❖ Service quality
- ❖ Financial inclusion
- ❖ Affordability of services and convenience
- ❖ Grievance handling mechanism
- ❖ Financial education and literacy
- ❖ Financial support for revival of business

Mode and frequency

Engagement mechanism	Frequency
Customer visits and meetings	As required
Branch network and call centre	Continuous
Media advertisements	As required
Corporate website	Continuous
Customer workshops	As required



Employees

Stakeholder aspirations

- ❖ Performance and reward management
- ❖ Training and development
- ❖ Career advancement opportunities
- ❖ Work-life balance
- ❖ Retirement benefit plans
- ❖ Value driven corporate culture
- ❖ Diversity and inclusion
- ❖ Perception of a prosperous future for the Company

Mode and frequency

Engagement mechanism	Frequency
Social events: value day, family day etc	Continuous
360 degree staff appraisal	Quarterly
Training programmes	As required
Open door policy	Continuous
Intranet	Continuous
Special staff events	Annually
Employee satisfaction survey	Bi-annually
Code of conduct and whistle blower policy	Continuous



Government Institutions & Regulators

Stakeholder aspirations

- ❖ Compliance with directives and codes
- ❖ Microfinance and SME development
- ❖ Supporting economic growth

Mode and frequency

Engagement mechanism	Frequency
On-site surveillance	Annually
Directives and circulars	As required
Meetings and consultations	As required
Press releases	As required
Periodic returns	As specified
Submissions to policymakers	As required



Society & Environment

Stakeholder aspirations

- ❖ Responsible financing
- ❖ Commitment to community
- ❖ Financial inclusion, recruitment
- ❖ Microfinance and SME
- ❖ Ethics and business conduct
- ❖ Environmental performance
- ❖ Employment opportunities

Mode and frequency

Engagement mechanism	Frequency
Media advertising campaigns	As required
Press releases, conferences and media briefings	As required
Informal briefings and communications	As required
Public events and Gatherings	As required
Corporate website	Continuous
Sponsorships for social events	As required



Business Partners

Stakeholder aspirations

- ❖ Contractual performance
- ❖ Future business opportunities
- ❖ Maintaining healthy relationships
- ❖ Timely settlement of dues
- ❖ Ease of working
- ❖ Growth potential
- ❖ Collaboration for new technological advances in the financial sector

Mode and frequency

Engagement mechanism	Frequency
Supplier relationship management	As required
On-site visits and meetings	As required

Marketing & Branding

Overview

The Marketing division primarily focusses on carrying out strategies to build the corporate image and create brand awareness while promoting the value-driven culture of the Company and assisting those associated with the Company to uplift their lives.

The main focus of the Marketing & Branding campaigns of the Company is to showcase the inherently good-natured qualities in all human beings by reflecting their compassionate and magnanimous traits. This invariably has an impact in the viewer as it shows how qualities such as kindness and compassion can be a prerequisite to uplifting the life of a fellow human being. The division is aware that any message that is disseminated through the multiple media platforms will be scrutinized. Therefore every process is meticulously planned prior to communicating it to the general public who are viewed and valued as our own customers or potential clients, who we are eager to serve.

Highlights of the year

The marketing team launched a new advertising campaign during the year, emphasising on the Company's purpose driven theme. This advertisement titled "Namak Gamak Nam Danne Ne Habai Manussayek" was nominated at the SLIM Nielsen Awards 2020 for Peoples Advertisement of the Year. The advertisement was also awarded for Direction and Cinematography at the EPICA Silver awards for its depiction of humanity. The "loved ones" advertisement was awarded the People's Advertisement of the year for the fifth year at the SLIM Nielsen Awards 2020. 'Below the line' marketing activates leveraged key products such as leasing, hire purchase and pawning connecting the customer base with the Company's product offerings at a grass root level.



SLIM Nielson People's Awards - 2020
People's Advertisement of the year

Delivering Technology-backed Products And Services

Overview

The Information & Communication Technology (ICT) Department of Commercial Credit has been formed to provide state-of-the-art, innovative IT solutions for the various departments within the Company. The main objective of the ICT Department is providing its large internal customer based modern ICT solutions together with a professional service so that they can carry out their day-to-day tasks and responsibilities efficiently and effectively at all times.

Highlights of the year

During the year the finance module of the Enterprise Resource Planning (ERP) system was introduced to the users marking the completion of the core modules of the ERP. A mobile based recovery app was introduced to the recovery officers which enabled the Company to streamline the recovery process. Further the Human Resource Information System (HRIS) was completed during the year, automating the HR functions of the Company. Progress was made in the information security front which included creating awareness through staff training.

Employees

The human capital of Commercial Credit is its most prized asset. It is clear that the exceptional levels of talent, discipline, and passion of these individuals of the Company have taken it to new heights during the past several years. The Human Resources Department (HRD) is responsible for nurturing and developing the key attribute of the Company - its unique culture. The Company strongly believes that this culture plays a pivotal role in creating and grooming effective, fair-minded leaders who significantly contribute towards the progress of the Company and actively contribute to the betterment of society. Therefore, the Company is intentional about making every possible attempt to continuously enhance the capabilities of the HR Department and fine-tune the HR practices in order to create a positive environment for all concerned.

Sustainability Report [Cont.]

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. They are useful in making employees aware about conducting themselves in day-to-day situations and during unexpected occurrences. 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. As 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 numerous facilities and enhancements have been incorporated to maximize its effects within the framework of the Company. Fitness Centre (Gymnasium) memberships have been offered to employees at concessionary rates and they are encouraged to make use of these facilities regularly to improve their physical fitness. 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 organization, paving the way for any employee irrespective of their designation, to converse directly and allay their concerns with the Chief Executive Officer and Executive Directors at any given time. This approach 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 has had a positive impact on the development of the unique culture based on Shared Values.

Managing and Assessing Employee Satisfaction

The Company has a clear understanding of the many advantages of having a satisfied workforce. A satisfied employee often equates to a happy and productive employee which in turn means that the greater output and improved results generated by him or her will reflect in a better end result for the Company. Keeping this in mind, the Company's Human Resource Department proactively works towards creating the best possible workplace environment for all employees. Employee satisfactory surveys are carried out periodically to extract views from the employees about their job satisfaction levels. This keeps the Company on the right track to appropriately respond to workplace concerns in a timely manner. This also helps the Company to get a better understanding of the varying motivations of the employees and enables it to identify future growth opportunities and plan accordingly.

Two satisfactory surveys, the On-Board Satisfactory Survey and the Employee Satisfactory Survey, are utilized to effectively measure employee satisfaction based on the relevant employee category. The On-Board Satisfaction Survey has been primarily created to obtain feedback from employees who are new to the Company and are yet to complete their probationary period. It is carried out at the end of the third month from the date of joining and consists of 20 questions covering employee working conditions, peer and supervisor conditions, Company culture and learning environment.

The General Employee Satisfaction Survey is conducted twice a year in the months of June and December and focuses on obtaining feedback from confirmed employees to get an understanding of their perception on employee conditions at the workplace. It consists of 15 key questions to employees in the form of a questionnaire. The duly-filled questionnaires are used as a source of a primary survey data. The Company uses a 360 Degree Appraisal system as its performance appraisal system which further enhances employee satisfaction since the employee gets the opportunity 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 the BMICH with the participation of the entire staff. The highlight of the Value Day included the introduction of a Value Policy together with the unveiling of the Company's Theme Song, Value Oath and the Value Badge. These initiatives were established to promote a Value-driven culture within the Company with continuous efforts being 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

With the intention of instilling our Shared Values among the Commercial Credit team, including the significant number of newcomers, various programmes were conducted during the year. While some of these programmes were continuations of previous ones –several new initiatives were additionally introduced which broadened the scope of our training. The 360 Degree Value Appraisal System is such an initiative that has been in existence since the year 2015. As this system has been based on the Company's Shared Values, it is more compatible with the Company's Purpose "To build leaders who uplift the life 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 desired culture.

The Commercial Credit ERP system is utilised to evaluate every member of the Company practicing 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 a particular individual's performance. The subjective appraisal evaluates the extent to which an individual possesses the key talents required by him or her in engaging with daily work processes.

Theme Song and Value Badges

The tri-lingual 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 wears a Bronze Value Badge being the entry level badge. Over time, the bronze Value Badge would be upgraded to silver, gold and subsequently platinum in recognition of the degree of commitment the employee demonstrates towards practicing Shared Values.

Value Day

It is the Company's practice to hold a Value Day once in every two (02) years to recognize and reward the employees who have sincerely and effectively practiced the Company's Shared Values. This presents another opportunity for the organisation to highlight and appreciate the staff members who have reflected the Company's Shared Values. It portrays them as role models and encourages others to follow suit. The mechanism for recognising 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, selected staff members are recognized for excellence by upgrading their Value Badges from bronze to silver, gold and platinum respectively.

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. The 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 in reflecting the Shared Values by employees, be it work related or otherwise. When a noteworthy action of an individual is observed by a team member, the Value Register will be used as the platform to communicate and highlight this action throughout the Company. Employees post their comments of appreciation about their colleagues anonymously in the Value Register, which is considered the most effective internal social networking system of the Company. A Value profile is created for each employee which is based upon the worded appreciation received by their colleagues.

Learning and Development

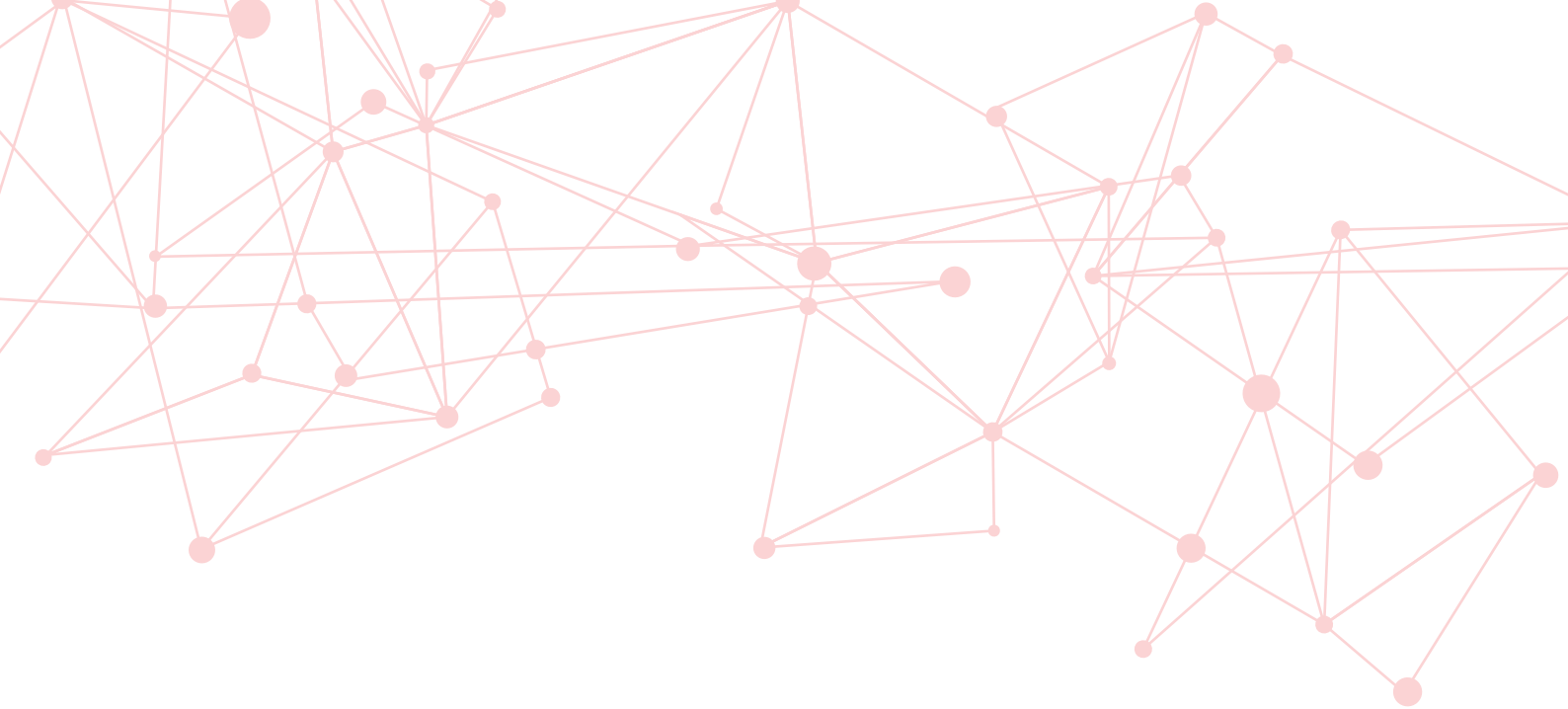
A large number of training programmes were held on culture development as well as on technical aspects throughout the year in order to build character and competencies of all the employees of the Company. The “7 Habits of Highly Effective People” authored by the late Dr. Stephen Covey, the sole inspiration behind the world-renowned personal development organisation Franklin Covey, continues to be a major source of inspiration at the Company. The Company believes that the blend of fundamental principles and practical experience, and the wisdom and compassion contained in the 7 Habits teachings, are a powerful force enabling personal change. The employees were encouraged to practice the 7 Habits as this would enable them to have a holistic and integrated approach to achieve effectiveness in each role they play in both their professional and personal lives.

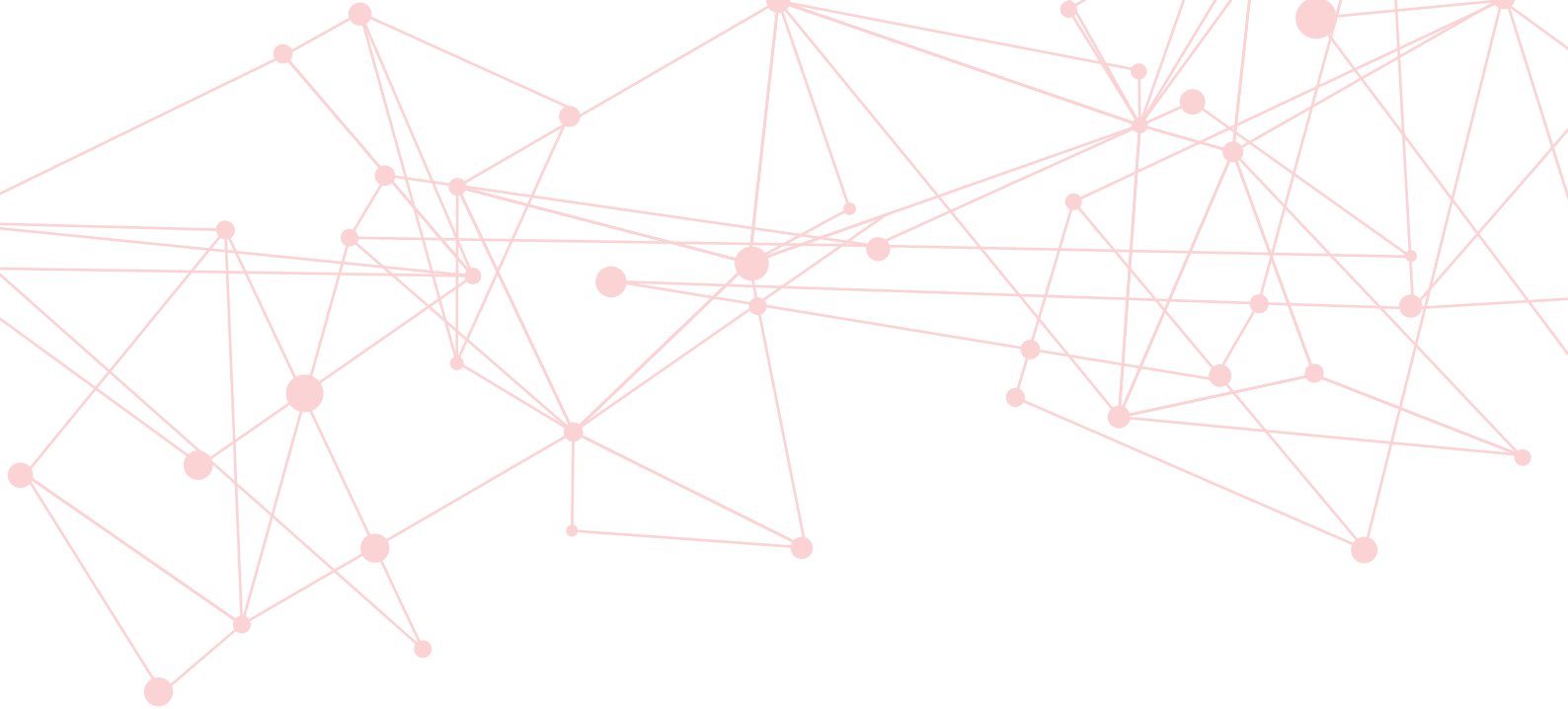
The Company believes that the practice of the 7 Habits by employees will allow the internalization of the Shared Values. Value Mentors, working together with the location heads, are expected to conduct Value Hours in each location on a monthly basis. This will provide staff members to have regular opportunities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

Let's take the time to
Appreciate one another



**COMMERCIAL
CREDIT**





Risk Management & Corporate Governance

Risk Management

Risk Management involves identifying, assessing, avoiding or reducing the negative impacts arising from current or future hazards. The ability to manage multiple risk factors arising 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 a financial institution. Commercial Credit has enhanced its risk management capabilities and insights to facilitate more robust and better risk based decision making processes to ensure that the Company continues to create value to its stakeholders.

The Board of Directors are responsible to ensure that the risks are appropriately managed within the Company and the Corporate Management take proactive measures to instill the principles of responsible risk management among employees at all levels. The Company has invested in establishing strong risk management architecture, which includes an independent Risk Management Department, Board-approved risk appetite and risk tolerance levels along with well-defined procedures to support the effective management of risk.

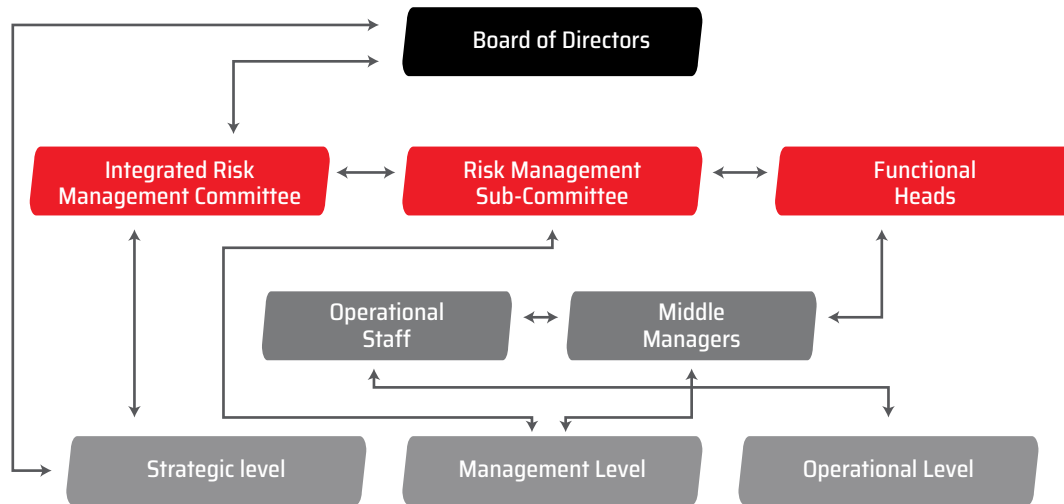
2019/2020- Key Achievements

- Strengthening of risk and compliance activities
- Increase in secured portfolio
- Revision of procedure manuals
- Revision of risk subcommittee policies
- Monitor risk parameters according to Board approved risk appetite limits

Business decisions are made in a manner that the safeguarding of stakeholders' interest of the Company and profitability arising from various sources of risk contribute towards our strategic objectives. Underlying systems and processes permit the creation of risk awareness across the entire Company and 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.

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



Operational level personnel give valuable inputs to continuously improve risk related activities undertaken in day-to-day operations according to the approved policies, procedures and controls.

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 operationalized. 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, and reviewing the outcome of operations, and 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 behalf of the Company, 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 sub-committees comprise of selected representatives from Operational Management, Middle Management and Operational Staff from respective disciplines. These sub-committees meet regularly and are responsible for identifying and analyzing risks. The identified risks are taken up for discussion at risk sub-committee meetings where issues are discussed in detail. The minutes of the sub-committee meetings are submitted for approval of the IRMC and the ALCO meeting minutes are circulated to the board through IRMC. The decisions and directives of the IRMC are communicated to the Operational Management through sub-committees for operationalization 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 sub-committees. Risks related to areas under each sub-committee have been

identified and Risk Registers have been developed and maintained. Each identified risk has been categorized based on the probability of occurrence and expected impact. The impact has been categorized as critical, high, medium and low. The frequency has been categorized as certain, likely, possible and remote. Control activities including the following strategies have been developed and adopted for all risks and the appropriate risk treatment identified and actioned.

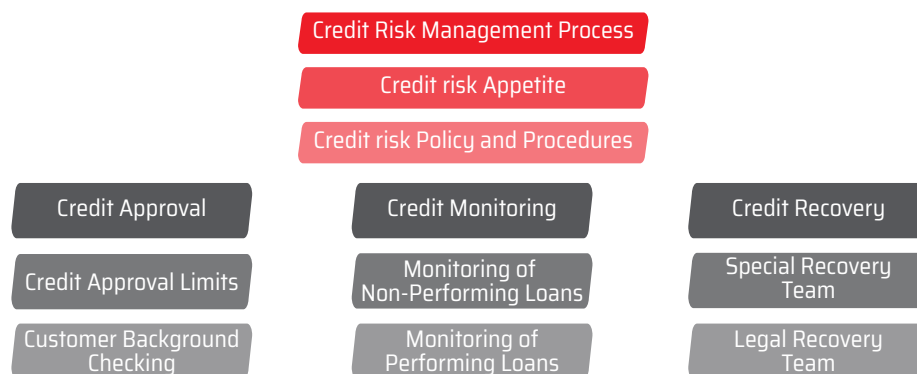
Types of Risks

In pursuing the Company's desired strategic objectives, Commercial Credit is exposed to several risks which have been categorized 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. The credit risk management objective is to minimize credit risk while ensuring optimal risk rewards pay off for the finance institution while maximizing the return and maintaining the quality of the portfolio by minimizing the non-performing loans and probable losses.

Credit Risk Management Structure and Approach



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. Credit committee 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 analyzing customer credit worthiness through thorough 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 organization as well as for each product and operational location.

The credit facility origination process comprises of 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 that consistent standards are maintained in credit approval. Collateral and guarantees form an important part of the credit risk mitigation process.

To safeguard the Company against possible losses and problems that may arise in granting credit facilities need to be identified early. The Credit Risk sub-committee measures and tracks the status of the credit portfolio. Credit reports need to be prepared monthly without failing to review high level credit portfolio concentration and assess performance of the facilities granted.

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

finalized. Regular meetings are held in order to ensure the smooth functioning of the recoveries function.

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. The Company's market risk management is operationalized through ALCO Policy, Investment Policy, Treasury Policy and Board-approved Risk appetite limits.

Marketing Risk Management Approach

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.

Gold prices are monitored continuously and LTV rates for pawning and gold loan advances are set on a regular basis taking the tenure of each product into account.

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 the settlement of installments on bank and other borrowings.

Liquidity Risk Management Approach



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. The Company maintains a conservative outlook towards managing Liquidity Risk, which is governed by the Board-approved ALCO Policy, investment Policy and appropriate Risk Appetite Limits. The Company works to ensure adequate resources are maintained at all times to meet obligations and prevent a potential liquidity shocks. From the governance perspective, the responsibility for managing the Company's Liquidity risk lies with ALCO while clear defined responsibilities ensure its management at operational level.

The Treasury Department is responsible for maintaining the Liquid Asset Ratio above the Central Bank stipulated levels, while the ALCO is responsible for monitoring the liquid asset ratio. The assets and liability mismatch of the Company is monitored on a monthly basis at the ALCO and reported to the IRMC if there is any deviation from the Board approved risk appetite limits.

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.

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.

Operational Risk Management Approach

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.

Reputational Risk

Reputation risk is the 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 non-banking financial institutions, it is critical that due attention is given to safeguard the high reputation the Company has earned among all stakeholders. In today's highly interconnected world with the capability to communication rapidly, an excellent reputation carefully built over a long period could be at risk instantly.

Reputational Risk Management Approach

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 organization 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.

Information Technology (IT) Risk

IT Risk Management is the risk of disruption associated with the use, ownership, operation and adoption of IT in relation to customer data, business processes and critical systems. With the growing needs of the business, the focus on managing IT risks is intensified in recent years with an ever-increasing emphasis on strengthening IT governance to align with CBSL directives as well as globally accepted best practices.

Information Technology Risk Management Approach

The Company has strengthened the governance of information security and Information Security risk management, by establishing an Information security unit which is headed by the Chief Information Security Officer (CISO) and an IT Risk Committee which reports to the IRMC and is responsible for managing risks relating to information security. The IS function is supported by an out-sourced Security Operation Center which monitors systems round the clock. The Information Security Risk Management Program focuses on identifying risks and addressing all levels of IT risk, conducting vulnerability assessments for all critical systems, ensuring strict compliance with all regulations and best practices and raising awareness among employees and customers.

A comprehensive Disaster Recovery Plan is in place in preparation of contingent risk incidents. As a result of our continuous efforts in managing ICT risk, minimal system disruptions, with no significant impact on operations, were experienced.

Strategic Risk

Strategic risk can be defined as risks that affect or are created by the Company's business strategy and strategic objectives. Strategic risk could also arise due to changes in the competitive landscape or regulatory framework or ineffective positioning in the microeconomic environment. The failure to execute strategy or failure to take effective actions to address under-performance could also increase the exposure to Strategic Risk.

Strategic Risk Management Approach

The primary means of managing strategic risk is through a Board-approved Strategic Plan prepared annually to outline the future direction of the Company through a set of long-term goals, objectives and priorities along with the actions needed to achieve them in line with the Company's purpose. It is the key document used by the leadership to prioritize the allocation of resources, to strengthen the Company's competitive position.

Risk Appetite

Risk Appetite is defined as the quantum of risk the Company is willing to assume in different areas of business in achieving its strategic objectives and ensuring the stringent maintenance of the 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 so that 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 recognize 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 of Colombo Stock Exchange (CSE).
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 eleven (11) 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

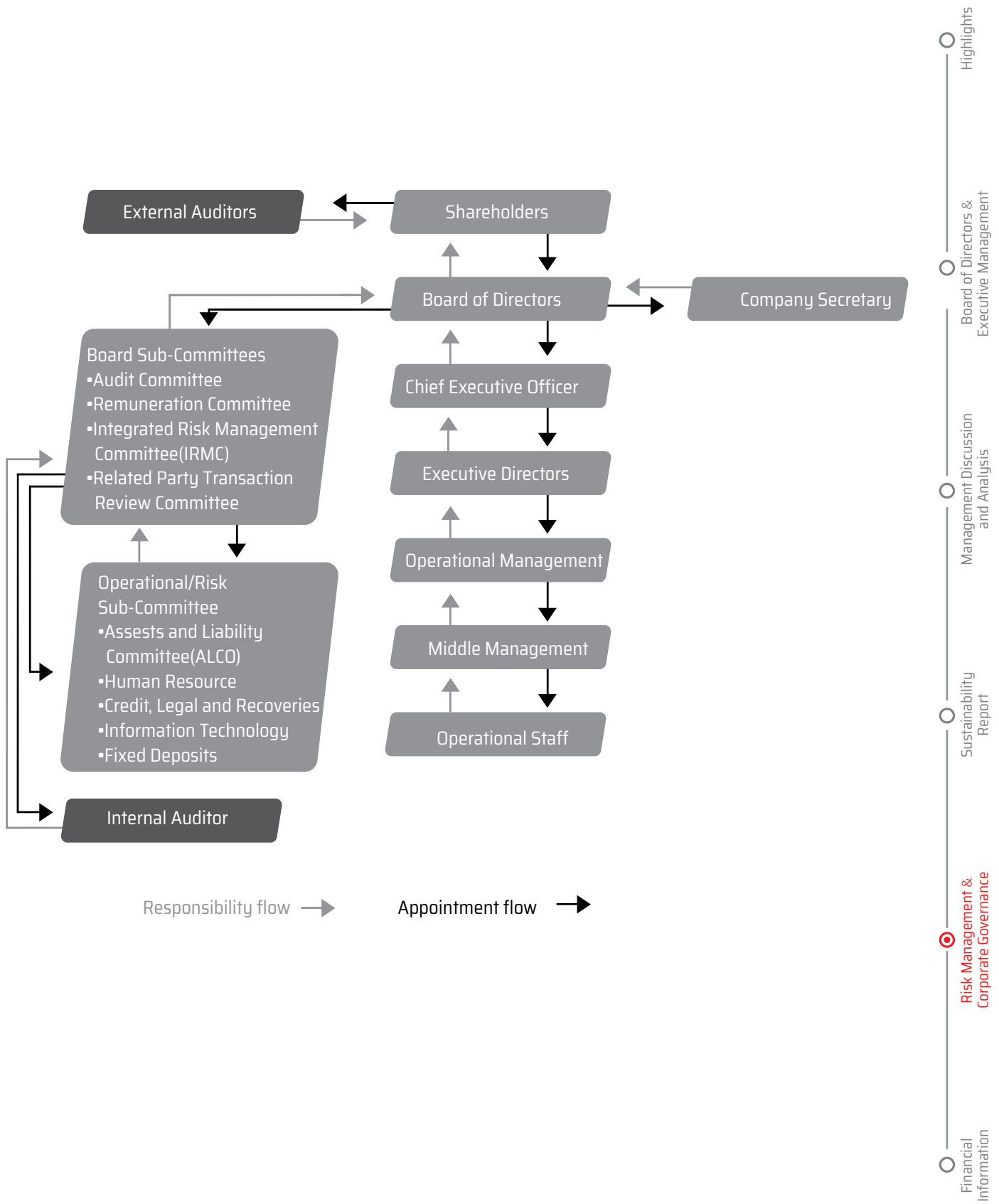
to take appropriate action as required. There were total of twelve Board meetings during the financial year under review. The Board of Directors jointly provides strategic leadership and direction to the Company. The Board ensures that strategies are formulated and implemented so that consistent progress 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 are 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. 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.



Corporate Governance [Cont.]

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 scrutinize 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 below 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		RPT Review Committee	
		Eligible to attend	attend	Eligible to attend	attend	Eligible to attend	attend	Eligible to attend	attend	Eligible to attend	attend
Mr Mr E D P Soosaipillai	Independent Non-Executive	12	12	13	13	N/A		12	12	N/A	
Mr K J C Perera <small>(Retired w.e.f. 14th March 2020)</small>	Independent Non-Executive	12	12	13	13	1	1	11	11	1	1
Mr R S Egodage	Executive	12	12	N/A		N/A		12	9	N/A	
Mrs G R Egodage	Executive	12	12	N/A		N/A		N/A		N/A	
Mr M S D Pinto	Independent Non-Executive	12	11	13	11	1	1	12	11	4	4
Mr P T Fisher	Non-Executive	12	11	N/A		N/A		N/A		N/A	
Mr K D Vander Weele	Non-Executive	12	9	N/A		N/A		N/A		N/A	
Mr P.S.R. C Chitty	Executive	12	12	13	12	N/A		12	12	4	4
Mr. B. Zschorsch	Non-Executive	12	11	N/A		N/A		N/A		N/A	
Mr. A J P Dufes	Non-Executive	11	10	N/A		N/A		N/A		N/A	
Mr. L.L.S. Wickremasinghe	Independent Non-Executive	9	8	7	6	N/A		3	3	N/A	
Ms. T.M.L. Paktsun <small>(Appointed w.e.f. 13th February 2020)</small>	Independent Non-Executive	2	2	1	1	N/A		2	2	N/A	

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 and 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, 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.

Corporate Governance [Cont.]

Highlights For 2019/20

1. Directors' Retirement/Re-appointment at the Annual General Meeting

Mr. Kalugamage John Cecil Perera, Non-Executive Director & Chairman of the Company who was first appointed to the Board on 15 March 2011, retired after completion of 9 years of service on 14 March 2020

Mr. B.B. Zschorch, Non-Executive Director of the Company who was first appointed to the Board on 25 May 2018, was re-elected at the Annual General Meeting held on 23 August 2019.

Mr. A.J.P. Dufes, Non-Executive Director of the Company who was first appointed to the Board on 18 April 2019, was re-elected at the Annual General Meeting held on 23 August 2019.

Mr. L.L.S. Wickremasinghe, Independent Non-Executive Director of the Company who was first appointed to the Board on 26 June 2019, was re-elected at the Annual General Meeting held on 23 August 2019.

Mr. P.T. Fisher, Non-Executive Director of the Company who was first appointed to the Board on 27 March 2019, was re-elected at the Annual General Meeting held on 23 August 2019.

Mr. M.S.D. Pinto, Non-Executive Director of the Company who was first appointed to the Board on 19 May 2011, was re-elected at the Annual General Meeting held on 23 August 2019.

2. Re-appointment of Auditors

Messrs. Ernst & Young, Chartered Accountants were re-appointed as the Auditors of the Company at the AGM held on 23 August 2019.

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 there in	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 section 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: <ul style="list-style-type: none"> • Equity <ol style="list-style-type: none"> 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) <ol style="list-style-type: none"> 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
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

Corporate Governance [Cont.]

7.6 (xiv)	<p>Information in respect of Employee Share Ownership or Stock Option Scheme</p> <ul style="list-style-type: none"> • 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 Corporate Governance section in this Annual Report.
7.6 (xvi)	Related Party transactions exceeding 10 per cent of the Equity or 5 per cent 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.

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 2020 - 2022 that encompasses the strategic objectives and corporate values of the Company prepared by the Management was approved by the Board of Directors (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;	Company's three year strategic plan is based on the overall risk policy and risk management procedures and mechanism approved by the Board of Directors
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 2019/2020. 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 (BAC) reviews the adequacy and the integrity of the Company's Internal Control Systems. Minutes of such meetings circulated to the Board of Directors. 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 BAC. Based on the BAC review and recommendation Board has reviewed the adequacy and integrity of MIS
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 the 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

Corporate Governance [Cont.]

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
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 2019/20 at approximately monthly intervals and details of Directors' individual attendance are provided under "Corporate Governance" in this Annual Report. There were several 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
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.	Agenda 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 2019/2020. 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.	Company Secretary prepares the agenda for the board meeting and the chairman approves the same

Corporate Governance [Cont.]

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
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 eleven (11) Directors as at 31 March 2020
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
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 eight (08) 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.	Four (4) out of a total of eleven (11) 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 2019/20
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 2019/20 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
4.(9)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board.	The required procedure for appointment of Directors is in place
4.(10)	There shall also be procedures in place for the orderly succession of appointments to the Board. All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	One (1) Director was appointed to the Board of Directors to fill a casual vacancy since last AGM
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.	No such situation has arisen during the financial year 2019/20

Corporate Governance [Cont.]

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
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. Chairman and 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 January 1, 2009.	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.	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.	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
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)	The Chairman, shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	The requirement specified are adhered to by the Chairman in discharging his 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 Chairmen 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

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c)	<p>The committee shall make recommendations on matters in connection with:</p> <p>(i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;</p> <p>(ii) the implementation of the Central Bank guidelines issued to auditors from time to time;</p> <p>(iii) the application of the relevant accounting standards; and</p> <p>(iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</p>	<p>The Committee makes recommendations to the board on:</p> <ul style="list-style-type: none"> • 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 <p>The engagement of the audit partner has not exceeded five years</p>
d)	<p>The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.</p>	<p>The required functions are performed by the committee. Refer "Report of the Board Audit Committee" in this Annual Report</p>
e)	<p>The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider:</p> <p>(i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services;</p> <p>(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and</p> <p>(iii) Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor.</p>	<p>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 and their independence is not impaired what so ever</p>

f)	The committee shall, before the audit commences, discuss and finalize 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 to herein
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 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) during the 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
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;	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

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	<p>(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;</p> <p>(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;</p> <p>(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;</p> <p>(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;</p>	<p>On the recommendation of the BAC, the Board of Directors approved the Senior Manager – internal audit, to act as the head of internal audit function.</p> <p>Senior Manager – internal audit reports directly to the BAC and is Independent and the audits are performed with impartiality and professional due care</p>
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 The meetings of the committee are held as required
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.	including meeting with the external auditors without the executive directors Two (2) meetings were held with the external auditors without the Executive Directors being present The required authority and resources are available to the committee
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.	There were thirteen (13) meetings held by 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.	during the financial year 2019/20 and comprehensive minutes recorded. Refer the “Report of the Board Audit Committee” in this annual report Such information is discussed in the “Report of the Board
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.	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
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 frame work of the authority and responsibility assigned to the committee	Refer the "Report of the Board Integrated Risk Management Committee" in this annual report of the Company
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. 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 reviews 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 2019/20. Refer the "Report of the Integrated Risk Management Committee"

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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, 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 Committee is in the process of further strengthening the monitoring of compliance covering internal controls and approved policies on all areas of business operations through a compliance officer who has been appointed by the Company and approved by the Board of Directors.
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 exceeding 10% of the paid up capital of the Finance Company; (g) A concern in which a Director of the Finance Company or a relative of a Director or a shareholder who owns shares exceeding 10% of the paid up capital of the Finance Company, has substantial interest	A board approved policies and procedures in relation to 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,	A board approved policies and procedures in relation to related party transactions are in place

	(d) Creating or maintaining reporting lines and information flows between the Finance Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party	
(4)	<p>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</p> <p>(a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the Finance Company’s regulatory capital, as determined by the Board. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the Finance Company’s share capital and debt instruments with a remaining maturity of 5 years or more.</p> <p>(b) Charging of a lower rate of interest than the Finance Company’s best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counter party;</p> <p>(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;</p> <p>(d) Providing or obtaining services to or from a related party without a proper evaluation procedure;</p> <p>(e) Maintaining reporting lines and information flows between the Finance Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions</p>	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
10. Disclosures		
10. (1)	The Board shall ensure that:	The prescribed formats are used in the preparation and publication of Financial Statements
a)	Annual audited Financial Statements and periodical Financial Statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards	

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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 of the Company
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 “Assurance Report of External Auditors” in this annual report of the Company
c)	The External Auditor’s certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after 31.03.2010	Refer the “Assurance Report of External Auditors” in this annual report of the Company
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 of the Company
e)	Fees/remuneration paid by the Finance Company to the Directors in aggregate, in the Annual Reports published after 01.01.2010	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 of the Company
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 Other KMPs: Rs. 23.8 Mn. (0.17%)
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) : Rs.319 Mn. Accommodations to Key Management Personnel (including Executive Directors) : Rs. 23.8 Mn. Deposits made by Key management Personnel (including Executive Directors) : Rs. 7.2 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 of the Company

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. the CBSL has not directed the Company to disclose any violations during the period.
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

Corporate Governance [Cont.]

The Company's compliance with Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission (SEC).

CASL Code Reference	Corporate Governance Principle	Status
A 1	THE BOARD	
A.1	Effective Board	As at 31 March 2020 the Board of Directors comprised of 11 members, 8 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	Refer description given in 3.1 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
A.1.2	Ensure formulation and implementation of a sound strategy and effective systems	
A.1.2	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	Refer description given in 2.1 (j) of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
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.

CASL 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.	Refer description given in 2.5 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
A.1.2	Ensuring effective systems to secure Integrity of Information, Internal Controls, Business Continuity and Risk management	BAC 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 52 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 BAC 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	Refer description given in 2.3 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section

Corporate Governance [Cont.]

CASL Code Reference	Corporate Governance Principle	Status
A.1.4	Directors access to advice and services, appointment and removal of the Company secretary	Refer description given in 3.7 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
A.1.4	Insurance cover for Board of Directors and KMPs	An insurance policy for directors indemnity 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	Refer description given in 3.2 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
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	Refer description given in 2.2 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
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	
A 4	Availability of financial acumen and knowledge to offer on matters of finance	9 of the 11 Directors of the Board have a finance background ensuring a sufficiency of financial acumen and knowledge within the Board on matters of finance

CASL Code Reference	Corporate Governance Principle	Status
A 5	BOARD BALANCE	
A.5.1	Non-Executive Directors of sufficient caliber and number	Refer description given in 4.3 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
A.5.3	Independence of Non Executive Directors	Refer description given in 4.4 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
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.	Refer description given in 4.5 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
A 5.7/A 5.8	Appointment of Senior Independent Director	Refer description given in 7.1 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
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).

Corporate Governance [Cont.]

CASL Code Reference	Corporate Governance Principle	Status
A 8	RE-ELECTION	
A 8.1	Non-Executive Directors should be appointed for specified terms and reelection 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 reelection.
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 three years. The names of Directors submitted for election or re-election should be accompanied by a resume minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.	Refer description given in 4.10 of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
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.	No such situation has arisen during the financial year.
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 2020. 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 a policy to determine remuneration of 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 103 of the report of the Remuneration Committee for more details on the composition and activities carried out by the Committee.

CASL 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 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	Refer description given in 2.1 (a) (d) of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
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.

Corporate Governance [Cont.]

CASL 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 2019/20, 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.
D.1.3	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 page 106 and the Directors' Statement on Internal Control Over Financial Reporting on pages 108 and 109.
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.

CASL 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.2.3	The Company should have an internal audit function	Refer description given in 8.2. (a) (j) of compliance report on Finance Companies Direction No. 03 of 2008 on Corporate Governance of this section
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 thirteen (13) 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.

Corporate Governance [Cont.]

CASL 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	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 <ul style="list-style-type: none"> • 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

CASL 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 working 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 CSE
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 pleasure in presenting to the shareholders the Annual Report of the Board of Directors for the Year Ended 31st March, 2020.

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

Principal Activities

The principal activities of the company were acceptance of deposits and the granting of leasing facilities, hire purchase facilities, personal loans, micro loans and other credit facilities and engaging in pawning and other related services.

Changes to the Nature of Business

There were no significant changes to the principle activities of the company during the financial year ended 31st March, 2020.

Financial Statements

The Financial Statements for the year ended 31st March, 2020 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, 2020 the report of 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, asset-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 of the view that the Financial Statements give a true and fair view of the state of affairs of the company and of 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 pages 124 to 225. 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.

Board Of Directors

The names of the Directors as at date are indicated under Corporate Governance Page 70

The changes to the Directorate during the year under review are

- Ms. Tamara Mu-Lin Lam Paktsun (Appointed w.e.f. 13th February, 2020)
- Mr. Kalugamage John Cecil Perera (Retirement w.e.f. 10th March, 2020)
- In terms of Article 24 (2) of the Articles of Association of the Company Ms. Tamara Mu-Lin Lam Paktsun, retires and being eligible is recommended by the Board of Directors for election by the Members at the Annual General Meeting for the year 2020.
- In terms of Article 24 (6) of the Articles of Association of the company Mr. Roshan Sanjaya Egodage, 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 2020.
- In terms of Article 24 (6) of the Articles of Association of the company Mrs. Geya Rasi Egodage, 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 2020.
- In terms of Article 24 (6) of the Articles of Association of the company Mr. Patrick Thomas 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 2020.

Related Party Transactions

The Related Party transaction Review Committee considers all transactions that require approval, in line with the Company's Related Party Transaction Policy and in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange, Sri Lanka Accounting Standard and the Directions issued by the Central Bank of Sri Lanka

Related party transactions are disclosed 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 (LKR)	Fixed Deposit Accepted during the year (LKR)	Interest Paid
Geya Rasi Egodage	-	18,568,114	1,630,933

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):

	31.03.2020	31.03.2019
Mr. E.D.P. Soosaipillai	NIL	NIL
Mr. R.S. Egodage	NIL	NIL
Mrs. G.R. Egodage	NIL	NIL
Mr. M.S.D. Pinto	42,000	42,000
Mr. P.T. Fisher	NIL	NIL
Mr. K. 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
Mr. L.L.S. Wickremasinghe	NIL	NIL
Ms. T. M. L. Paktsun	NIL	NIL

Directors' Fees & Emoluments

Directors' fees and emoluments for the financial year ended 31st March, 2020, is LKR 8,255,000/- (2019- LKR 6,112,040/-)

Donations

During the year the company has made LKR 4,334,808/- as charitable contributions (2019-LKR 4,026,761/-)

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, 2020 not to be significantly different to the amounts disclosed.

Stated Capital

The Stated Capital of the Company remains at LKR 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, 2020 was 1629 (2019 - 1564). The distribution of the share holding and a list of the 20 major shareholders are given under Investor Information in this Annual Report.

Statutory Payments

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

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 Messers Ernst & Young, Chartered Accountants. Audit fees and non-audit fees payable to Ernst & Young for the year under review amounted to Rs. 4,800,000/- and Rs 4,085,249/- respectively. 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.
By Order Of the Board

Secretary
JACEY & COMPANY

E. D. P. Soosaipillai
Director

R. S. Egodage
Director

Report of the Board Audit Committee

The Board Audit Committee comprising of four Independent Non-Executive Directors and 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 engagement. 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:

- 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 of Directors 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 had an aggregate of five members during the year, all of whom were Independent Non-Executive Directors of the Company, namely, Mr E. D. P. Soosaipillai - Chairman, Mr K. J. C. Perera, Mr M.S.D. Pinto, Mr L.S. Wickramasinghe and, Ms. T.M.L. Paktsun. Mr K. J. C. Perera stepped down from the committee on 15th March 2020, on completing his regulatory tenure on the board.

The Company has an Internal Audit Function that reports to the Audit Committee on matters of Internal Control. The charter of the Internal Audit Department is approved by the Board Audit Committee. The Head of Internal Audit together with his senior staff are invited to participate at Board Audit Committee Meetings together with the Company's External Auditors,

Chief Operating Officer, Chief Financial Officer and Compliance 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 Board 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 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 action taken. Minutes of the Board Audit Committee Meetings are circulated to the Board of Directors and any matters arising therein are discussed at Board Meetings. Thirteen (13) Meetings of the Committee were held during the period under review and attendance of these Meetings are given on page 70 of the Annual Report.

The Board Audit Committee reviewed and discussed the Audited Financial Statements of the Company for the year ended 31 March 2020, 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 Board 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 31 March 2021 subject to the approval of the Shareholders at the forthcoming Annual General Meeting.



E. D. P. Soosaipillai
Chairman - Board Audit Committee

21 August 2020

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 links 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

15 May, 2020

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 2020, it comprised the following directors:

Mr. M.S.D. Pinto - Independent Non-Executive Director - Chairman
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 (KMP) for the purpose of identifying parties related to them.

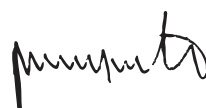
Based on the information furnished in these declarations, the Company has developed a system that enable to retrieve data on related party transactions throughout the Company's network and committee is working with the management to continuously improve such system to identify and report related party 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. 53 "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

15 May 2020

Report of the Board Integrated Risk Management Committee

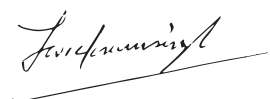
The Board's Integrated Risk Management Committee (IRMC) is responsible for determining the Company's Risk Management policy and overall strategies and ensuring that procedures at Board and Management Level are in place to identify, monitor and mitigate internal and external risks to safeguard the Company's 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. Lasantha Wickremasinghe**
Independent Non-Executive Director - Chairman
(Appointed as the chairman of the committee w.e.f 10 March 2019)
- **Mr. K.J.C Perera**
Non-Executive Director -Former Chairman
(Retired w.e.f 14 March 2020)
- **Mr. E.D.P. Soosaipillai**
Independent Non-Executive Director
- **Mr. M.S.D. Pinto**
Independent Non-Executive Director
- **Ms. Tamara Mu Lin Lam Paktsun**
Independent Non-Executive Director
(Appointed w.e.f 13 Feb 2020)
- **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 Sub Committees formed under its purview (i.e Asset and Liability, Fixed Deposits, Human Resources and IT). 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.



Mr. Lasantha Wickremasinghe
Chairman - Integrated Risk Management Committee

21 August 2020

Group Chief Executive Officer's and Group 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 2020 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.

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 recognized in weighing the assurance provided by any system of internal control and accounting.

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 114 to 117 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 page 102 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



R.S. Egodage
Director/Chief Executive officer

21 August 2020

Statement of Directors responsibility for financial reporting

The following statement sets out responsibility of the Directors in relation to the Financial Statements of the Company and its Subsidiary prepared in accordance with the provisions of the Companies Act No. 07 of 2007.

The responsibility of the Independent Auditor in relation to the financial statements is set out in the report of the Auditors given on pages 114 to 117 of the Annual report.

As per the provisions of section 151, 152 (1) and (2) and 153 (1) and (2), 150 (1) of the Companies act No. 07 of 2007, the Directors are required to prepare Financial statements for each financial year, which should give a true and fair view of the state of affairs of the Company and its subsidiary as at the reporting date and its profit or loss for the financial year then ended, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the financial statements that it is in compliance with the said Companies Act and dated and signed on behalf of the Board by two directors of the Company.

In terms of section 166(1) read together with sections 168(1)(b) and (c) and section 167(1) of the companies act, the Directors shall cause a copy of the aforesaid Financial Statements together with the annual report of the Board of Directors of the Company prepared as per section 166(1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting.

In preparing the Financial Statements, the Directors are responsible to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company and its Subsidiary have adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Companies within the Group maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and subsidiary.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting standards (SLFRSs/LKASs) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting standards, companies act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,

directions and guidelines issued under the Finance Business Act No. 42 of 2011 and the listing rules of the Colombo Stock Exchange.

The directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year, which is primarily handled through the audit committee and the integrated risk management committee as set out in their reports that appear on page 102 and 105 respectively.

The directors have taken appropriate steps to ensure that the Company and its Subsidiary maintain proper books of accounts and the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee.

The Board of Directors also approves the interim Financial Statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board of Directors accepts responsibility for the integrity and objectivity of the financial statements presented in this annual report.

The Financial Statements of the Company and the Subsidiary have been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by section 152(1)(b) and they have also been signed by two directors of the Company as required by section 152(1) (c) of the Companies act.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company and the subsidiary as at the reporting date have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement

By order of the Board



**JACEY & Company
Secretaries**

21 August 2020

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. 6 of 2013, the Board of Directors ("Board") present this report on internal control over financial reporting.

The Board is responsible for ensuring the adequacy and effectiveness of the system of internal control at Commercial Credit and Finance PLCs ("the Company"). Such system is designed however, to manage the Company's key areas of risk within an acceptable risk profile and risk appetite, rather than to eliminate the risk of failure to achieve the business objectives of the Company. Consequently, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established a continuing process for identifying, evaluating and managing significant risks faced by the company and this process includes enhancing the system of internal controls in response to changes to the Company's enabling business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place over financial reporting 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 applicable and relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks encountered with and in the design, operation and monitoring of suitable internal controls to mitigate these risks and their impact on the Company. The Board Audit Committee exercises this oversight role on behalf of the Board of Directors.

Key features of the processes adopted in applying and reviewing the design and effectiveness of the internal control system on financial reporting

The key metrics established in monitoring the adequacy and integrity of the system of internal controls with respect to financial reporting include the following,

- Board Sub Committees are established by the Board to assist the Board in ensuring the effectiveness of the Company's operational verticals in ensuring that the company's operations are conducted in accordance with the corporate objectives, board risk appetite, stated strategies and the annual budget as well as the policies and business directions that have been approved.

- Board Sub Committees regularly develop, review and recommend to the Board the Company's Policies and procedures covering all functional areas of the Company and recommend these to the Board for approval for adoption.

The BAC of the Company reviews internal control issues identified by the Internal Audit Function, External Auditor, Regulatory authority and the management and evaluates the adequacy of specific rectifications, detective controls and preventive controls in ensuring the underlying systemic effectiveness of the risk management and internal control systems are continually enhanced. The BAC also carries out a review of the effectiveness of the internal audit function with particular emphasis on the scope and quality of internal audits. The minutes of the BAC meetings are tabled at the meetings of the Board of Directors on a periodic basis. Further details of the activities undertaken by the BAC are set out in the "Board Audit Committee Report which appears on page 102.

The internal audit function of the company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. Audits are carried out on all departments, branches and units in accordance with the annual audit plan reviewed and approved by the BAC. The frequency of audits at branches is determined by the level of risk assessed, to provide an independent and objective report. Findings of Internal Audit are submitted to the BAC for their review at their periodic meetings.

In assessing the internal control systems over the financial reporting identified officers of the Company continue to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. The Internal audit Department of the company continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis. The company adopts Sri Lanka Accounting Standards comprising of SLRFS's and LKAS's and progressive improvements to processes to comply with the new requirements of recognition, measurements, classification and disclosure are implemented. Financial reporting and management information processes will be further strengthened by continuous monitoring and steps are being taken to make improvements to the process where required to enhance effectiveness and efficiency. The Company adopted Sri Lanka Accounting standards SLFRS '16 Leases' which become effective for financial reporting period beginning on or after 1 January 2019.

- The recommendations made by the external auditors in connection with the internal control system in the previous year were taken into consideration and appropriate steps have been taken to implement them where appropriate.

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 reviewed the above Directors Statement on Internal Control over Financial Reporting for the year and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design of the effectiveness of the internal control system of the Company. Their Report on the Statement of Internal Control is given on page 110

By order of the Board,



E. D. P. Soosaipillai
Chairman



R. S. Egodage
Director / Chief Executive Officer



T. M. L. Paktsun
Director / Member of Board Audit Committee

29 June 2020



Ernst & Young
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BW/WDPL/JMDJ

INDEPENDENT ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF COMMERCIAL CREDIT AND FINANCE PLC

Report on the Directors' 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 March 2020.

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.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekara FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sanjeevani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCCA

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

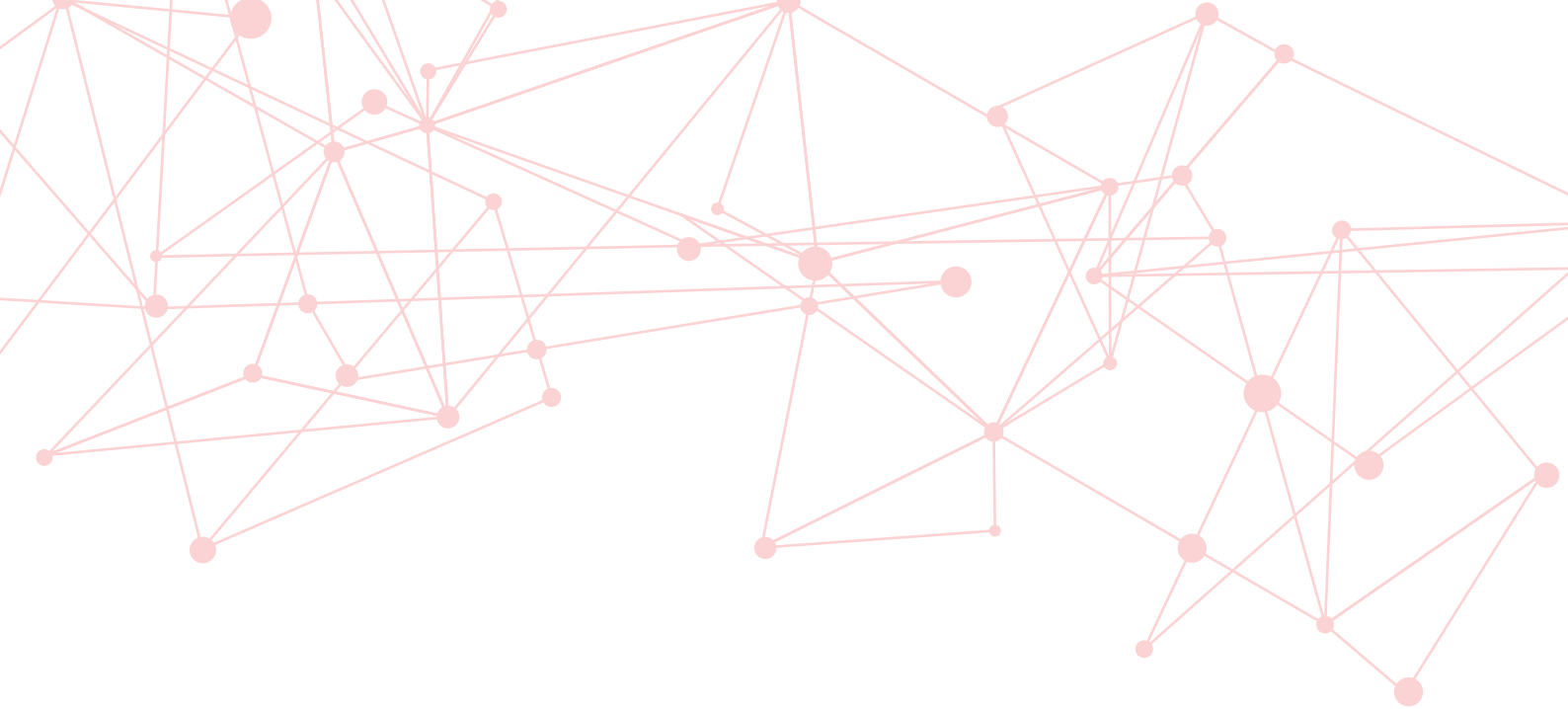
Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over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

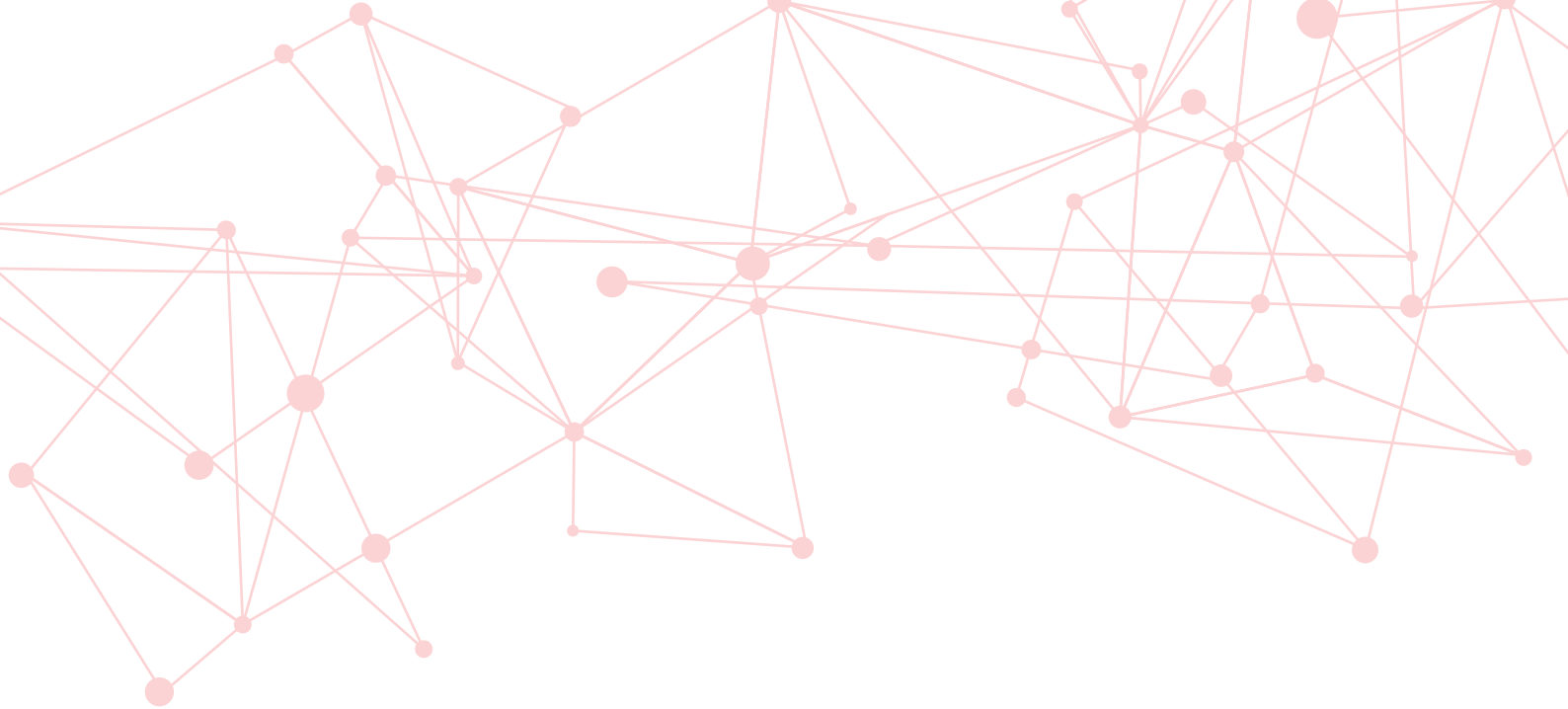
29 June 2020
Colombo

Let's take the time to
Appreciate one another



**COMMERCIAL
CREDIT**





Financial Information

Independent Auditor's Report



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Chartered Accountants
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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 2020, 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 2020, 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

Key audit matters common to both Group and Company

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 Matter	How our audit addressed the KAM
<p>1. Allowance for impairment of loans, leases and stock out on hire including Group's Transition to SLFRS 9</p> <p>We considered the impairment allowance for loans & receivables and lease rentals receivable & stock out on hire as a key audit matter. Significant judgments and assumptions were used by the management to determine the impairment allowance and complex calculations were involved in its estimation. Probable impacts of COVID -19 outbreak on the economically impacted customers and related government relief measures on the key assumptions, the higher level of estimation uncertainty involved, and materiality of the amounts reported in the Group's financial statements, underpinned our basis for considering it as a Key Audit Matter.</p> <p>As at 31 March 2020, 77% of its total assets of the Group consisted of loans & advances and receivable from lease & stock out on hire amounting to LKR. 20.7 Bn and LKR. 56 Bn respectively (Note 10 and 11), net of impairment allowance of LKR. 18.3Bn and LKR.52.6 Bn (Note 10 and 11).</p>	<p>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;</p> <ul style="list-style-type: none"> • 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
<p>The Note 5.5.5 of the financial statements describes the basis of impairment allowance and assumptions used by the management in its calculation.</p>	<p>For those individually assessed for impairment:</p> <ul style="list-style-type: none"> - 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. - we also assessed the impact of overarching economic condition in Sri Lanka and government relief package on future cash flows <p>For those collectively assessed for impairment:</p> <ul style="list-style-type: none"> - 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. - We also considered the reasonableness of macro-economic factors used by comparing them with publicly available data and information sources. Our considerations included assessing the appropriateness of the weightages assigned to possible economic scenarios. - we also assessed the management application of temporary practical expedients issued by CA Sri Lanka in relation to ECL computation. - we assessed the adequacy of the related financial statement disclosures as set out in note(s) 10 and 11 of the financial statements
<p>2. Management's Assessment of probable impacts of the COVID19 Outbreak on the operation of the Group.</p> <p>Management has assessed the probable impacts of COVID - 19 outbreak on the operations of the group, focusing on the cash flow projections for the period not less than 12 months as more fully disclosed in Note 49.2 to the financial statements.</p> <p>The cash flow projections were based on significant management's assumptions and estimations of future cash inflows and outflows taking into consideration of the probable impacts of COVID -19 outbreak on the economically impacted customers and probable impacts of relief measure offered by the government.</p> <p>Due to the use of significant management judgments, estimates and assumptions in cash flow projections referred to above, this was considered as key audit matter.</p>	<p>Our procedures included among other included the following;</p> <ul style="list-style-type: none"> • We obtained the revised group forecast and discussed with the management the key changes to assumptions that had been reflected and their impact on forecast performance. • We assessed the reasonableness of the management significant judgements, estimates and assumptions relating to new lending's, collection ratio, additional funding lines, deposit renewal ratio, cost restructuring initiatives, government relief measures used in cashflow estimations. • We evaluated the sensitivity by considering different scenarios together with reasonable changes to the key assumptions. • We inspected the borrowings agreements for the Group's interest-bearing liabilities and assessed the Group's compliance with the covenants in understanding the availability of adequate funding lines. • We assessed the adequacy of the disclosures made in notes 49.2, 49.3 & 49.4 in the financial statements in relation to the probable impacts of the COVID - 19 outbreak on the operations of the group and risk management disclosures respectively.

3. Valuation of Investment Properties

As at reporting date 31 March 2020, Investment Properties carried at fair value, amounted to LKR 1698 Mn. 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 19 to the consolidated financial statements.

Our audit procedures focused on the valuations performed by external valuers engaged by the Group, and included the following;

- We assessed the competency, capability and objectivity of the external valuer engaged by the Group;
- We 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 2020 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.

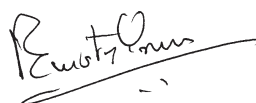
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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



29 June 2020
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekara FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G S Manatunga FCA Ms. P V K N Sanjeevani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCCA

Statement of Financial Position

As at 31st March 2020

	Notes	Company		Group	
		2020 LKR	2019 LKR	2020 LKR	2019
Assets					
Cash and bank balances	7	854,570,071	1,748,596,904	1,208,461,539	2,340,080,214
Reverse repurchase agreements		3,004,279,491	3,662,522,772	3,141,542,623	3,787,893,629
Placements with banks	8	3,812,279,883	3,603,184,738	3,826,996,141	3,513,125,045
Financial assets recognised through profit or loss - measured at fair value	9	2,072,291,864	2,112,157,240	2,228,854,997	2,116,671,777
Financial assets at amortised cost					
Loans and receivables	10	18,219,942,284	23,704,115,396	18,377,266,075	24,000,337,936
Lease Rentals Receivable & Stocks out on hire	11	43,395,382,046	37,150,447,901	52,689,500,344	46,081,967,198
Debt & other instruments	12	114,822,765	187,244,522	114,822,765	187,244,522
Financial assets at fair value through other comprehensive income	13	4,310,479	4,310,479	67,223,703	63,107,921
Other financial assets	14	743,285,925	630,157,553	725,285,925	630,157,553
Inventories	15	65,910,298	77,133,325	65,910,298	77,133,325
Other assets	16	173,199,518	322,860,475	257,986,659	389,870,741
Investments in subsidiary	17	1,599,288,321	1,599,288,321	-	-
Investments in associate	18	390,000,000	390,000,000	364,203,089	379,914,143
Investment property	19	1,698,461,370	1,448,351,320	1,698,461,370	1,448,351,320
Property, plant and equipment	20	3,051,877,367	3,059,953,319	3,126,825,486	3,131,138,603
Right of use assets	21	649,825,707	-	672,158,910	-
Intangible assets & goodwill	22	199,319,998	176,116,081	959,881,318	941,044,854
Current tax assets		311,261,563	234,306,485	336,796,145	54,594,333
Total assets		80,360,308,948	80,110,746,831	89,862,177,386	89,142,633,114
Liabilities					
Due to banks	23	12,661,616,855	9,241,472,974	19,214,209,118	15,027,515,792
Due to customers	24	47,394,521,877	51,908,367,338	48,948,641,777	53,936,319,168
Debt instruments issued	25	3,349,894,465	3,011,533,608	3,349,894,465	3,011,533,608
Other financial liabilities	26	1,753,986,571	2,162,248,713	1,987,798,983	2,546,086,231
Other liabilities	27	1,319,578,082	1,239,960,092	1,462,995,410	1,398,867,679
Deferred tax liabilities	29	265,361,284	384,558,207	80,761,132	207,060,291
Post employment benefit obligations	28	298,691,827	175,608,858	321,699,082	189,283,759
Total Liabilities		67,043,650,962	68,123,749,792	75,365,999,968	76,316,666,528
Shareholders' Funds					
Stated capital	30	2,150,640,315	2,150,640,315	2,150,640,315	2,150,640,315
Retained earnings	31	7,570,420,764	6,612,084,610	8,636,374,058	7,356,688,195
Reserves	32	3,595,596,907	3,224,272,114	3,701,973,390	3,312,496,424
Total equity attributable to equity holders of the company		13,316,657,986	11,986,997,039	14,488,987,763	12,819,824,934
Non Controlling Interests		-	-	7,189,655	6,141,652
Total Equity		13,316,657,986	11,986,997,039	14,496,177,418	12,825,966,586
Total Liabilities and Shareholders' Funds		80,360,308,948	80,110,746,831	89,862,177,386	89,142,633,114
Commitments and Contingencies	51	297,435,063	964,694,781	297,435,063	964,694,781

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 124 to 225 form an integral part of these Financial Statements.

29 June 2020
Colombo

Statement of Profit Or Loss

As at 31st March 2020

	Notes	Company		Group	
		2020 LKR	2019 LKR	2020 LKR	2019 LKR
Gross Income	33	19,885,681,797	21,883,625,959	22,958,817,657	24,439,351,531
Interest income	33.1	17,966,128,159	19,626,812,489	20,835,015,310	22,125,265,906
Interest expenses	33.2	(8,593,146,453)	(8,770,625,499)	(9,922,872,530)	(9,659,742,709)
Net interest income		9,372,981,706	10,856,186,990	10,912,142,782	12,465,523,198
Fee and commission income	34	1,267,296,634	1,336,533,359	1,319,142,520	1,432,368,091
Net income from Real estate sales	35	6,929,903	24,023,559	6,929,903	24,023,559
Net (loss)/gain from trading	36	(10,350,171)	(35,984,919)	(10,350,171)	(35,984,919)
Other operating income	37	600,849,246	723,444,622	753,252,066	684,882,045
Change in fair value of Investment property	19	54,828,026	208,796,848	54,828,026	208,796,848
Total operating income		11,292,535,344	13,113,000,460	13,035,945,126	14,779,608,823
Impairment Charges of financial assets	38	(2,713,980,811)	(2,878,363,710)	(3,404,582,022)	(3,070,193,910)
Net fair value gains/(losses) from financial instruments at fair value through profit or loss		-	-	17,895,675	(1,512,603)
Net operating income		8,578,554,533	10,234,636,750	9,649,258,780	11,707,902,310
Operating expenses					
Personnel expenses	39	(2,511,368,853)	(3,127,611,455)	(2,705,526,210)	(3,406,725,185)
Depreciation & amortization	19,20,21	(541,158,028)	(326,295,068)	(580,608,111)	(356,129,159)
Other operating expenses	40	(2,865,048,634)	(2,949,711,222)	(3,180,842,243)	(3,196,148,835)
Operating profit before Tax on financial services		2,660,979,018	3,831,019,006	3,182,282,215	4,748,899,132
Value added tax	41	(594,028,190)	(767,693,905)	(676,610,427)	(913,235,428)
Debt repayment levy	41	(269,463,668)	(221,553,566)	(304,892,097)	(262,719,550)
Operating profit after Value Added Tax on financial services		1,797,487,160	2,841,771,535	2,200,779,691	3,572,944,154
Share of loss of associate	42	-	-	(15,711,053)	(10,085,857)
Profit before Taxation		1,797,487,160	2,841,771,535	2,185,068,637	3,562,858,297
Income Taxation	43	(133,588,085)	(763,092,956)	(178,452,933)	(927,272,453)
Profit for the year		1,663,899,075	2,078,678,579	2,006,615,705	2,635,585,844
Profit attributable to:					
Equity holders of the company		1,663,899,075	2,078,678,579	2,005,362,994	2,633,406,656
Non - controlling interests		-	-	1,252,711	2,179,188
		1,663,899,075	2,078,678,579	2,006,615,705	2,635,585,844
Basic earnings per share	44.1	5.23	6.54	6.30	8.28
Diluted earnings per share	44.2	5.23	6.54	6.30	8.28
Dividend per share	45	1.00	0.75	-	-

Accounting policies and notes from pages 124 to 225 form an integral part of these Financial Statements.

Statement of Comprehensive Income

As at 31st March 2020

	Notes	Company		Group	
		2020 LKR	2019 LKR	2020 LKR	2019 LKR
Profit for the year		1,663,899,075	2,078,678,579	2,006,615,705	2,635,585,844
Net gains/(losses) on remeasuring financials assets at fair value through other comprehensive income		-	(19,601,987)	112,255	(18,292,527)
Total other comprehensive income to be reclassified to Statement of profit or loss		-	(19,601,987)	112,255	(18,292,527)
Revaluation gain on land and buildings		53,534,692	-	53,534,692	-
Deferred tax charge relating to revaluation gain on buildings	29	(14,989,714)	-	(14,989,714)	
		38,544,978	-	38,544,978	-
Actuarial gains/(losses) on defined benefit plans	28	(75,984,355)	17,043,754	(79,040,628)	17,139,305
Deferred tax charge/(reversal) relating to actuarial gain on defined benefit plans	29	21,275,619	(4,772,251)	22,131,376	(4,799,005)
		(54,708,736)	12,271,503	(56,789,912)	12,340,299
Net gains/(losses) on remeasuring financials assets at fair value through other comprehensive income		-	-	119,340	-
Total other comprehensive income not to be reclassified to Statement of profit or loss		(16,163,757)	12,271,503	(18,244,934)	12,340,299
Other Comprehensive Income for the year, net of taxes		(16,163,757)	(7,330,484)	(18,132,679)	(5,952,227)
Total Comprehensive Income for the Year		1,647,735,318	2,071,348,095	1,988,483,026	2,629,633,616
Total Comprehensive income attributable to:					
Equity holders of the company		1,647,735,318	2,071,348,095	1,987,237,197	2,627,449,612
Non- controlling interests		-	-	1,245,830	2,184,005
Total Comprehensive Income for the year		1,647,735,318	2,071,348,095	1,988,483,026	2,629,633,616

Accounting policies and notes from pages 124 to 225 form an integral part of these Financial Statements.

Statement of Changes in Equity

As at 31st March 2020

Company	Notes	Stated Capital LKR	Revaluation Reserve LKR	General Reserve LKR	Retained Earnings LKR	Statutory Reserve LKR	Available for Sales Reserve LKR	FVOCI Reserve LKR	Total LKR
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		-	-	(2,109,232,265)	-	-	(13,339,829)	13,339,829	(2,109,232,265)
Net profit for the year	31	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
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 31 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
Balance as at 1 April 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
Net profit for the year	31	-	-	-	1,663,899,075	-	-	-	1,663,899,075
Other comprehensive income net of tax	31/32	-	38,544,978	-	(54,708,736)	-	-	-	(16,163,757)
Total comprehensive income		-	38,544,978	-	1,609,190,339	-	-	-	1,647,735,317
Transferred to Statutory Reserve	31/32	-	-	-	(332,779,815)	332,779,815	-	-	-
Dividend paid	45	-	-	-	(318,074,370)	-	-	-	(318,074,370)
Balance as at 31 March 2020		2,150,640,315	220,517,452	58,751,125	7,570,420,764	3,332,590,488	-	(6,262,158)	13,316,657,986

Accounting policies and notes from pages 124 to 225 form an integral part of these Financial Statements.

Statement of Changes in Equity

As at 31st March 2020

Group	Notes	Stated Capital LKR	Revaluation Reserve LKR	General Reserve LKR	Retained Earnings LKR	Statutory Reserve LKR	Available for Sales Reserve LKR	FVOCI Non Controlling Reserve LKR	Interest LKR	Total LKR
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					(2,465,963,389)		(12,505,786)	11,002,546	(1,252,036)	(2,468,718,665)
Net profit for the year	31	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
Other comprehensive income net of tax	31/32				2,633,406,656				2,179,188	2,635,585,844
Total comprehensive income					12,340,059			(18,297,103)	4,817	(5,952,226)
Transferred to Statutory Reserve	31/32				2,645,746,714			(18,297,103)	2,184,005	2,629,633,616
Dividend Paid	45				(443,832,952)	443,832,952				
Balance as at 31 March 2019		2,150,640,315	181,972,474	58,751,125	7,356,688,195	3,079,067,381		(7,294,557)	6,141,652	12,825,966,586
Balance as at 1 April 2019	31	2,150,640,315	181,972,474	58,751,125	7,356,688,195	3,079,067,381		(7,294,557)	6,141,652	12,825,966,586
Net profit for the year					2,005,362,994				1,252,711	2,006,615,705
Other comprehensive income net of tax	31/32		38,544,978		(56,901,561)			230,785	(6,881)	(18,132,678)
Total comprehensive income			38,544,978		1,948,461,433			230,785	1,245,830	1,988,483,026
Transferred to Statutory Reserve	31/32				(350,701,199)	350,701,199				
Effect of change in equity interest in subsidiary	28/29									
Dividend Paid	45				(318,074,370)				(197,827)	(318,272,197)
Balance as at 31 March 2020		2,150,640,315	220,517,452	58,751,125	8,636,374,059	3,429,768,580		(7,063,772)	7,189,655	14,496,177,418

Accounting policies and notes from pages 124 to 225 form an integral part of these Financial Statements.

Cash Flow Statement

As at 31st March 2020

	Notes	Company		Group	
		2020 LKR	2019 LKR	2020 LKR	2019 LKR
Cash flows from / (used in) operating activities					
Profit before Income Tax Expense		1,797,487,160	2,841,771,535	2,185,068,637	3,562,858,297
Adjustments for					
Depreciation and amortisation	19/20/21	363,049,427	326,049,458	1,252,767,021	356,006,354
Amortisation of Leasehold property		-	122,805	-	122,805
Amortisation of Right of use assets	21	249,488,768		259,350,410	
Profit on disposal of property, plant & equipments		-	1,752,000	-	1,752,000
Share of loss of associate	42	-	-	15,711,053	10,085,857
Impairment charge of loans and advances, lease, hire purchase	38	2,713,980,811	2,878,363,710	3,404,582,022	3,070,193,910
Pawning auction gain		(44,937,034)	-	(44,937,034)	-
Net fair value adjustment of Investment property	19	(54,828,026)	(208,796,848)	(54,828,026)	(208,796,848)
Disposal gain on Investment property	19	(289,505)	(1,628,500)	(289,505)	(1,628,500)
Fair value gain on compensation receivable	13	(23,678,810)	(23,678,810)	(23,678,810)	(23,678,810)
Net foreign exchange loss		-	(8,274,727)	-	(8,274,727)
Amortisation of prepaid debenture issue cost	25	18,643,202	61,799,566	18,643,202	61,799,566
Provision for defined benefit plans	28	65,625,989	61,438,143	72,459,570	65,155,629
Operating profit before working capital changes		5,131,899,602	5,928,918,331	7,132,206,161	6,885,595,533
Decrease in Inventories		11,223,026	51,194,237	11,223,026	51,194,237
Decrease in Loans and Advances		4,730,513,182	8,284,111,810	4,878,223,155	8,562,097,557
Increase in Lease Rentals Receivable & Stock out on hire		(8,131,406,868)	(8,048,412,865)	(9,195,585,051)	(10,986,611,923)
(Increase)/Decrease in Other Financial Assets		(157,913,749)	106,236,228	(163,592,560)	106,236,228
(Increase)/Decrease in Debt & other instruments		72,421,757	(187,244,522)	72,421,757	(187,244,522)
(Increase)/Decrease in Other Assets		149,660,958	(72,291,895)	131,884,081	(82,324,709)
(Increase)/Decrease in Placements and Reverse repurchase agreements		(1,160,131,423)	1,386,407,526	(1,297,394,555)	1,386,407,526
Decrease in Amounts Due to Customers		(4,513,845,460)	(2,315,717,645)	(4,987,677,391)	(1,922,407,917)
(Decrease) in Other Financial Liabilities		(408,262,142)	(237,309,754)	(558,287,248)	(493,747,426)
Increase/(Decrease) in Other Liabilities		(715,444,717)	717,726,973	(742,737,478)	863,060,472
Cash generated from Operations		(4,991,285,835)	5,613,618,425	(4,719,316,103)	4,182,255,059
Post employment benefit obligation	28	57,456,980	(41,662,945)	59,955,753	(42,267,394)
Taxes paid		(329,740,086)	(1,207,935,913)	(586,953,905)	(1,451,749,034)
Net cash flows (used in)/from Operating activities		(5,263,568,941)	4,364,019,567	(5,246,314,255)	2,688,238,631
Cash flows from / (used in) Investing activities					
Acquisition of Investment Property	19	(229,784,208)	745,505,522	(229,784,208)	745,505,522
Disposal Proceeds from Investment Property		34,502,183	-	34,502,183	-
Acquisition of Property, plant and equipments	20	(332,724,988)	(1,622,244,105)	(1,226,205,418)	(1,676,801,726)
Investments in associate		-	(390,000,000)	-	(390,000,000)
Net investment in placements with banks		(445,495,339)	(1,503,752,320)	(550,271,289)	(1,400,070,657)
Acquisition of Intangible assets	22	(45,452,403)	(9,688,420)	(41,084,948)	(17,577,950)
Net investment in Financial assets recognised through profit or loss - measured at fair value		39,865,376	534,702,423	(112,183,220)	530,187,886
Financial assets at fair value through other comprehensive income		(23,678,810)	178,200,000	(4,115,782)	182,598,638
Net cash flows used in Investing activities		(1,002,768,189)	(2,067,276,901)	(2,129,142,682)	(2,026,158,287)
Cash flows from / (used in) Financing activities					
Net cash flow from/(used in) Debt Instruments issued		319,717,655	(22,487,668)	319,717,655	(22,487,668)
Proceeds from Loans obtained	23	11,124,762,433	12,594,101,385	14,915,570,800	18,192,821,806
Lease Payments		(106,881,206)	-	(126,554,883)	-
Repayment of Bank Loans	23	(7,453,620,652)	(12,068,502,835)	(10,332,477,494)	(15,068,838,325)
Dividend paid	45	(315,444,932)	(236,644,997)	(316,163,593)	(236,644,997)
Net cash flows from Financing activities		3,568,533,298	266,465,885	4,460,092,485	2,864,850,816
Net increase in Cash and Cash equivalents		(2,697,803,832)	2,563,208,551	(2,915,364,453)	3,526,931,159
Net foreign exchange difference		-	8,274,727	-	8,274,727
Cash and Cash equivalents at the beginning of the year		6,521,496,140	3,950,012,861	7,092,948,228	3,557,742,340
Cash and Cash equivalents at the end of the year		3,823,692,308	6,521,496,139	4,177,583,775	7,092,948,226
Cash and Cash Equivalents For the Purpose of Cash Flow Statement					
Cash in Hand	7	854,570,071	1,748,596,904	1,208,461,539	2,340,080,214
Reverse repurchase agreements (less than three months)		1,844,148,068	3,662,522,771	1,844,148,068	3,787,893,629
Placements with Banks (less than three months)		1,381,723,890	1,618,124,084	1,381,723,890	1,618,124,084
Bank Overdrafts	23	(256,749,719)	(507,747,620)	(256,749,719)	(653,149,700)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement		3,823,692,308	6,521,496,139	4,177,583,775	7,092,948,226

Accounting policies and notes from pages 124 to 225 form an integral part of these Financial Statements.

Notes to the Financial Statements

As at 31st March 2020

1. CORPORATE INFORMATION

1.1 General

Commercial Credit and Finance PLC ("Company") is a Limited Liability Company incorporated in Sri Lanka on 4 October 1982 under the Companies Act no 17 of 1982 and domiciled in Sri Lanka. 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.7 of 2007 (Companies Act) on 8 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% (2019- 99.65%) of the equity of Trade Finance & Investment PLC.

Associate

TVS Lanka (Pvt) Ltd

The principle activity of TVS Lanka (Pvt) Ltd. during the year was importation 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 31 March 2020 was authorized for issue by the Board of Directors on 29 June 2020.

1.5 Responsibility for Financial Statements

The Board of Directors of the company 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 utilize 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 recognized through Profit or Loss (FVPL)
- Financial investments - Held for trading
- Financial assets held at fair value through other comprehensive income (FVOCI)
- Investment Property
- Financial investments - Available for Sale
- Freehold Land & Buildings classified as Property, Plant & Equipment
- Defined Benefit Obligation

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.

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 01 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 realize 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.

2.7 The Impact on COVID 19

The outbreak of the COVID - 19 globally since January 2020 caused massive economic disruption leading to uncertainty in the whole world. Sri Lanka as a country was exposed to this risk in March 2020 and as an immediate precautionary measure the Government imposed an island wide curfew. Since no access to office was feasible the group immediately planned to "work from home" and facilitated key management personnel and other personnel to work from home. To ensure the timely payment of Fixed Deposit Interest, the management sought assistance from the group's bankers and provided an uninterrupted service during the period of curfew.

Liquidity was a major concern for many of the small and medium scale companies and daily monitoring of cash flow

requirement was immediately started. All possible cost reduction measures were initiated to secure available liquid assets. The group temporarily halted the new lending and focused on recovery of rentals. The Recovery staff as well as the Marketing staff were assigned with a recovery target to ensure a smooth inflow of cash flows.

Meantime the Central bank of Sri Lanka issued circular No.04 and 05 of 2020 on debt moratorium which caused direct impact on rental collection of the Group. The Company established procedures to ensure all moratorium requests are properly collected and attended individually to ensure the Covid - 19 impacted customers are given the required relief. A separate communication channel via mail was established and a team was set up to support the customers to send the requests. The impact of the moratorium on the company's key performance matrix is unknown at this stage.

The Company has assessed the probable impact stemming from Covid - 19 outbreak and the key assessments are listed below.

- Based on the available information and management's best judgement, it is determined the appropriateness of the Going concern assumptions in preparing Financial Statements for the year ended 31 March 2020.
- Despite the challenging environment of having difficulties in collecting the company dues and the difficulties in getting funding lines from banks and other financial institutions, the Company was able to maintain a stable liquidity position and safeguard the interest of the stakeholders.
- The unutilized Overdraft facilities, the available excess investment and already negotiated funding lines were used as a cushion to absorb any sudden liquidity shocks.
- A more prudent cost control mechanism was in place which ensured an effective cost structure in the Company.

There is a considerable degree of judgement involved in making the above assessments. The underline assumptions are also subject to certain level of uncertainty and are beyond the control of the Company. Hence the actual economic conditions are likely to be different from the anticipated events. The effect of those differences may have significant impact on accounting judgements and estimates included in these Financial Statements.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

The Management evaluated the key assumptions used in the above estimates and judgements under probable stress scenarios such as, retention ratio of Fixed Deposits, Ratio of Rental Collection and Re-imposing of CBSL liquid asset requirement.

After evaluating the above, and after due consideration of the range and likelihood of outcomes, the Management is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of 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 prospectively.

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 an 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 the 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 SLFRS 9 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 group reviews its 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 takes 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, 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 in Note 5.5.5 of the Financial Statements.

Certain accounting estimates and assumptions relating to impairment applied by the subsidiary of the company differ from those applied by the company due to the differing risk management practices of the subsidiary.

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.

3.4 Impairment of Investments in Subsidiary

The group follows 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 group evaluates, 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 22).

3.6 Taxation including Deferred Tax Assets

The Group 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 the methods of valuation are given in note 20 to the financial statements.

3.8 Useful lifetime of Property Plant and Equipment

The group reviews 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 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 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 stand alone asset are accounted for as property, plant and equipment. The 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 group carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of Profit or Loss. The group engaged an independent valuer to determine the fair value as at 31 March 2020.

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 group determines the amount within a range of reasonable fair value estimates. In making such estimates, the group 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 capitalization rates that reflect current market assessments of the returns and yields, an uncertainty in the amount and timing of the cash flows.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

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 Group 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 capitalization rates / yields and voids. These valuations are regularly compared to actual market yield data and actual transactions by the group 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 determined 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 Defined Benefit Plans

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and possible future pension increases if any. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

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

3.14 Right-of-Use Assets and Operating Lease Liability

The Group uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Group applies judgements in evaluating whether it is reasonably certain whether or not to exercise the option to

renew or terminate the lease. That is, it considers all relevant factors that create economic benefits for it to exercise either the renewal or termination. Further, the Group can not readily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate to measure operating lease liability. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in similar economic environment

3.15 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 recognized 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 1 APRIL 2020

The Group has adopted SLFRS16 - Leases, effective for annual periods beginning on or after 01 January 2019, for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1 SLFRS 16 -Leases

SLFRS 16 supersedes LKAS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.

The Company has lease contracts for various branches. Before the adoption of SLFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 21 for the accounting policy prior to 1 April 2019.

Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 21 for the accounting policy beginning 1 April 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases For leases that were classified as finance leases applying LKAS 17, the carrying amount of the right of use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying LKAS 17. For those leases, the Company accounted for the right of use asset and the lease liability applying this Standard from the date of initial application.

Leases previously accounted for as operating leases The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients where in it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

4.2 IFRIC Interpretation 23- Uncertainty Over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated within certain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the interpretation had an impact on its Financial Statements. Upon adoption of the interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The tax filings of the Company in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be statements of the accepted by the taxation authorities. The interpretation did not have an impact on the Financial Statements of the Company.

Except for the changes mentioned above, the Company has consistently applied the accounting policies for all periods presented in these Financial Statements.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

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 recognized amount of any non-controlling interest in the acquiree, less the net recognized 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 recognized 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 recognized 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 derecognizes 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 recognized 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. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized 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 recognized 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 recognized when funds are transferred to the customers' accounts. The Group recognizes 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 4.4.3.1(a) and 4.4.3.1(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 from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the group recognizes 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 recognized in the statement of profit or loss when the inputs become observable, or when the instrument is derecognized.

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5.5.3 Measurement categories of Financial Assets and Liabilities

The Group classifies its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized 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

The subsequent measurement of financial assets depends on their classification.

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

The group only measures 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 amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the 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-Minimis 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 recognized 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.

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 guarantees and undrawn loan commitments

The group issues financial guarantees and loan commitments. Financial guarantees are initially recognized 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 recognized less cumulative amortization recognised in the income statement, and 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

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. 6Reclassification of financial assets and liabilities

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 amortized 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 amortized 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.

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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 recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

5.5.4 Derecognition of financial assets and liabilities

5.5.4.1 Derecognition due to substantial modification of terms and conditions

The group de-recognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized 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-recognize 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.

5.5.4.2 De-recognition 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 derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes 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 re invest 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 recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes 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.

5.5.5 Impairment allowance for financial assets

5.5.5.1 Overview of the ECL principles

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 5.5.5.1(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 5.5.5.4. The details of individual assessment of ECLs are given in Note 5.5.5.3.

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 5.5.5.1(a). Based on the above process, the Group categorize its loans into 'Stage 1', 'Stage 2', 'Stage 3' and 'originated credit impaired', as described below:

• Stage 1

When loans are first recognized, the group recognizes 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 5.5.5). 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 recognized based on a credit-adjusted EIR. ECLs are only recognized 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.

5.5.5.1 (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 unlikelihood 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

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- 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 5.5.5.10.

5.5.5.1 (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 5.5.5.1(a) are significant increase in credit risk as opposed to a default, for customers who are considered as individually significant.

5.5.5.2 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 derecognized and is still in the portfolio. The concept of PDs is further explained in Note 5.5.5.4(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 draw downs on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 5.5.5.4(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 5.5.5.4.(c).

With the exception of revolving facilities, for which the treatment is separately set out in Note 5.5.5.5, 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.

5.5.5.3 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 recognized 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 5.5.5.1(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 recognized 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;

5.5.5.4 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 categorizes 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

5.5.5.4 (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.

5.5.5.4 (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.

5.5.5.4 (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 realized 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.

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5.5.5.5 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.

5.5.5.6 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).

5.5.5.7 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.

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.

5.5.5.8 Collateral repossessed

The Group's policy is to sell the repossessed assets immediately through public auctions

5.5.5.9 Write-offs

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.

5.5.5.10 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.

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.

5.6 Lease

The group applied Sri Lanka Accounting standard – SLFRS 16 Leases which is effective for annual periods beginning on or after 1st January 2019. Accordingly, the Group changed its accounting policy for lease contracts as detailed below.

5.6.1 Identification of a Lease

Previously, the Group determined, at contract inception, whether an arrangement is or contains a lease under LKAS 17/IFRIC 4. Under SLFRS 16, the group assess whether a contract is or contains a lease based on the definition of lease as explained in Note 21

On transition, the group elected to apply SLFRS 16, only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17/IFRIC 4 were not reassessed to ascertain whether there is a lease. Therefore, the definition of a lease under SLFRS 16, was applied only to contracts entered in to or changed on or after 1st January 2019.

The group applied SLFRS 16 using the modified retrospective approach and thereby the comparative figures were not restated and continues to be reported under LKAS 17.

5.6.2 As a Lessor

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessor will continue to classify leases as either operating leases or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the group is the lessor.

5.6.3 As a Lessee

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying assets to the group. Under SLFRS 16, the group recognises right of the use of assets and lease liabilities for most leases except for short term leases to which the group applied recognition exemptions in SLFRS 16.

5.6.3.1 Leases classified as operating leases under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the incremental borrowing rates as at 1st April 2019. Rights of use of assets are measured at an amount equal to the lease liability, adjusted by the amount of any pre-paid or accrued lease payments.

In addition, the group applied following practical expedients permitted by SLFRS 16, to Leases previously classified as operating leases under LKAS 17.

- Applied a Single discount rate to a portfolio of leases with similar characteristics
- Applied the exemption not to recognize right of use assets and liabilities for leases with less than 12 months of lease term.
- Exclude initial direct costs, from the measurement of the right of use asset for leases previously accounted for as operating leases at the date of initial application.
- Used hindsight when determining the lease term of the contact contains options to extend or terminate the lease.

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 recognized 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.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

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 recognized directly in equity is recognized 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.

5.9.1.1 Changes proposed to Income Tax from Government Tax Proposals

As per the Notice to tax payers and withholding agents on "Implementation of Proposed Changes to the Inland Revenue Act No. 24 of 2017" dated February 12, 2020 issued by the Department of Inland Revenue, Income Tax rates of Corporates has been revised to 24% from 28% effective from January 1, 2020, pending formal amendments to be made to the Inland Revenue Act .

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 recognized 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 recognized.

(i) Interest Income and Interest Expense

For all financial instruments measured at amortized 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 recognized 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 recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

c) Dividend Income

Dividend income is recognized 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.

6 Effect of Sri Lanka Accounting Standards issued but not yet effective

There are no Accounting Standards which have been issued by the Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31st March 2020, having a material impact on the group's financial statements. The group has applied all relevant accounting standards which has been issued up to 31st March 2020 in the preparation of the financial statements for the year ended 31 March 2020.

The following Sri Lanka Accounting Standards and interpretations have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31st March 2020, and earlier application is permitted. However, the Company has not early adopted the following amendments to Accounting Standards in preparing these Financial Statements as they are not expected to have a significant impact on the Company's Financial Statements.

SLFRS 17 is effective for reporting periods beginning on or after 1 January 2021. Early application permitted, if the entity is applying SLFRS 16 and SLFRS 15 on or before the date in which it first apply SLFRS 17. This standard is not applicable to the Company.

6.1 Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on “Accounting Policies, Changes in Accounting Estimates and Errors” to align the definition of ‘material’ across the standards and to clarify certain aspects of the term ‘definition’. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.’ The Company shall apply those amendments prospectively for annual financial periods beginning on or after April 1, 2020.

6.2 Amendments to SLFRS 3: Definition of a Business

Amendments to the definition of a business in SLFRS 3 Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020 with early application permitted.

6.3 Amendments to references to the conceptual framework in SLFRS standards

CA Sri Lanka has issued a revised Conceptual Framework which will be used in standard setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements

Since the amendments are effective for annual periods beginning on or after 1 January 2020, the Company will not be affected by these amendments as at the reporting date.

Further, the amendments to the references to the conceptual framework in SLFRS standards are not expected to have a significant impact on the Company's Financial Statements.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

7. CASH AND BANK BALANCES

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Cash in Hand	151,807,501	685,290,915	161,734,254	693,020,974
Balances with banks	702,762,570	1,063,305,989	1,046,727,284	1,647,059,240
	854,570,071	1,748,596,904	1,208,461,539	2,340,080,214

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	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Time deposits	3,782,330,697	3,577,171,569	3,797,046,955	3,487,111,876
Savings deposits	29,949,186	26,013,169	29,949,186	26,013,169
	3,812,279,883	3,603,184,738	3,826,996,141	3,513,125,045

9. FINANCIAL ASSETES RECOGNISED THROUGH PROFIT OR LOSS - MEASRED AT FAIR VALUE

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Government of Sri Lanka Treasury bills	2,034,739,361	2,054,937,004	2,034,739,361	2,054,937,004
Quoted equity investments (Note 9.1)	37,552,503	57,220,236	39,202,052	60,256,805
Investments in unit trusts (Note 9.2)	-	-	154,913,584	1,477,968
	2,072,291,864	2,112,157,240	2,228,854,997	2,116,671,777

9.1 Quoted Equity Investments

	Company/Group					
	2020			2019		
	No of Shares	Cost of Investment LKR	Market Value LKR	No of Shares	Cost of Investment LKR	Market Value LKR
Access Engineering PLC	464,790	9,742,783	6,135,228	300,000	6,240,000	3,900,000
ACL Cables PLC	36,000	1,619,855	1,119,600	36,000	1,816,200	1,162,800
Browns Beach Hotels PLC	9,000	292,500	68,400	9,000	292,500	104,400
Browns Investment PLC	107,500	491,500	204,250			
Central Finance Company PLC	25,451	2,282,816	2,061,531	25,000	2,282,816	2,112,500
Chevron Lubricants Lanka PLC	55,440	7,695,374	2,966,040	93,068	12,918,345	5,826,057
Dipped Products PLC	5,926	518,180	337,782	5,926	518,180	462,228
Entrust Securities PLC	10,000	240,000	240,000	10,000	240,000	240,000
Hatton National Bank PLC	10,224	2,500,000	1,025,467	10,000	2,500,000	1,750,000
Hayleys Fabric PLC	912,525	15,119,199	7,938,968	4,549	81,882	38,667
Hemas Holdings PLC	-	-	-	1,000	116,000	75,000
Janashakthi Insurance Company PLC	152,251	5,204,103	3,456,098	291,500	8,779,447	7,753,897
John Keells Holdings PLC	3,917	598,787	452,022	3,917	532,547	611,052
Lanka Walltile PLC	24,888	2,460,594	1,022,897	30,000	2,966,000	1,800,000
MTD Walkers PLC	132,000	5,744,058	1,953,600	132,000	5,744,058	1,953,600
Nations Trust Bank PLC	8,385	593,600	628,875	8,207	593,600	737,809
NDB Bank PLC	22,658	2,999,284	1,499,960	22,244	2,999,284	2,095,385
Orient Finance PLC	330,000	4,290,000	2,013,000	330,000	4,290,000	4,290,000
People's Leasing & Finance PLC	61,816	1,023,948	754,155	60,000	1,023,948	804,000
Richard Peiris Exports PLC	-	-	-	55,000	11,893,391	11,660,000
Royal Ceramics Lanka PLC	-	-	-	45,417	5,594,507	2,679,603
Serandib Hotels PLC	20,602	360,535	226,622	20,602	360,535	327,572
Sampath Bank PLC	-	-	-	28,000	7,417,770	5,042,800
Swisstek (Ceylon) PLC	-	-	-	25,000	1,840,980	870,000
Teejay Lanka PLC	-	-	-	390	15,581	11,856
Three Acre Farms PLC	17,520	2,135,000	1,401,600	-	-	-
Tokyo Cement Company (Lanka) PLC	80,028	4,984,942	1,600,560	14,800	803,985	306,360
Union Bank of Colombo PLC	55,000	913,000	445,850	55,000	913,000	605,000
Total for Company		71,810,059	37,552,503		82,774,558	57,220,236
Trade Finance Investment PLC						
Seylan Bank PLC	48,353	4,545,062	1,649,549	48,353	4,545,062	3,036,568
Total for Group		76,355,121	39,202,052		87,319,620	60,256,805

Notes to the Financial Statements [Cont.]

As at 31st March 2020

9.2 Investment in unit trusts

	Company/Group			
	2020		2019	
	No. of Units	Market Value LKR	No. of Units	Market Value LKR
National Equity Fund	60,000	1,534,248	60,000	1,477,968
First Capital Money Market Fund	87,783	153,379,336	-	-
		154,913,584		1,477,968

10. Loans and Receivable

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Short term loans	1,873,833,832	2,179,592,095	1,885,063,212	2,189,940,766
Cash loans	1,403,552,072	2,046,068,641	1,403,552,072	2,049,467,960
Microfinance loans	3,087,992,242	5,821,368,694	3,124,596,894	5,981,722,182
Abhivurdhi SME loans	464,935,439	1,228,145,800	464,935,439	1,228,145,800
Business loans	533,163,461	733,860,076	537,021,294	752,370,095
Gold Loans	6,060,074,457	5,471,912,877	6,060,074,457	5,471,912,877
Pawning advances	55,689,875	80,018,784	186,593,685	223,681,003
Factoring receivables	68,739,503	485,544,415	68,739,503	485,544,415
Term draft loans	1,822,322,093	3,050,798,311	1,822,322,093	3,050,798,311
Auto Loans	3,319,857,190	3,945,049,236	3,323,067,183	3,945,049,236
Staff Loans	398,171,866	295,488,323	405,731,875	300,689,171
Education Loans	474,438,801	619,041,419	474,438,801	619,041,419
Other Loans	974,778,107	1,075,622,805	979,162,754	1,081,775,285
	20,537,548,938	27,032,511,475	20,735,299,263	27,380,138,520
Less : Allowance for impairment losses (Note 10.1)	(2,317,606,656)	(3,328,396,080)	(2,358,033,189)	(3,379,800,584)
Net loans and advances	18,219,942,284	23,704,115,396	18,377,266,075	24,000,337,936

10.1 Allowance for impairment Losses

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Balance as at 31st March	3,328,396,080	2,163,290,880	3,379,800,584	2,171,532,015
Impact on adoption of SLFRS 9 as at 1st April	-	2,081,389,745	-	2,100,433,703
Balance as at 1st April	3,328,396,080	4,244,680,625	3,379,800,584	4,271,965,718
Charge / (Reversal) for the year	782,722,709	1,817,059,672	771,744,738	1,884,317,983
Amounts written off	(1,793,512,134)	(2,733,344,217)	(1,793,512,133)	(2,776,483,116)
As at 31 March	2,317,606,655	3,328,396,080	2,358,033,189	3,379,800,584

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 2,150,213,027/- (2019 - LKR 3,170,255,645/-) and individual impairment amounting to LKR 167,393,628/- (2019 - LKR 158,140,435/-).

The Group's allowance for impairment losses consists of collective impairment amounting LKR 2,182,528,026/- (2019- LKR 3,215,288,668/-) and individual impairment amounting to LKR 175,505,161/- (2019 - LKR 164,511,918/-).

10.2 Gross Loans and Receivables

Company 2020

	Stage 1	Stage 2	Stage 3	Total
Short term loans	1,873,827,139	-	6,693	1,873,833,832
Cash loans	311,050,656	235,352,819	857,148,597	1,403,552,072
Microfinance loans	2,184,744,497	95,345,982	807,901,763	3,087,992,242
Abhivurdhi SME loans	145,740,682	35,193,743	284,001,015	464,935,439
Business loans	127,336,550	609,785	405,217,125	533,163,461
Gold Loans / Pawning advances	3,558,160,277	1,478,565,031	1,079,039,024	6,115,764,332
Factoring receivables	38,999,845	706,018	29,033,640	68,739,503
Term draft loans	351,344,239	873,477,162	597,500,692	1,822,322,093
Auto Loans	1,479,621,024	981,517,661	858,718,504	3,319,857,189
Staff Loans	338,836,851	33,588,668	25,746,347	398,171,865
Education Loans	256,039,991	104,425,993	113,972,817	474,438,801
Other Loans	225,319,784	196,217,746	553,240,577	974,778,107
	10,891,021,534	4,035,000,609	5,611,526,794	20,537,548,938

Less: Impairment allowance

Short term loans	3,329,404	-	-	3,329,404
Cash loans	28,899,511	73,635,469	328,056,987	430,591,967
Microfinance loans	91,493,122	21,564,288	445,283,836	558,341,246
Abhivurdhi SME loans	27,356,198	7,306,946	148,814,542	183,477,686
Business loans	15,842,541	79,588	135,642,737	151,564,867
Gold Loan / Pawning advances	46,019,143	70,889,427	130,840,064	247,748,633
Factoring receivables	3,241,280	498,624	64,659,804	68,399,708
Term draft loans	6,070,472	19,693,848	108,998,589	134,762,909
Auto Loans	14,067,087	32,462,271	144,825,382	191,354,740
Staff Loans	21,116,005	10,378,397	20,194,258	51,688,661
Education Loans	10,800,326	11,213,175	24,352,926	46,366,426
Other Loans	41,041,964	47,797,476	161,140,969	249,980,409
	309,277,052	295,519,510	1,712,810,094	2,317,606,655
Net Loans and Receivables	10,581,744,482	3,739,481,100	3,898,716,701	18,219,942,284

Notes to the Financial Statements [Cont.]

As at 31st March 2020

Group 2020

	Stage 1	Stage 2	Stage 3	Total
Short term loans	1,885,056,519	-	6,693	1,885,063,212
Cash loans	311,050,656	235,352,819	857,148,597	1,403,552,072
Microfinance loans	2,221,349,149	95,345,982	807,901,763	3,124,596,894
Abhivurdhi SME loans	145,740,682	35,193,743	284,001,015	464,935,439
Business loans	131,194,383	609,785	405,217,125	537,021,294
Gold Loan / Pawning advances	3,689,064,087	1,478,565,031	1,079,039,024	6,246,668,142
Factoring receivables	38,999,845	706,018	29,033,640	68,739,503
Term draft loans	351,344,239	873,477,162	597,500,692	1,822,322,093
Auto Loans	1,479,621,024	981,517,661	861,928,497	3,323,067,182
Staff Loans	338,836,851	33,588,668	33,306,356	405,731,874
Education Loans	256,039,991	104,425,993	113,972,817	474,438,801
Other Loans	239,759,157	196,217,746	543,185,851	979,162,754
	11,088,056,583	4,035,000,609	5,612,242,070	20,735,299,263

Less: Impairment allowance

Cash loans	28,899,511	73,635,469	328,056,987	430,591,967
Microfinance loans	122,873,475	21,564,288	445,283,836	589,721,599
Abhivurdhi SME loans	27,356,198	7,306,946	148,814,542	183,477,686
Business loans	17,206,558	79,588	135,642,737	152,928,884
Gold Loan / Pawning advances	46,460,966	70,889,427	130,840,064	248,190,456
Factoring receivables	3,241,280	498,624	64,659,804	68,399,708
Term draft loans	6,070,472	19,693,848	108,998,589	134,762,909
Auto Loans	14,067,087	32,462,271	144,825,382	191,354,740
Staff Loans	21,116,005	10,378,397	20,194,258	51,688,661
Education Loans	10,800,326	11,213,175	24,352,926	46,366,426
Other Loans	41,041,964	47,797,476	171,710,714	260,550,154
	339,133,841	295,519,510	1,723,379,839	2,358,033,189
Net Loans and Receivables	10,748,922,742	3,739,481,100	3,888,862,232	18,377,266,075

10.3 Gross Loans and Receivables

Company 2019

	Stage 1	Stage 2	Stage 3	Stage 4
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

Notes to the Financial Statements [Cont.]

As at 31st March 2020

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	219,700,016	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

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	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Gross rentals receivable				
- Lease rentals	51,842,699,758	43,104,892,087	64,436,711,680	52,388,217,616
- Amounts receivable from hirers	11,221,195,864	10,438,632,800	11,221,410,413	10,439,581,743
	63,063,895,622	53,543,524,887	75,658,122,093	62,827,799,359
Less: Unearned income	(17,115,122,635)	(14,777,886,830)	(19,639,240,283)	(14,777,886,830)
Net rentals receivable	45,948,772,987	38,765,638,057	56,018,881,810	48,049,912,529
Less : Allowance for impairment losses (Note 11.1)	(2,553,390,942)	(1,615,190,155)	(3,329,381,466)	(1,967,945,330)
Total net rentals receivable (Note 11.2 & 11.3)	43,395,382,046	37,150,447,901	52,689,500,344	46,081,967,198

11.1 Allowance for impairment losses

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
As at 01 April	1,615,190,155	1,708,380,873	1,967,945,330	1,824,657,891
Impact on adoption of SLFRS 9 as at 1st April	-	848,099,441	-	1,196,181,891
Balance as at 1st April	1,615,190,155	2,556,480,314	1,967,945,330	3,020,839,782
Charge / (Reversal) for the year	1,886,472,724	1,061,304,038	2,588,051,906	1,185,525,725
Amounts written off	(948,271,938)	(2,002,594,197)	(1,226,615,770)	(2,238,420,177)
As at 31 March	2,553,390,942	1,615,190,155	3,329,381,466	1,967,945,330

The Company's allowance for impairment losses consists of collective impairment amounting to LKR 2,540,042,040/- (2019 collective impairment -LKR 1,585,830,407/-) and individual impairment amounting Rs.13,348,901/- (2019 - LKR 29,359,479/-)

The Group's allowance for impairment losses consists of collective impairment amounting LKR 3,263,203,476/- (2019 - LKR 1,880,175,910/-) and individual impairment amounting to LKR 66,177,991/- (2019 - LKR 87,769,420/-).

11.2 Gross rentals receivable

Company 2020	Stage 1	Stage 2	Stage 3	Unearned Income	Total
Lease	28,363,798,520	13,706,584,590	9,772,316,648	(14,744,793,301)	37,097,906,457
Amounts receivable from hirers	6,199,199,445	2,854,701,610	2,167,294,809	(2,370,329,334)	8,850,866,530
	34,562,997,965	16,561,286,200	11,939,611,457	(17,115,122,635)	45,948,772,987
Less: Impairment allowance					
Lease	506,074,389	454,678,203	1,198,130,381	-	2,158,882,973
Amounts receivable from hirers	112,679,974	71,590,892	210,237,102	-	394,507,969
	618,754,363	526,269,095	1,408,367,483	-	2,553,390,942
Net Loans and Receivables	33,944,243,601	16,035,017,105	10,531,243,974	(17,115,122,635)	43,395,382,045
Group 2020	Stage 1	Stage 2	Stage 3	Unearned Income	Total
Lease	35,259,025,235	16,018,842,130	13,158,844,314	(17,268,910,948)	47,167,800,731
Amounts receivable from hirers	6,199,413,994	2,854,701,610	2,167,294,809	(2,370,329,334)	8,851,081,079
	41,458,439,229	18,873,543,740	15,326,139,123	(19,639,240,283)	56,018,881,810
Less: Impairment allowance					
Lease	619,976,741	722,072,134	1,591,953,429	-	2,934,002,305
Amounts receivable from hirers	112,679,974	71,590,892	211,108,295	-	395,379,162
	732,656,716	793,663,026	1,803,061,724	-	3,329,381,466
Net Loans and Receivables	40,725,782,513	18,079,880,714	13,523,077,399	(19,639,240,283)	52,689,500,343

Notes to the Financial Statements [Cont.]

As at 31st March 2020

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
Amounts receivable from hirers	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
Amounts receivable from hirers	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 Loans and Receivables	38,592,396,676	9,466,723,981	3,869,214,074	(14,777,886,830)	37,150,447,901
Group 2019					
Lease	38,499,156,931	9,676,607,756	4,212,452,929	(12,267,417,335)	40,120,800,281
Amounts receivable from hirers	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
Amounts receivable from hirers	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 Loans and Receivables	45,477,224,893	11,204,832,425	4,177,796,765	(14,777,886,830)	46,081,967,199

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

As at 31 March 2020	Within One year LKR	1-5 Years LKR	Over 5 Years LKR	Total LKR
Gross rentals receivable				
- Lease rentals	23,437,852,319	28,388,697,882	16,149,557	51,842,699,758
- Amounts receivable from hirers	7,437,047,230	3,784,043,313	105,321	11,221,195,864
	30,874,899,548	32,172,741,195	16,254,878	63,063,895,622
Less: Unearned income	(8,709,317,696)	(8,405,131,082)	(673,856)	(17,115,122,635)
Net rentals receivable	22,165,581,852	23,767,610,113	15,581,022	45,948,772,987
Less : Allowance for impairment losses				(2,553,390,942)
Total net rentals receivable				43,395,382,046
As at 31 March 2019				
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

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

As at 31 March 2020	Within One year LKR	1-5 Years LKR	Over 5 Years LKR	Total LKR
Gross rentals receivable				
- Lease rentals	35,672,360,017	28,748,202,105	16,149,557	64,436,711,678
- Amounts receivable from hirers	7,437,261,779	3,784,043,313	105,321	11,221,410,413
	43,109,621,795	32,532,245,418	16,254,878	75,658,122,091
Less: Unearned income	(11,213,053,425)	(8,425,513,001)	(673,856)	(19,639,240,282)
Net rentals receivable	31,896,568,370	24,106,732,416	15,581,022	56,018,881,809
Less : Allowance for impairment losses				(3,329,381,466)
Total net rentals receivable				52,689,500,344

As at 31 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

Notes to the Financial Statements [Cont.]

As at 31st March 2020

12 DEBT AND OTHER INSTRUMENTS

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Investment in Commercial Papers	104,822,765	177,244,522	104,822,765	177,244,522
Investment in debentures	10,000,000	10,000,000	10,000,000	10,000,000
	114,822,765	187,244,522	114,822,765	187,244,522

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Financial assets at fair value through other comprehensive income				
Government of Sri Lanka Treasury Bills	-	-	60,931,842	56,928,315
Unquoted equity investments (Note 13.1)	4,310,479	4,310,479	6,291,861	6,179,606
	4,310,479	4,310,479	67,223,703	63,107,921

13.1 Unquoted Equity Investments

Company	Company/Group					
	2020			2019		
	No of Shares	Carrying Value LKR	Fair Value LKR	No of Shares	Carrying Value LKR	Fair Value LKR
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

	2020	2019
Ceylon Asset Management Company Limited		
Cost of Investment	10,000,000	10,000,000
Gain/(losses) from market value as at 31 March	(6,262,158)	(6,262,158)
Market Value	3,737,842	3,737,842

Group	2020			2019		
	No of Shares	Carrying Value LKR	Fair Value LKR	No of Shares	Carrying Value LKR	Fair Value LKR
	Credit Information Bureau	200	700,504	2,354,019	200	700,504
Finance House Consortium (Pvt) Ltd	40,000	400,000	200,000	40,000	400,000	400,000
Ceylon Asset Management Company Limited	555,556	10,000,000	3,737,842	555,556	10,000,000	3,737,842
Total			6,291,861			6,179,606

	2020	2019
Ceylon Asset Management Company Limited		
Cost of Investment	10,000,000	10,000,000
Gain/(losses) from market value as at 31 March	6,262,158	6,262,158
Market Value	3,737,842	3,737,842

14 OTHER FINANCIAL ASSETS

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Refundable deposits	64,360,392	45,021,547	64,360,392	45,021,547
Other receivables	367,956,719	394,160,576	349,956,719	394,160,576
Compensation receivable from Government over acquisition of investment property (Note 14.1)	167,296,620	190,975,430	167,296,620	190,975,430
Debt Relief Obligation receivable from Government	143,672,195	-	143,672,195	-
	743,285,925	630,157,553	725,285,925	630,157,553

14.1 Compensation receivable from government over acquisition of investment property

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Government Compensation receivable (Note 19.2)	214,654,240	214,654,240	214,654,240	214,654,240
Less : Allowance for impairment losses	(47,357,620)	(23,678,810)	(47,357,620)	(23,678,810)
	167,296,620	190,975,430	167,296,620	190,975,430

15 INVENTORIES

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Real estate stocks	65,910,298	77,133,325	65,910,298	77,133,325
	65,910,298	77,133,325	65,910,298	77,133,325

As of 31 March 2020 , provision for inventories amounting to Rs.10,344,697/- (2019-Rs.41,392,028/-) was recognised and the inventory balances are carried at net realisable value.

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

16 OTHER ASSETS

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Pre-paid expenses	34,977,106	269,760,265	52,582,519	295,743,176
Tax receivable	-	17,264,204	-	17,264,204
Sundry assets	138,222,412	35,836,006	205,404,140	76,863,359
	173,199,518	322,860,475	257,986,659	389,870,741

Notes to the Financial Statements [Cont.]

As at 31st March 2020

17 INVESTMENT IN SUBSIDIARY

	Effective Holding %		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 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 ASSOCIATES

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
TVS Lanka (Private) Ltd(Note 18.1)	390,000,000	390,000,000	364,203,089	379,914,143
	390,000,000	390,000,000	364,203,089	379,914,143

18.1 TVS Lanka (Private) Limited

As at 1 April	390,000,000	-	379,914,143	-
Share of profit/(loss) for the year	-	-	(15,711,053)	(10,085,857)
Investments in equity during the year	-	390,000,000	-	390,000,000
As at 31 March	390,000,000	390,000,000	364,203,089	379,914,143

18.2 The financial information of the TVS Lanka (Private) Limited is as follows,

	Group	
	2020 LKR	2019 LKR
Revenue	11,986,848,957	11,784,610,883
Expenses	12,067,418,462	11,768,285,616
Net Profit/(Loss) after tax for the year/period	(80,569,505)	16,325,267
As at 31 March		
Non Current Assets	334,153,965	358,832,227
Current Assets	6,938,367,525	6,103,508,083
Total assets	7,272,521,490	6,462,340,310
Current Liabilities	5,499,488,948	4,237,383,358
Total liabilities	5,499,488,948	4,237,383,358

19 INVESTMENT PROPERTY

	Company/Group	
	2020 LKR	2019 LKR
Balance at 1 April	1,448,351,320	1,983,431,494
Acquired during the year	229,784,208	516,705,670
Disposal During the year	(18,902,183)	(19,307,500)
Transferred to Other financial assets(Note 19.1)	(15,600,000)	-
Transferred to Property Plant & Equipments	-	(1,241,275,192)
Net fair value adjustment	54,828,026	208,796,848
Balance at 31 March	1,698,461,370	1,448,351,320

	Company/Group	
	2020 LKR	2019 LKR
Rental income derived from investment properties	1,017,472	4,703,123
Direct operating expenses	-	-
Profit arising from investment properties carried at fair value	1,017,472	4,703,123

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 1,511 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. Further on 25 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 31 March 2020. (Note 14)

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-Mar-20	"Estimated price per perch LKR 280,000/- (Land Extent - 955 perches)"	Positively correlated sensitivity	240,660,000

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, 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.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

19.4 Investment properties are stated at fair value, which have been determined based on valuations performed by following independent chartered valuation surveyors, as at 31 March 2020.

- | | |
|-----------------------------|---|
| 1. Mr. Sunil Fernando | 12. Mrs.G.Wanigathunga |
| 2. Mr.A.B.M.Gunadasa | 13. Mr.M.M.S.Manathunga |
| 3. Mr. H M N Herath | 14. Mr Nilantha Jayawardane |
| 4. Mr.R M Gunarathna | 15. Mr.KRN Jayawardana |
| 5. Mr. L.K.D.A.Kulathunga | 16. Mr GMG Senavirathne |
| 6. Mr. L P Wijeweera | 17. Mr WDA Welikalage |
| 7. Mrs.W.A.C.Wikramarachchi | 18. Mrs. H.M.U. Ranasinghe Kumarapeliya |
| 8. Mr.M.A.A.Sarath | 19. Mrs.K.P.Iresha Udayangani |
| 9. Mr.K.G.A.Shantha | 20. Mr.D Jayawardena |
| 10. Mr.T.M.B.Thennakoon | 21. Mr.HD Wickramasinghe |
| 11. Mr.KUM Dissanayake | |

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 Buildings	Sensitivity of fair value to un-observable inputs	Value 2020 LKR	Value 2019 LKR
Lot No. 5A,5B & 6A in plan No. 88/2010 at Rassandeniya, Matara	Comparison Method of valuation	31-Mar-20	Estimated price per perch LKR 210,000/- (Land Extent -350.1 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-20	Estimated price per perch LKR 16,000,000/- (Land Extent -22.5perches)	-	Positively correlated sensitivity	360,000,000	360,000,000
Lot No. 1,2 & 3 in Plan No.9327/2014 at Main Street,Negombo	Comparison Method of valuation	31-Mar-20	Estimated price per perch LKR 3,500,000/-(Land Extent - 29.34 perches)	-	Positively correlated sensitivity	102,700,000	95,350,000
Lot No. 1 in Plan No.0082 at Magamma, Dehiowita	Comparison Method of valuation	31-Mar-20	Estimated price per perch LKR 225,000/- (Land Extent - 45 perches) Estimated current cost of construction per square feet LKR 3,250/-(8,2254/- square feet)	1	Positively correlated sensitivity	36,950,000	36,950,000
Lot no.01 in Plan No.1351 at Kandy Road, Nuwaraeliya	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 5,600,000/- (Land Extent - 18.5 perches)" Estimated current cost of construction per square foot LKR 6,650/- (12267 square feet)	1	Positively correlated sensitivity	185,000,000	183,000,000

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No of Buildings	Sensitivity of fair value to un-observable inputs	Value 2020 LKR	Value 2019 LKR
Lot No. 3 in Plan No.1143 at Kuda-Pay-agala, Payagala	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 775,000/- (Land Extent - 13.5 perches)" Estimated current cost of construction per square foot LKR 3,500/- (2832 square feet)	1	Positively correlated sensitivity	18,900,000	18,989,000
Lot No 283 in Plan No 520004 at Moragahahena Road, Homagama	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 475,000/- (Land Extent - 383.45 perches)"	-	Positively correlated sensitivity	182,100,000	172,500,000
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)" Estimated current cost of construction per square foot LKR 3,000/- (1000 square feet)	1	Positively correlated sensitivity	8,050,000	8,050,000
Lot No.01 in Plan No.5258 at Athurugiriya Road, Homagama	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 700,000/- (Land Extent - 263.39 perches)"	-	Positively correlated sensitivity	184,400,000	181,700,000
Lot No.15A in Olan No.7177 at 4th Lane, Gadabuwana Road, Kesbawa	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 675,000/- (Land Extent - 20 perches)"	1	Positively correlated sensitivity	13,500,000	16,640,000
Lot No.1 in Plan No.802 at Nawagamuwa	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 230,000/- (Land Extent - 171.5perches)"	-	Positively correlated sensitivity	21,100,000	20,670,000
Lot No. 2B in Plan No.477 at Bangalawatta Road, Kottawa	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 1,500,000/- (Land Extent - 15.70 perches)" Estimated current cost of construction per square foot LKR 3,000/- (809 square feet)	1	Positively correlated sensitivity	26,000,000	24,800,000
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	2,500,000
Lot No. 01 Plan No.1801 Demataluwa, Kurunegala	Comparison Method of valuation	27-Jan-18	"Estimated price per perch LKR 45,000/- (Land Extent - 1R-10P)"	-	Positively correlated sensitivity	1,016,640	1,000,000

Notes to the Financial Statements [Cont.]

As at 31st March 2020

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No of Buildings	Sensitivity of fair value to un-observable inputs	Value 2020 LKR	Value 2019 LKR
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	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	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	3,639,000
Lot no 5594 plan no 126/2010, Apothecarayawatta Wndsor Avaneue, Dehiwala	Comparison Method of valuation	7-Mar-19	"Estimated price per perch LKR 3,500,000/- (Land Extent - 9.3 perches)"	-	Positively correlated sensitivity	10,087,000	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	30,400,000	24,439,000
Lot no 99 Plan no 520022, Kahatagahaovitapilla- wa, 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	4,900,000
Lot no X Plan no 4069,Maradana Ward no 2,Mattakkuliya, Colombo	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 3,100,000/- (Land Extent - 18.15 perches)" Estimated current cost of construction per square foot LKR 4,500/- (4956 square feet)		Positively correlated sensitivity	80,400,000	60,000,000
Lot no.A3,B,C1,D1 & E, Plan no. 1105, Dalaviyagodawatta, Kalawila Village, Beruwala	Positively correlated sensitivity		"Estimated price per perch LKR 150,000/- (Land Extent - 21.5 perches)"		Positively correlated sensitivity	10,332,740	13,506,000

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No of Buildings	Sensitivity of fair value to un-observable inputs	Value 2020 LKR	Value 2019 LKR
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)" Estimated current cost of construction per square foot LKR 3,000/- (2625 square feet)	1	Positively correlated sensitivity	5,691,962	5,332,654
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)" "Estimated price per perch LKR 600,000/- (Land Extent - 10.8 perches)"		Positively correlated sensitivity	10,399,000	10,000,000
Lot no X1, Plan no -4390, Diyambalokotuwa Estate,Ran-gama,Wellawa, Kurunegala	Comparison Method of valuation	27-Mar-19	"Estimated price per perch LKR 2,600,000/- (Land Extent - 23.3625 acres)" Estimated current cost of construction per square foot LKR 2,000/- (1167 square feet)	1	Positively correlated sensitivity	63,000,000	55,500,000
Lot no 17 in Plan no 2060, Batalandehena, Liyanghaiwatta	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)" Estimated current cost of construction per square foot LKR 3,000/- (3986 square feet)	1	Positively correlated sensitivity	13,639,161	13,639,161
Lot E Plan no.147 Kirineliya, urugamuwa	Comparison Method of valuation	28-Mar-18	"Estimated price per perch LKR 50,000/- (Land Extent -0A-2R-10 perches)"		Positively correlated sensitivity	2,992,182	2,992,182
Lot No 5 Plan No.1133,Walpita village, Homamgama	Comparison Method of valuation	28-Sep-18	"Estimated price per perch LKR 175,000/- (Land Extent - 19 perches)"		Positively correlated sensitivity	2,935,000	3,135,000
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	3,794,000	3,450,000
Lot no 3765 Plan no F.T.P.9,Girithale, Paranagama, Hingurakkoda	Comparison Method of valuation	22-Sep-16	"Estimated price per perch LKR 1755,000/- (Land Extent - 9.1 perches)" Estimated current cost of construction per square foot LKR 2,500/- (1284 square feet)	1	Positively correlated sensitivity	2,557,080	25,559,535

Notes to the Financial Statements [Cont.]

As at 31st March 2020

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	No of Buildings	Sensitivity of fair value to un-observable inputs	Value 2020 LKR	Value 2019 LKR
Lot no A in Plan no 5431, Malabe-Kottawa Road, Kottawa	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 850,000/- (Land Extent - 145 perches)"	-	Positively correlated sensitivity	123,250,000	-
Lot no 01 Plan no 8002 at Nupe Anagarika Dharmapala Mawatha	Comparison Method of valuation	31-Mar-20	"Estimated price per perch LKR 5,100,000/- (Land Extent - 16.83 perches)"	-	Positively correlated sensitivity	85,800,000	-
Lot No. 11 in Plan No.225, Gorakamulla Kumbura	Comparison Method of valuation	30-Apr-19	"Estimated price per perch LKR 147,558/- (Land Extent - 11.5 perches)"	-	Positively correlated sensitivity	1,696,926	-
Lot No.02 in Plan No.1032, Attalawattha, Rathnapura	Comparison Method of valuation	13-Jun-19	"Estimated price per perch LKR 115,000/- (Land Extent -00A-01R- 10.25 perches)"	-	Positively correlated sensitivity	2,287,000	-
Lot No.25 in Plan No.2060 Kirikitta Road, Weliveriya	Comparison Method of valuation	23-Dec-19	"Estimated price per perch LKR 180,000/- (Land Extent - 12.5 perches)"	-	Positively correlated sensitivity	1,900,000	-
Lot No.A2, in Plan No. 280A, Meegahawatta, Biyagama	Comparison Method of valuation	18-Feb-18	"Estimated price per perch LKR 150,000/- (Land Extent - 32.2 perches)"	-	Positively correlated sensitivity	20,122,430	-
Lot No. 32 in Plan No.3180 Kottegoda Road, Maswila, Bandaragama	Comparison Method of valuation	30-Jan-20	"Estimated price per perch LKR 155,000/- (Land Extent - 10 perches)"	-	Positively correlated sensitivity	3,800,000	-
Lot No.01, Plan No.5093 ,Pallanchena Estste, Kochchikade	Comparison Method of valuation	16-Jan-20	"Estimated price per perch LKR 350,000/- (Land Extent - 10 perches)" Estimated current cost of construction per square foot LKR 4,500/- (2688 square feet)	-	Positively correlated sensitivity	10,500,000	-
Lot No.01 Plan No.6894 Mawela South, Kaluthara	Comparison Method of valuation	3-Aug-18	"Estimated price per perch LKR 325,000/- (Land Extent - 4 perches)"	-	Positively correlated sensitivity	1,247,000	-

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 31 March 2020.

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 31 March 2020.

Value of the land	Cost of construction per square feet	Fair value gain/(loss) on Investment property LKR
5%	5%	83,911,267
-5%	-5%	(83,911,267)

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 01.04.2019 LKR	Additions/Transfers LKR	Valuation LKR	Balance As at 31.03.2020 LKR
At Cost				
Freehold assets				
Furniture & fittings	338,931,778	15,250,379	-	354,182,157
Leasehold improvements	319,147,394	198,987,283	-	518,134,677
Office equipment	144,824,433	17,798,058	-	162,622,491
Motor vehicles	40,391,670	-	-	40,391,670
Computer equipments	1,133,032,205	38,220,890	-	1,171,253,095
Air conditioning system	108,473,303	4,063,500	-	112,536,803
Generators	15,044,564	7,301,400	-	22,345,964
	2,099,845,347	281,621,510	-	2,381,466,857
At valuation				
Freehold Land	1,757,351,884	-	25,926,600	1,783,278,484
Building and building integrals	409,406,149	-	27,608,092	437,014,241
	2,166,758,033	-	53,534,692	2,220,292,725
Total value of depreciable assets	4,266,603,380	281,621,510	53,534,692	4,601,759,582

Notes to the Financial Statements [Cont.]

As at 31st March 2020

20.2 Depreciation

Company	Balance As at 01.04.2019 LKR	Additions/ Transfers LKR	Valuation LKR	Balance As at 31.03.2020 LKR
At Cost				
Freehold assets				
Furniture & fittings	196,916,246	37,913,611	-	234,829,857
Leasehold improvements	178,512,498	83,570,156	-	262,082,654
Office equipments	85,407,321	17,952,681	-	103,360,002
Motor vehicles	28,103,033	7,290,272	-	35,393,305
Computer equipments	651,708,169	171,252,277	-	822,960,446
Air conditioning system	54,597,045	12,642,128	-	67,239,173
Generators	6,282,493	2,099,591	-	8,382,084
	1,201,526,805	332,720,716	-	1,534,247,520
At valuation				
Building and building integrals	7,554,470	8,080,225	-	15,634,695
	7,554,470	8,080,225	-	15,634,695
Total Depreciation	1,209,081,275	340,800,941	-	1,549,882,216

20.3 Gross carrying amounts

Group	Balance As at 01.04.2019 LKR	Additions/ Transfers LKR	Valuation LKR	Balance As at 31.03.2020 LKR
At cost				
Freehold assets				
Furniture & fittings	354,149,959	16,100,581	(7,875)	370,242,665
Leasehold improvements	319,147,394	198,987,283	-	518,134,677
Office equipment	179,599,804	26,640,707	(918,998)	205,321,513
Motor vehicles	89,288,350	19,860,000	(15,360,000)	93,788,350
Computer equipments	1,179,605,234	45,196,444	(229,036)	1,224,572,642
Air conditioning system	108,473,303	4,063,500	-	112,536,803
Generators	15,044,564	7,301,400	-	22,345,964
	2,245,308,608	318,149,914	(16,515,909)	2,546,942,613
At Valuation				
Freehold Land	1,757,351,884	-	25,926,600	1,783,278,484
Building and building integrals	409,406,149	-	27,608,092	437,014,241
	2,166,758,033	-	53,534,692	2,220,292,725
Total Value of Depreciable Assets	4,412,066,641	318,149,914	37,018,783	4,767,235,339

20.4 Depreciation

Group	Balance As at 01.04.2019 LKR	Additions/ Transfers LKR	Valuation LKR	Balance As at 31.03.2020 LKR
Depreciation				
Freehold Assets				
Furniture & Fittings	207,810,056	38,646,586	(5,657)	246,450,985
Leasehold improvements	178,512,498	83,570,156	-	262,082,654
Office equipment	104,149,094	22,998,119	(453,125)	126,694,088
Motor vehicles	52,943,614	17,966,744	(6,739,638)	64,170,720
Computer Equipments	671,509,981	178,398,533	(153,061)	849,755,453
Air conditioning system	54,597,045	12,642,128	-	67,239,173
Generators	6,282,493	2,099,591	-	8,382,084
	1,275,804,781	356,321,858	(7,351,481)	1,624,775,158
At Valuation				
Building and building integrals	7,554,470	8,080,225	-	15,634,695
	7,554,470	8,080,225	-	15,634,695
Total Depreciation	1,283,359,251	364,402,083	(7,351,481)	1,640,409,853

20.5 Net book values

Company	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
At Cost				
Furniture & fittings	119,352,300	1 142,015,532	123,791,680	146,339,903
Leasehold improvements	256,052,023	140,634,896	256,052,023	140,634,896
Office equipment	59,262,489	59,417,112	78,627,425	75,450,650
Motor vehicles	4,998,365	12,288,637	29,617,630	35,601,612
Computer equipments	348,292,649	475,128,071	374,817,188	502,642,471
Air conditioning system	45,297,630	53,876,258	45,297,630	53,876,258
Generators	13,963,880	8,762,071	13,963,880	8,762,071
Freehold Land	1,783,278,484	1,727,729,685	1,783,278,484	1,727,729,685
Building & building integrals	421,379,546	440,101,057	421,379,546	440,101,057
Total net book value of property, plant & equipment	3,051,877,367	3,059,953,319	3,126,825,486	3,131,138,603

20.6 During the financial year, the Company acquired property, plant & equipment to the aggregate value of LKR 281,621,510 /- (2019 - LKR 425,878,49 /-). Cash payments amounting to LKR 281,621,510/- (2019- LKR 425,878,149 /-) 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 318,149,914/- (2019 - LKR 477,058,132/-). Cash payments amounting to LKR 318,149,914/- (2019- LKR 477,058,132/-) 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 31 March 2018, 31 March 2019 and 31 March 2020. 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 buildings	Significant unobservable input: price per perch/ acre/range	Fair Value LKR
Plan 548, Lot 1, Maithripala Senanayake Mawatta, New Town, Anuradhapura	P 12.2	A.B.M.Gunadasa	31/03/2020	Comparison Method	-	Rs. 2,750,000/- per perch	33,055,000
No 106, Yatinuwaru Veediya, Kandy	P 13.4	A.B.M.Gunadasa	31/03/2020	Comparison Method	-	Rs.7,400,000/- per perch	99,160,000
Plan 3256, Lot C1A & C1B , Yaggapitiya , Kurunegala	P 738.9	A.B.M.Gunadasa	31/03/2020	Residual Method of valuation	-	Rs. 350,000/- per perch	134,400,000
Plan 806, Lot 2, Assessment No. 136 , Kurunegala Road, Puttalam	P 13.64	A.B.M.Gunadasa	31/03/2020	Comparison Method	-	Rs. 800,000/- per perch	10,912,000
Lot 1,2 , Plan 390, Kumbukkanna, Monaragala	A 23 R 2 28.95 P	A.B.M.Gunadasa	31/03/2020	Comparison Method	-	Rs. 950,000/- per acre	22,400,000
Lot No.1 to 7 in Plan No. 2762,Dampe Road, Bolgoda	P 458.12 P	A.B.M.Gunadasa	-	-	-	Rs. 276.697/- per acre	216,576,485
Lot No. 275,277,283,285,287,5289 High Level Road ,Nugegoda	P 29.85	A.B.M.Gunadasa	20/04/2017	Comparison Method	-	Rs. 450,000/- per perch	202,667,600
113/11, Green road, Negombo	P 26.5	A.B.M.Gunadasa	09/05/2018	Comparison Method	-	Rs. 1,700,000/- per perch	41,107,399
Plan 3333A, No 165,Kynsey Road, Colombo 08	P 66	Sunil Fernando & Associates (Pvt) Ltd	31/03/2019	Comparison Method	-	Rs. 15,500,000/- per perch	1,023,000,000
Total							1,783,278,484
Fair Value of Buildings							
Plan 806, Lot 2, Assessment No. 136 , Kurunegala Road,Puttalam	1640 square feet	A.B.M.Gunadasa	31/03/2020	Depreciated Replacement Cost	1	Rs. 3,500/- per square feet	4,784,851
Plan 548, Lot 1, Maithripala Senanayake Mawatta, New Town, Anuradhapura	3975 square feet	A.B.M.Gunadasa	31/03/2020	Depreciated Replacement Cost	1	Rs. 4,750/- per square feet	19,189,918
No 106, Yatinuwaru Veediya, Kandy	12850 square feet	Sunil Fernando & Associates (Pvt) Ltd	31/03/2020	Depreciated Replacement Cost	1	Rs. 6,500/- per square feet	86,456,972
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	4,582,500
Plan 3333A, No 165,Kynsey Road, Colombo 08	29305 square feet	Sunil Fernando & Associates(Pvt) Ltd	31/03/2019	Depreciated Replacement Cost & Investment or Income based valuation	1	Rs. 11,000/- per square feet	322,000,000
Total							437,014,241

20.8 If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Company			
	2020		2019	
	Land LKR	Buildin & building integrals LKR	Land LKR	Building & building integrals LKR
Cost	1,019,111,351	201,855,541	1,019,111,351	201,855,541
Less: Accumulated depreciation	-	(15,634,695)	-	(6,545,572)
Net carrying amount	1,019,111,351	186,220,846	1,019,111,351	195,309,969

- 20.9** Property, Plant and equipment included fully depreciated assets having a gross amount of LKR 374,087,257/- (2019 - LKR 214,992,572/-) and Group fully depreciated assets amounted to LKR 374,087,257/- (2019- LKR Rs. 241,057,616/-)
- 20.10** Title Restriction on Property, Plant and Equipment - Company & Group There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.
- 20.11** Property, Plant and Equipment Pledged as Security for Liabilities - Company & Group There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date other than those disclosed in the Note 52 of these Financial Statements.
- 20.12** Temporarily Idle Property, Plant and Equipment - Company & Group
There were no temporarily idle Property, Plant and Equipment as at the reporting date.

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.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

The estimated useful lives used are as follows:

Components included in buildings and building integrals	Useful Life
Buildings	50 years
Cladding	8 years
Furniture and Fittings	8 years
Leasehold Improvements	5 years
Office Equipment	8 years
Motor Vehicles	4 years
Computer Hardware	5 years
Air Conditioning System	8 years

De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other Operating Income' in the Statement of profit or loss in the year the asset is derecognized.

21. RIGHT OF USE ASSETS

SLFRS 16 "Leases" requires lessee to recognise all significant leases in the statement of Financial Position as "Right of Ues Assets" together with their corresponding lease liability with effect from 1st January 2019. These leases were classified as operating leases under the requirement of "LKAS 17 Leases" up to 31st December 2018.

21.1 Movement in right-of-use assets

	Company 2020 LKR	Group 2020 LKR
Balance as at 1st April	-	-
Day 1 impact from the application of SLFRS 16	576,226,098	606,260,943
Restated Balance as at 1st April	576,226,098	606,260,943
Additions / renewal operating lease during the year	251,708,210	253,868,210
Expiration of operating lease agreements during the year	-	-
Balance as at 31st March	827,934,308	860,129,153
Accumulated amortisation		
Balance as at 1st April	-	-
Amortisation for the year	(178,108,601)	(187,970,243)
Balance as at 31st March	(178,108,601)	(187,970,243)
Net Book Value at 31st March 2020	649,825,707	672,158,910

Notes to the Financial Statements [Cont.]

As at 31st March 2020

21.2 Movement in operating lease liabilities

	Company 2020 LKR	Group 2020 LKR
Balance as at 1st April	-	-
Day 1 impact from the application of SLFRS 16	403,860,506	419,709,008
Restated Balance as at 31st March	403,860,506	419,709,008
Additions/renewal of operating lease agreements during the year	252,832,429	252,832,429
Accretion of interest	71,380,167	73,220,998
Payments to lease creditors	(220,966,439)	(227,975,435)
As at 31st March	507,106,662	517,787,000

The operating lease liabilities are presented under Note 27 to the financial statements. Above is the movement of the operating lease liability during the period

Sensitivity of Right-of-Use Assets/Lease Liability to Key Assumption

Sensitivity to Incremental Borrowing Rates Increase/(decrease) in incremental borrowing rate as at 31st March 2020 by 1% would have (decreased)/increased the lease liability by approximately Rs 635 Mn and Rs 664 Mn respectively. Had the company increased/(decreased) the discount rate by 1%, the company profit before tax for the year would have (decreased)/increased by approximately Rs 1,796 Mn and Rs 1,798 Mn respectively

ACCOUNTING POLICY

Basis of Recognition

The Group applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for short term leases, which are held for use in the provision for services.

Basis of Measurement

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

Lease Liability

At the commencement date of the lease, the company recognises lease liabilities, measured at present value of lease payments to be made over the lease term.

The present value of lease commitments as at 1st April 2019 has been calculated using weighted average incremental borrowing rate of 13%. The Company applied modified retrospective approach in accordance with SLFRS 16 when accounting for right - of use assets and operating lease liabilities.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

22. INTANGIBLE ASSETS & GOODWILL

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Goodwill	-	-	741,712,566	741,712,566
Computer software (22.1)	199,319,998	176,116,081	218,168,752	199,332,288
Goodwill	199,319,998	176,116,081	959,881,318	941,044,854

Goodwill amounting to LKR 741,712,566/- has been recognised in respect of acquisition of Trade Finance and Investments PLC.

The company carried out an impairment assessment as at 31 March 2020 on the goodwill recognised on acquisition of Trade Finance & Investments PLC and concluded that there is no impairment based on the future earnings projections.

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.

22.1 Computer software

	Company			
	Balance As At 01.04.2019 LKR	Additions/ Incurred LKR	Transfers LKR	Balance As At 31.03.2020 LKR
Cost				
Computer software	177,516,778	225,000	58,947,939	236,689,717
Capital work in progress - Computer software	58,947,939	45,407,742	(58,947,939)	45,407,742
Written down value	236,464,717	45,632,742	-	282,097,459

	Company			
	Balance As At 01.04.2019 LKR	Charged LKR	Transfers LKR	Balance As At 31.03.2020 LKR
Amortisation				
Computer software	60,348,636	22,248,486	-	82,597,122
	60,348,636	22,248,486	-	82,597,122
Net Book Value	176,116,081			199,319,998

	Group			
	Balance As At 01.04.2019 LKR	Additions/ Incurred LKR	Transfers LKR	Balance As At 31.03.2020 LKR
Cost				
Computer software	224,471,240	1,868,036	58,947,939	285,287,216
Capital work in progress - Computer software	58,947,939	45,407,742	(58,947,939)	45,407,742
	283,419,180	47,275,778	-	330,694,958

	Balance As At 01.04.2019 LKR	Charged LKR	Transfers LKR	Balance As At 31.03.2020 LKR
	Amortisation			
Computer software	84,086,891	28,258,976	-	112,345,867
	84,086,891	28,258,976	-	112,345,867
Net Book Value	199,332,288			218,348,752

23. DUE TO BANKS

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Bank Overdrafts	256,749,719	507,747,620	267,312,411	653,149,700
Securitised Borrowings, Syndicated Loans and Other Bank Facilities (Note 23.1)	12,404,867,135	8,733,725,354	18,946,896,706	14,374,366,092
Total	12,661,616,855	9,241,472,974	19,214,209,118	15,027,515,792

Notes to the Financial Statements [Cont.]

As at 31st March 2020

23.1 Securitised Borrowings and Direct Bank Facilities

Commercial Credit and Finance PLC	Company / Group As at 01.04.2019 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31.03.2020 LKR	Period	Security
Securitised Borrowings							
Hatton National Bank PLC - Securitisation Loan 12	187,590,001	-	11,416,913	199,006,914	-	36 Months	Micro Finance, HP & Lease Receivables
Hatton National Bank PLC - Securitisation Loan 14	212,500,000	-	21,048,487	171,048,487	62,500,000	36 Months	Lease & HP receivables
Hatton National Bank PLC - Securitisation Loan 15	141,780,186	-	15,779,451	115,739,451	41,820,186	36 Months	Lease & HP receivables
Peoples Bank Trans Loan - 1	34,753,539	-	902,770	35,656,309	-	24 Months	Micro Finance Receivables
Peoples Bank Trans Loan -2- 2	46,004,134	-	4,316,696	50,320,830	-	24 Months	Micro Finance Receivables
Peoples Bank Trans Loan -2- 3	101,094,160	-	1,619,143	102,713,303	-	24 Months	Micro Finance Receivables
Peoples Bank Trans Loan -2- 4	31,432,323	-	1,497,452	32,929,774	-	22 Months	Micro Finance Receivables
National Saving Bank - Securitization Loan	250,000,000	-	29,242,154	154,242,154	125,000,000	24 Months	Lease & HP receivables
Cargills Bank Ltd - Securitization Loan	83,332,992	-	7,480,030	69,980,158	20,832,864	48 Months	Lease & HP receivables
People's Bank - Securitization Loan 11	191,753,337	-	21,824,776	121,824,772	91,753,341	60 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 2	155,058,280	-	4,890,203	159,948,483	-	24 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 3	738,352,397	-	74,923,340	666,191,801	147,083,936	24 Months	Micro Finance Receivables
Hatton National Bank PLC - Trust 4 -1	382,635,328	-	23,304,143	405,939,471	-	11 Months	Micro Finance Receivables
Hatton National Bank PLC - Trust 4 -2	292,752,357	-	22,575,440	295,944,830	19,382,967	24 Months	Micro Finance Receivables
Hatton National Bank PLC - Trust 5	291,485,840	15,000,000	33,809,944	162,159,624	178,136,160	36 Months	Micro Finance Receivables
Hatton National Bank PLC - Trust 6	126,714,763	-	24,185,552	150,900,315	-	16 Months	Lease & HP receivables

	Company / Group As at 01.04.2019 LKR	Loans Obtained LKR	Interest Recognized LKR	Repayments LKR	As at 31.03.2020 LKR	Period	Security
Hatton National Bank PLC - Trust 7	19,019,854	-	-	19,019,854	-	4 Months	Lease & HP receivables
Peoples Bank Trust Loan - 1 - 1	174,597,965	-	24,759,661	161,326,097	38,031,529	24 Months	Lease Receivables
Peoples Bank Trust Loan - 1 - 2	200,000,000	-	31,350,846	23,750,466	207,600,380	24 Months	Lease & HP receivables
Peoples Bank Trust Loan - 2 - 1	-	659,091,000	87,024,542	-	746,115,542	48 Months	Lease Receivables
Peoples Bank Trust Loan - 3	-	499,798,800	60,057,552	112,911,205	446,945,147	15 Months	Lease & HP receivables
Peoples Bank Trust Loan - 2 - 2	-	289,600,000	34,796,294	-	324,396,294	24 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 8	-	200,000,000	16,462,680	21,521,077	194,941,603	24 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 9	-	493,719,990	41,038,766	-	534,758,756	24 Months	Gold Loan
Hatton National Bank PLC - Trust 10	-	300,000,000	24,654,747	48,391,512	276,263,235	24 Months	Gold Loan
Hatton National Bank PLC - Trust 11	-	472,697,630	30,561,712	-	503,259,342	24 Months	Gold Loan
Hatton National Bank PLC - Trust 12	-	824,500,000	16,683,136	-	841,183,136	48 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion Loan	-	900,000,000	68,625,000	68,625,000	900,000,000	18 Months	Lease & HP receivables
	3,660,857,453	4,654,407,419	734,831,428	3,350,091,885	5,700,004,417		

Notes to the Financial Statements [Cont.]

As at 31st March 2020

23.1 Securitised Borrowings and Direct Bank Facilities (Contd...)

Commercial Credit and Finance PLC (Contd...)

	Company/Group						Period	Security
	As at 01.04.2019	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2020			
	LKR	LKR	LKR	LKR	LKR			
Direct Bank Borrowings								
Merchant Bank of Sri Lanka - Term Loan	166,624,767	-	12,180,556	135,900,000	42,905,323	6 Months	Lease & HP receivables	
National Development Bank PLC - Term Loan	251,673,200	250,000,000	36,684,932	286,550,396	251,807,735	3 Months	Lease & HP receivables	
National Development Bank PLC - Term Loan	200,834,500	200,000,000	26,531,507	225,919,818	201,446,189	12 Months	Land & Buliding Mortgage	
National Development Bank PLC - Term Loan	201,053,968	200,000,000	29,050,685	228,658,464	201,446,189	3 Months	Land & Buliding Mortgage	
National Development Bank PLC - Term Loan	-	100,000,000	4,602,740	3,879,645	100,723,094	3 Months	Land & Buliding Mortgage	
National Development Bank PLC - Term Loan	-	100,000,000	1,887,671	1,164,577	100,723,094	3 Months	Land & Buliding Mortgage	
National Development Bank PLC - Term Loan	-	200,000,000	3,205,479	1,759,291	201,446,189	3 Months	Lease & HP receivables	
National Development Bank PLC - Term Loan	-	300,000,000	11,828,768	307,397,260	4,431,508	3 Months	Lease & HP receivables	

	Company/Group						
	As at 01.04.2019	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2020	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Seylan Bank PLC - Term Loan 03	300,000,000	300,000,000	42,448,575	342,448,575	300,000,000	6 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 04	225,000,000	-	27,579,781	127,579,780	125,000,001	60 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 06	281,249,997	-	34,823,098	159,823,113	156,249,982	48 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan	374,990,002	-	38,886,330	288,906,331	124,970,002	21 Months	Lease & HP receivables
Seylan Bank PLC Term Loan	-	228,000,000	13,071,337	116,775,337	124,296,000	3 Months	Fixed deposit
Cargills Bank Ltd- Term Loan	250,000,000	500,045,890	39,568,493	536,803,353	252,811,030	3 Months	Lease & HP receivables
Cargills Bank Ltd - Term Loan	-	200,000,000	6,881,627	39,998,065	166,883,562	18 Months	Lease & HP receivables
Hatton National Bank PLC -Term Loan 1	145,840,000	-	17,581,462	61,321,462	102,100,000	48 Months	Fixed deposit
Hatton National Bank PLC -Term Loan 3	1,125,000,000	1,500,000,000	111,353,419	1,423,853,403	1,312,500,016	12 Months	Lease & HP receivables

	Company/Group						
	As at 01.04.2019	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2020	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Sampath Bank PLC - Short Term Loan	124,970,000	-	10,866,575	110,874,575	24,962,000	60 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	300,000,000	-	39,515,993	339,515,993	-	6 Months	Lian Foreign Currency A.c.no 502920006278
Sampath Bank PLC - Short Term Loan	300,000,000	-	12,863,034	12,863,034	300,000,000	6 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	-	300,000,000	29,672,860	29,672,860	300,000,000	6 Months	Lease & HP receivables
Hatton National Bank PLC - Short Term Loan	-	500,000,000	21,287,114	21,287,114	500,000,000	3 Months	Lease & HP receivables
Hatton National Bank PLC - Short Term Loan	-	500,000,000	-	-	500,000,000	6 Months	Fixed deposit
Bank of Ceylon -Term Loan	255,141,200	-	28,026,011	150,546,011	132,621,200	48 Months	Lease & HP receivables
Bank of Ceylon -Term Loan	251,740,262	-	29,787,290	122,363,319	159,164,233	48 Months	Lease & HP receivables
Bank of Ceylon -Term Loan		100,000,000	4,180,059	10,846,726	93,333,333	60 Months	Land Mortgage
Bank of Ceylon -Term Loan		100,000,000	4,180,038	10,846,705	93,333,333	60 Months	Land Mortgage
DFCC Bank - Term Loan	318,750,000	-	37,579,540	150,079,540	206,250,000	48 Months	Promissory Note
First Capital		250,000,000	29,198,630	15,664,352	263,534,278	6 Months	Lease & HP receivables
First Capital		250,000,000	29,174,658	13,053,627	266,121,031	6 Months	Lease & HP receivables
Acuity securities limited - Short Term Loan		392,309,124	2,678,908	299,184,637	95,803,395	1 Months	Repo Investment
	5,072,867,896	6,470,355,014	737,177,169	5,575,537,364	6,704,862,715		
Total for Company	8,733,725,354	11,124,762,433	1,472,008,597	8,925,629,249	12,404,867,135		

Notes to the Financial Statements [Cont.]

As at 31st March 2020

Trade Finance and Investments PLC

	Company/Group						
	As at 01.04.2019	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2020	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Securitized Borrowings							
Sampath Bank PLC	500,782,500	-	55,562,683	270,606,734	285,738,449	48 Months	Lease & HP receivables
Hatton National Bank PLC - Trust Loans	4,237,138,896	2,740,808,367	827,152,769	2,777,790,803	5,027,309,228	36 Months	Lease & HP receivables
Hatton National Bank PLC	335,408,106	500,000,000	74,857,320	318,381,426	591,884,000	48 Months	Lease & HP receivables
Central Finance Company PLC	43,316,539	-	4,976,430	31,981,534	16,311,436	24 Months	Lease & HP receivables
MBSL Securitization Loan	185,819,425	-	23,906,286	105,471,099	104,254,612	48 Months	Lease & HP receivables
HDFC Securitization Loan	174,204,267	-	21,775,988	65,815,684	130,164,571	48 Months	Lease & HP receivables
NDB Bank PLC	-	550,000,000	17,396,269	282,500,001	284,896,268	48 Months	Lease & HP receivables
Seylan Bank PLC	163,971,005	-	29,034,436	91,534,436	101,471,004	48 Months	Lease & HP receivables
	5,640,640,738	3,790,808,367	1,054,662,181	3,944,081,717	6,542,029,568		
Total for Group	14,374,366,092	14,915,570,800	2,526,670,778	12,869,710,966	18,946,896,706		

23.2 Changes in liabilities arising from financing activities (Securitized Borrowings, Syndicated Loans and Other Bank Facilities)

	Cash Flows			Non Cash Flows	
	Opening 1/4/2019	Loans Capital Obtained Repaid and Interest Net Movement		prepaid expense amortisation	Closing 31/3/2020
	LKR	LKR	LKR	LKR	LKR
Company					
Securitized Borrowings, Syndicated Loans and Other Bank Facilities	8,733,725,353	11,124,762,433	1,472,008,597	8,925,629,249	12,404,867,137
Group					
Securitized Borrowings, Syndicated Loans and Other Bank Facilities	14,374,366,092	14,915,570,800	2,526,670,778	12,869,710,966	18,946,896,708

24. DUE TO CUSTOMERS

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Fixed Deposits - Monthly	27,935,782,517	30,896,140,357	27,935,782,517	30,896,140,357
Fixed Deposits - Maturity	18,193,561,884	19,884,072,513	19,747,681,784	21,912,024,343
Savings Deposits	1,265,177,476	1,128,154,468	1,265,177,476	1,128,154,468
	47,394,521,877	51,908,367,338	48,948,641,777	53,936,319,168

25. DEBT INSTRUMENTS ISSUED

	Company / Group	
	2020	2019
	LKR	LKR
Debentures (Note 25.1)	3,030,176,811	3,011,533,608
Commercial Papers (Note 25.3)	319,717,655	-
	3,349,894,465	3,011,533,608

25.1 Debentures

Type of debenture	Company/Group						
	Face value	Interest rate	Frequency of interest payment	Issued date	Maturity date	Amortised Cost	Amortised Cost
	(LKR)					LKR	LKR
Rated, Subordinated, Guaranteed, Redeemable Debentures	1,000,000,000	10.5%	Quarterly	1-Jun-15	30-May-20	999,918,547	995,824,292
Rated, Guaranteed, Subordinated, Redeemable Debentures (Type A)	2,000,000,000	10.40%	Semi Annually	10-Dec-15	9-Dec-20	2,030,258,264	2,015,709,316
Rated, Guaranteed, Subordinated, Redeemable Debentures (Type B)		6 months gross treasury bill rate + 1.50%					
						3,030,176,811	3,011,533,608

25.2 Changes in liabilities arising from financing activities (Debentures)

	Cash Flows		Non Cash Flows		
	As at 1/4/2019	Debentures Capital Repaid	Debenture Interest Net Movement	prepaid expense amortisation	As at 31/3/2020
	LKR	LKR	LKR	LKR	LKR
Debts Instruments Issued	3,011,533,608	-	-	18,643,202	3,030,176,811

25.3 Commercial Papers

Tenure	Interest rate	Issued Amount	Repayments	Amortised Cost
		LKR	LKR	As at 31.03.2020 LKR
Less than 90 days	9.38%	86,782,556	(86,782,556)	-
	9.34%	100,000,000	-	101,246,092
90 days to 182 days	9.84%	150,000,000	-	155,002,000
	11.08%	30,000,000	-	31,855,900
Above 182 days	11.63%	30,000,000	-	31,613,663
Total		396,782,556	(86,782,556)	319,717,655

Notes to the Financial Statements [Cont.]

As at 31st March 2020

26. OTHER FINANCIAL LIABILITIES

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Trade Payables	1,753,986,571	2,162,248,713	1,987,798,983	2,546,086,231
	1,753,986,571	2,162,248,713	1,987,798,983	2,546,086,231

27. OTHER LIABILITIES

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
VAT Payables	600,885,712	762,170,742	606,766,346	810,595,750
Advances received against Real Estate stock	2,287,501	9,027,261	2,287,501	9,027,261
Dividend Payable	2,629,438	1,910,777	2,629,438	1,910,777
Other Liabilities	202,449,148	458,007,715	329,305,504	568,490,293
Lease Liabilities	507,106,662	-	517,787,000	-
Deferred Revenue on Land sale income	4,219,621	8,843,599	4,219,621	8,843,599
	1,319,578,082	1,239,960,092	1,462,995,410	1,398,867,679

28. POST EMPLOYMENT BENEFIT OBLIGATIONS

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
As at the 1 April	175,608,858	155,833,660	189,283,759	166,395,524
Amount Charged for the year (Note 28.1)	65,625,989	49,166,640	72,459,570	52,884,126
Payments made during the year	(18,527,375)	(12,347,688)	(18,893,773)	(12,856,586)
Actuarial Gains for the year	75,984,355	(17,043,754)	78,849,526	(17,139,305)
As at 31 March	298,691,827	175,608,858	321,699,082	189,283,759

28.1 Expenses on Defined Benefit Plan

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Current Service Cost for the year	45,606,580	33,115,774	45,606,580	35,671,455
Interest cost for the year	20,019,409	16,050,866	20,019,409	17,212,671
	65,625,989	49,166,640	65,625,989	52,884,126

28.2 Assumptions

	Company		Subsidiary (Trade Finance and Investment PLC)	
	2020	2019	2020	2019
Discount Rate	9.79%	10.30%	10.10%	11.00%
Salary scale	9.00%	9.00%	10.00%	10.00%
Staff Turnover				
20 - 30 years	10.00%	10.00%	10.00%	15.00%
35 years	7.50%	7.50%	10.00%	15.00%
40 years	5.00%	5.00%	10.00%	15.00%
45 years	2.50%	2.50%	10.00%	15.00%
50 years	1.00%	1.00%	10.00%	15.00%
Mortality	GA 1983	GA 1983	GA 1983	GA 1983
	Mortality Table	Mortality Table	Mortality Table	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 31 March 2020 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 31 March 2020

Increase/ (Decrease) in Salary Scale	Increase/ (Decrease) in Discount Rate	Company		Group	
		Increase/(Decrease) in PVDBO		Increase/(Decrease) in PVDBO	
		2020	2019	2020	2019
		LKR	LKR	LKR	LKR
	(-1%)	28,518,948	18,069,133	30,397,286	19,134,815
	1%	(24,394,042)	(15,422,412)	(25,975,299)	(16,320,695)
(-1%)		(24,323,567)	15,557,532	(25,904,824)	16,593,926
1%		27,890,268	(17,918,764)	29,700,763	(18,807,294)

28.4 Expected Benefit payout in the future years for retirement gratuity

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Within next 12 months	18,088,137	18,771,631	18,088,137	18,771,631
Between 1 to 5 years	142,260,413	173,053,784	142,260,413	173,053,784
Beyond 5 years	257,217,887	212,946,546	257,217,887	212,946,546

Notes to the Financial Statements [Cont.]

As at 31st March 2020

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 31 March 2020, carried out by Messers 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. the liability for payment to an employee arises only after the completion of 5 years of continued service.

Funding Arrangements

The Gratuity liability is not externally funded.

Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Group contributes 12% and 3% of salaries and other entitled allowances of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

29. DEFERRED TAXATION

29.1 Deferred Tax Assets, Liabilities and Income Tax relates to the following;

Company	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2020	2019	2020	2019	2020	2019
	LKR	LKR	LKR	LKR	LKR	LKR
Deferred Tax Liabilities						
Capital Allowances for tax purposes	125,807,593	66,905,777	58,901,816	(93,442,765)	-	-
Revaluation of Building	47,730,162	32,574,669	165,779	-	14,989,714	-
Investment Property	12,988,983	6,789,880	6,199,103	(1,787,768)	-	-
Lease Rental Receivable	204,170,313	327,458,361	(123,288,048)	(333,956,571)	-	-
	390,697,052	433,728,687	(58,021,349)	(429,187,104)	14,989,714	-
Deferred Tax Assets						
Post Employment Benefit Obligations	(83,633,712)	(49,170,480)	(13,187,613)	(10,286,556)	(21,275,619)	4,772,251
Temporary difference on provisions	-	-	-	1,037,996,275	-	-
Tax Losses	(41,702,055)	-	(41,684,732)	-	-	-
	(125,335,767)	(49,170,480)	(54,872,345)	1,027,709,719	(21,275,619)	4,772,251
Deferred income tax charge/ (reversal)						
Statement of Profit or Loss	-	-	(112,893,694)	598,521,615	-	-
Statement of Other Comprehensive Income	-	-	-	-	(6,285,905)	4,772,251
Net Deferred Tax (Asset)/Liability	265,361,284	384,558,207	-	-	-	-

29.2 Deferred Tax Assets, Liabilities and Income Tax relates to the following;

Group	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2020 LKR Liability	2019 LKR Liability	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Deferred Tax Liabilities						
Capital Allowances for tax purposes	128,838,012	70,167,430	58,670,582	(749,795,863)	-	-
Fair Value through other Comprehensive Income Reserve	431,495	366,649	64,846	(31,954)	-	-
Revaluation of Building	47,730,162	32,574,669	15,155,493	-	14,989,714	-
Investment Property	12,988,983	6,789,880	6,199,103	6,789,880	-	-
Lease rental receivables	205,282,695	8,577,648	2,785,854	193,919,193	-	-
	395,271,348	312,395,469	82,875,879	(549,118,744)	14,989,714	-
Deferred Tax Assets						
Post Employment Benefit Obligation	(90,075,743)	(52,999,452)	(15,800,671)	(1,613,704)	(21,275,619)	(4,772,251)
Temporary difference on provisions	-	(52,335,726)	(989,066,564)	985,660,549	-	-
Lease Rental Receivables	(98,917,594)	-	(1,140,319,884)	-	-	-
Tax Losses	(125,516,878)	-	(125,516,878)	-	-	-
	(314,510,215)	(105,335,178)	(2,270,703,998)	984,046,845	(21,275,619)	(4,772,251)
Deferred income tax charge						
Statement of Profit or Loss			(2,187,828,119)	(522,153,223)		
Statement of Other Comprehensive Income					(6,285,905)	(4,772,251)
Net Deferred Tax (Asset)/Liability	80,761,132	207,060,291				

ACCOUNTING POLICY

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

Deferred tax liabilities are recognised for all taxable temporary differences 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 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 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 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 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.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

30. STATED CAPITAL

30.1 Issued and Fully Paid-Ordinary shares

	Company/Group 2020		Company/Group 2019	
	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	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
As at 01 April	6,612,084,610	7,284,658,283	7,356,688,195	7,859,293,595
Impact of adopting SLFRS -9	-	(2,109,232,265)	-	(2,465,963,389)
Profit for the Year	1,663,899,075	2,078,678,579	2,005,362,994	2,633,406,656
Other Comprehensive Income net of tax	(54,708,736)	12,271,503	(56,901,561)	12,340,059
Dividend Paid (Note 45)	(318,074,370)	(238,555,774)	(318,074,370)	(238,555,774)
Transfers to Statutory Reserve Fund (Note 32)	(332,779,815)	(415,735,716)	(350,701,199)	(443,832,952)
As at 31 March	7,570,420,764	6,612,084,610	8,636,374,058	7,356,688,195

32. RESERVES

	Company				
	Revaluation Reserve LKR	General Reserve (Note 30.1) LKR	Statutory Reserve (Note 30.2) LKR	FVOCI Reserve LKR	Total Reserve LKR
As at 01 April 2019	181,972,474	58,751,125	2,989,810,673	(6,262,158)	3,224,272,114
Other Comprehensive Income for the year net of tax	38,544,978	-	-	-	38,544,978
Transfers to/(from) during the year	-	-	332,779,815	-	332,779,815
As at 31 March 2020	220,517,452	58,751,125	3,322,590,488	(6,262,158)	3,595,596,907

	Group				
	Revaluation Reserve LKR	General Reserve (Note 30.1) LKR	Statutory Reserve (Note 30.2) LKR	FVOCI Reserve LKR	Total Reserve LKR
As at 01 April 2019	181,972,475	58,751,126	3,079,067,382	(7,294,556)	3,312,496,424
Other Comprehensive Income for the year net of tax	38,544,978	-		230,785	38,775,764
Transfers to/(from) during the year	-	-	350,701,199	-	350,701,199
As at 31 March 2020	220,517,452	58,751,125	3,429,768,580	(7,063,772)	3,701,973,390

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. 1 of 2003.

33. GROSS INCOME

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Interest income (Note 33.1)	17,966,128,159	19,626,812,489	20,835,015,311	22,125,265,906
Fee and Commission Income (Note 34)	1,267,296,634	1,336,533,359	1,319,142,520	1,432,368,091
Net income from Real estate sales (Note 35)	6,929,903	24,023,559	6,929,903	24,023,559
Net gain/(loss) from trading (Note 36)	(10,350,171)	(35,984,919)	(10,350,171)	(35,984,919)
Other operating income (Note 37)	600,849,246	723,444,622	753,252,067	684,882,046
Change in fair value of Investment property	54,828,026	208,796,848	54,828,026	208,796,848
	19,885,681,797	21,883,625,959	22,958,817,657	24,439,351,531

33.1 Interest Income

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Reverse repurchase agreements	261,063,254	220,072,775	278,559,488	227,674,574
Placement with Banks and other Financial Institutions	478,552,449	426,169,771	501,716,413	416,158,943
Loans and Advances	5,120,633,748	9,363,797,713	5,467,601,595	9,560,478,207
Lease rentals receivable & Stock out on hire	11,928,880,907	9,388,417,687	14,377,999,508	11,680,817,339
Financial assets - fair value through profit or loss	176,997,801	228,354,544	209,138,307	240,136,844
Total Interest Income	17,966,128,159	19,626,812,489	20,835,015,310	22,125,265,906

Notes to the Financial Statements [Cont.]

As at 31st March 2020

33.2 Interest Expenses

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Due to Banks	1,587,660,631	1,389,050,865	2,644,727,607	2,012,232,511
Due to Customers	6,619,446,143	7,091,854,116	6,890,264,413	7,357,789,681
Debt instruments issued	314,659,512	289,720,517	314,659,512	289,720,517
Interest Expense on Lease Liabilities	71,380,167	-	73,220,998	-
Total Interest Expenses	8,593,146,453	8,770,625,499	9,922,872,530	9,659,742,709

34. FEE AND COMMISSION INCOME/EXPENSE

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Fee and Commission Income				
Credit Related Fees and Commissions	266,703,133	216,719,254	318,549,019	302,509,237
Service Charges	1,000,593,501	1,119,814,105	1,000,593,501	1,129,858,854
Total Fee and Commission Income	1,267,296,634	1,336,533,359	1,319,142,520	1,432,368,091

35. NET INCOME FROM REAL ESTATE SALES

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Proceeds from Real Estate sales	24,032,060	24,032,060	24,032,060	24,032,060
Cost of sales	(17,102,156)	(8,501)	(17,102,156)	(8,501)
	6,929,903	24,023,559	6,929,903	24,023,559

36. NET GAIN/(LOSS) FROM TRADING

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Financial assets recognised through profit or loss - measured at fair value	(10,350,171)	(35,984,919)	(10,350,171)	(35,984,919)
	(10,350,171)	(35,984,919)	(10,350,171)	(35,984,919)

37. OTHER OPERATING INCOME

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Profit on disposal of property & equipment	-	1,066,659	2,161,995	1,982,393
Sundry Income from Real estate	797,974	1,118,180	797,974	1,118,180
Bad debt recoveries	459,394,587	565,917,380	497,970,630	568,873,201
Rent income	1,017,472	4,703,123	1,017,472	4,703,123
Dividend Income	2,942,109	51,128,724	3,236,135	2,647,078
Other sundry income	91,470,564	70,098,028	202,841,325	76,145,544
Gain from disposal of investment property	289,505	1,628,500	289,505	1,628,500
Pawning auction (loss)/gain	44,937,034	27,784,028	44,937,034	27,784,028
Total Other Operating Income	600,849,246	723,444,622	753,252,066	684,882,045

38. IMPAIRMENT CHARGES OF FINANCIAL ASSETS

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Loans and Receivables	782,722,709	1,817,059,672	771,744,919	1,884,668,185
Lease rentals receivable & Stock out on hire	1,886,472,724	1,061,304,038	2,588,051,906	1,185,525,725
Other Financial Assets	44,785,377	-	44,785,377	-
	2,713,980,811	2,878,363,710	3,404,582,022	3,070,193,910

39. PERSONNEL EXPENSES

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Salaries and bonus	1,774,135,511	2,108,857,246	1,937,484,148	2,323,757,725
Contribution to Defined Contribution Plan				
Contribution to EPF	179,890,181	189,921,969	203,865,322	210,952,642
Contribution to ETF	44,972,545	47,462,918	44,972,545	47,462,918
Contribution to defined benefit plan (Note 28.1)	65,625,989	49,166,640	72,459,570	52,884,126
Travelling & Subsistence	242,519,760	275,961,914	242,519,760	275,961,914
Other allowances & staff related expenses	204,224,866	456,240,768	204,224,866	495,705,861
	2,511,368,853	3,127,611,455	2,705,526,210	3,406,725,185

Notes to the Financial Statements [Cont.]

As at 31st March 2020

40. OTHER OPERATING EXPENSES

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Directors' Fees and Expense	10,589,832	6,112,040	36,925,714	9,422,040
Auditors' remuneration				
- Audit	4,800,000	5,601,750	10,290,084	10,308,548
- Non-audit	4,085,249	3,197,002	4,085,249	3,197,002
Professional and Legal Expenses	179,537,857	153,996,609	181,060,533	160,833,502
Regulatory Penalties	2,000,000	4,500,000	2,000,000	4,500,000
Office Administration and Establishment Expenses	2,190,068,560	2,269,929,838	2,404,105,587	2,478,631,372
Advertising and Business Promotion Expenses	473,967,137	506,373,983	542,375,077	529,256,371
	2,865,048,634	2,949,711,222	3,180,842,243	3,196,148,835

41. TAX ON FINANCIAL SERVICES

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Value added tax	594,028,190	767,693,905	676,610,427	913,235,428
Debt repayment levy	269,463,668	221,553,566	304,892,097	262,719,550
	863,491,858	989,247,471	981,502,524	1,175,954,978

42. SHARE OF LOSS OF ASSOCIATE

	Group	
	2020	2019
	LKR	LKR
Share of Loss of associates before income tax	(15,711,053)	(10,085,857)
Income tax on share of operating results of associates	-	-
Share of Loss of associates net of income tax	(15,711,053)	(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	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Statement of Profit or Loss				
Current Income Tax				
Income Tax for the year	246,499,102	145,142,571	337,483,962	451,521,461
(Over)/under Provision of Current Taxes in respect of Previous Years	-	-	(38,051,778)	13,524,967
Dividend Tax	-	-	-	19,427,770
Tax on Capital Gains	-	19,427,770	-	7,870,155
Deferred Tax				
Deferred Taxation Charge/(Reversal) (Note 29)	(112,911,016)	598,522,615	(120,979,250)	434,928,101
	133,588,085	763,092,956	178,452,933	927,272,453
Statement of Other Comprehensive Income				
Deferred tax related to other comprehensive income (Note 29)	(6,285,905)	4,772,251	(6,285,905)	4,772,251
Income tax charged directly Statement of Other Comprehensive income	(6,285,905)	4,772,251	(6,285,905)	4,772,251

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 31 March 2020 and 2019 is as follows:

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Accounting profit before tax	1,797,487,160	2,841,894,340	2,200,779,691	3,562,858,297
Non deductible Expenses and Capital portion of lease rentals	8,456,774,692	11,964,681,499	10,229,932,638	14,922,232,656
Exempt Income	(87,953,377)	(51,196,996)	(87,953,377)	(1,453,809,883)
Allowable Expenses including depreciation allowances on leased hold assets	(7,326,897,914)	(11,160,919,097)	(9,176,218,394)	(12,342,611,002)
Total profit from businesses (leasing and non- leasing)	2,839,410,562	3,594,459,747	3,166,540,559	4,688,670,068
Loss on leasing business	(1,920,565,859)	(3,076,093,430)	(1,920,565,859)	(3,076,093,430)
Total Statutory Income	918,844,702	518,366,316	1,245,974,700	1,612,576,638
Taxable Income	918,844,702	518,366,316	1,245,974,700	1,612,576,638
Income Tax Expense	246,499,102	145,142,569	337,483,962	451,521,461
Effective tax rate	7.43%	26.17%	9.84%	24.88%

Notes to the Financial Statements [Cont.]

As at 31st March 2020

ACCOUNTING POLICY

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 recognized directly in equity is recognized 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.

44.EARNINGS PER ORDINARY SHARE

44.1BASIC 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.

For the year ended 31 March	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019
Amounts Used as the Numerators:				
Profit attributable to Ordinary Shareholders for Basic Earnings Per Share	1,663,899,075	2,078,678,579	2,005,362,994	2,633,406,656
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.)	5.23	6.54	6.30	8.28

44.2DILUTED 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	
	2020 LKR	2019 LKR	2020 LKR	2019
Amounts Used as the Numerators:				
Profit attributable to Ordinary Shareholders for Basic Earnings Per Share	1,663,899,075	2,078,678,579	2,005,362,994	2,633,406,656
Weighted Average Number of Ordinary Shares	318,074,365	318,074,365	318,074,365	318,074,365
Diluted Earnings per ordinary share (Rs.)	5.23	6.54	6.30	8.28

45. DIVIDEND PAID

45.1 Declared and Paid During the Year

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Dividends on Ordinary Shares:				
Final Dividend for 2018/19 Rs.1/- per share (Final Dividend for 2017/18 Rs.0.75/- per share.)	318,074,365	238,555,774	318,074,365	238,555,774
	318,074,365	238,555,774	318,074,365	238,555,774

ACCOUNTING POLICY

Dividend on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted 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 2020

	Finance Lease		Hire Purchase		Microfinance and SME Loans		Pawning		Term Loan		Revolving Loans		Investments		Unallocated		Total	
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Interest income	12,011,492,021	2,713,475,334	1,250,947,689	1,608,014,994	1,529,730,974	61,232,928	989,414,207	670,707,163	20,835,015,311									
Fee Based Income	760,492,355	171,800,243	79,202,163	101,809,426	96,852,973	3,876,885	62,643,503	42,464,972	1,319,142,520									
Net income from Real estate sales																		
Net gain from trading																		
Other operating income	434,253,638	98,100,763	45,225,738	58,134,856	55,304,640	2,213,765	35,770,470	24,248,197	753,252,067									
Change in fair value of Investment property																		
Total Revenue	13,206,238,014	2,983,376,340	1,375,375,590	1,767,959,276	1,681,888,587	67,323,578	1,077,478,010	799,178,261	22,958,817,656									
Segmental Result Before depreciation and amortisation	2,164,467,962	488,967,600	225,420,472	289,763,914	275,657,152	11,034,159	176,595,835	130,983,232	3,762,890,326									
Depreciation and Amortisation																		
Segments Results																		
VAT on Financial Services																		
Debt repayment levy																		
Share of loss of associates																		
Profit before Taxation																		
Income Tax Expenses																		
Net profit for the Year																		2,006,615,705
Segment Asset	44,233,505,732	8,455,994,611	2,817,204,243	5,998,477,686	7,664,165,075	384,092,411	13,441,762,449	6,866,975,180	89,862,177,386									
Total Assets									89,862,177,386									
Segment Liabilities	37,097,948,086	7,091,910,169	2,362,745,051	5,030,829,235	6,427,815,145	322,132,286	11,273,395,524	5,759,224,473	75,365,999,968									
Total Liabilities									75,365,999,968									

46.2 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

Notes to the Financial Statements [Cont.]

As at 31st March 2020

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.

- 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 2020 or 2019.

47 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

47.1

Company As at 31 March 2020	At Fair Value		Cost	
	Fair value through profit or Loss LKR	Fair value through Other Comprehensive Income LKR	Financial assets measured at amortised cost LKR	Total LKR
Assets				
Cash and Bank Balances	-	-	854,570,071	854,570,071
Reverse repurchase agreements	-	-	3,004,279,491	3,004,279,491
Placements with banks	-	-	3,812,279,883	3,812,279,883
Financial assets recognised through profit or loss - measured at fair value	2,072,291,864	-	-	2,072,291,864
Financial assets at amortised cost				
Loans and Receivables	-	-	18,219,942,284	18,219,942,284
Lease rentals receivable & Stock out on hire	-	-	43,395,382,046	43,395,382,046
Debt & other instruments	-	-	114,822,765	114,822,765
Financial assets at fair value through other comprehensive income	-	4,310,479	-	4,310,479
Other financial assets	-	-	743,285,925	743,285,925
Total Financial Assets	2,072,291,864	4,310,479	70,144,562,465	72,221,164,808

Company As at 31 March 2020	At Amortised Cost	
	Other Financial Liabilities LKR	Total LKR
Liabilities		
Due to Banks	12,661,616,855	12,661,616,855
Due to Customers	47,394,521,877	47,394,521,877
Debt Instruments Issued and Other borrowed funds	3,349,894,465	3,349,894,465
Other Financial Liabilities	1,753,986,571	1,753,986,571
Total Financial Liabilities	65,160,019,768	65,160,019,768

Notes to the Financial Statements [Cont.]

As at 31st March 2020

Group As at 31 March 2020	At Fair Value		Cost	
	Fair value through profit or Loss LKR	Fair value through Other Comprehensive Income LKR	Financial assets measured at amortised cost LKR	Total
Assets				
Cash and Bank Balances	-	-	1,208,461,539	1,208,461,539
Reverse repurchase agreements	-	-	3,141,542,623	3,141,542,623
Placements with banks	-	-	3,826,996,141	3,826,996,141
Financial assets recognised through profit or loss - measured at fair value	2,228,854,997	-	-	2,228,854,997
Loans and Receivables	-	-	18,377,266,075	18,377,266,075
Lease rentals receivable & Stock out on hire	-	-	52,689,500,344	52,689,500,344
Debt & other instruments	-	-	114,822,765	114,822,765
Financial assets at fair value through other comprehensive income	-	67,223,703	-	67,223,703
Other financial assets	-	-	725,285,925	725,285,925
Total Financial Assets	2,228,854,997	67,223,703	80,083,875,411	82,379,954,110

Group As at 31 March 2020	At Amortised Cost	
	Other Financial Liabilities LKR	Total
Liabilities		
Due to Banks	19,214,209,118	19,214,209,118
Due to Customers	48,948,641,777	48,948,641,777
Debt Instruments Issued and Other borrowed funds	3,349,894,465	3,349,894,465
Other Financial Liabilities	1,987,798,983	1,987,798,983
Total Financial Liabilities	73,500,544,343	73,500,544,343

47. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

47.2 As at 31 March 2019 Company	At Fair Value		Cost	
	Fair value through profit or Loss LKR	Fair value through Other Comprehensive Income LKR	Financial assets measured at amortised cost 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 & 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

As at 31 March 2019 Company	At Amortised Cost	
	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	2,162,248,713	2,162,248,713
Total Financial Liabilities	66,323,622,633	66,323,622,633

Notes to the Financial Statements [Cont.]

As at 31st March 2020

Group As at 31 March 2019	At Fair Value		Cost	
	Fair value through profit or Loss LKR	Fair value through Other Comprehensive Income LKR	Financial assets measured at amortised cost 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
Placements with banks	-	-	3,513,125,045	3,513,125,045
Financial assets recognised through profit or loss - measured at fair value	2,116,671,777	-	-	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 & 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	80,540,806,099	82,720,585,795

Group As at 31 March 2019	At Amortised Cost	
	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
Debt Instruments Issued and Other borrowed funds	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

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 recognised through profit or loss - measured at fair value

Financial assets recognised through profit or loss 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

Financial assets at fair value through other comprehensive income, primarily consist of equity securities which are valued using valuation techniques or pricing models. These assets are valued using models that use both observable and unobservable data. 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

Notes to the Financial Statements [Cont.]

As at 31st March 2020

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

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

	Company				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets								
Financial assets - Recognised through profit or loss								
Government of Sri Lanka Treasury Bills	2,034,739,361	-	-	2,034,739,361	2,034,739,361	-	-	2,034,739,361
Quoted equities	37,552,503	-	-	37,552,503	39,202,052	-	-	39,202,052
Investments in Unit Trusts	-	-	-	-	154,913,584	-	-	154,913,584
Financial assets - fire valued through other comprehensive income								
Government of Sri Lanka Treasury Bonds	-	-	-	-	-	-	-	-
Government of Sri Lanka Treasury Bills	-	-	-	-	60,931,842	-	-	60,931,842
Unquoted equities	-	-	4,310,479	4,310,479	-	-	6,291,861	6,291,861
Unit Trusts	-	-	-	-	-	-	-	-
Total Financial Assets	2,072,291,864	-	4,310,479	2,076,602,343	2,289,786,838	-	6,291,861	2,296,078,700
Non financial assets measured at fair value								
Freehold land	-	-	1,783,278,484	1,783,278,484	-	-	1,783,278,484	1,783,278,484
Building & Building integrals	-	-	421,379,546	421,379,546	-	-	421,379,546	421,379,546
Investment property	-	-	1,698,461,370	1,698,461,370	-	-	1,698,461,370	1,698,461,370
	-	-	3,903,119,400	3,903,119,400	-	-	3,903,119,400	3,903,119,400

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

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

	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 valued through other comprehensive income								
Government of Sri Lanka Treasury Bills	-	-	-	-	56,928,315	-	-	56,928,315
Unquoted equities	-	-	4,310,479	4,310,479	-	-	6,179,606	6,179,606
Investments in 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

Notes to the Financial Statements [Cont.]

As at 31st March 2020

48.2 Movements in level 3 financial instruments measured at fair value

	Company		Group	
	2020	2019	2020	2019
	LKR	LKR	LKR	LKR
Equity Securities				
As at 1 April	4,310,479	4,310,479	4,310,479	4,838,346
Sold during the financial year			-	-
Acquired during the year	-	-	112,255	(527,867)
As at 31 March	4,310,479	4,310,479	4,422,734	4,310,479

48.3 Movements in level 3 Non financial assets measured at fair value

	Company / Group		
	Free hold Land	Building & building integrals	Investment Property
	LKR	LKR	LKR
Balance as at 1 April 2018	746,633,985	92,535,320	1,983,431,494
Disposals		(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 31 March 2019	1,757,351,884	409,406,149	1,448,351,820
Disposals			(18,902,183)
Acquired during the year	-	-	229,784,208
Fair Value Recognised During the year	25,926,600	27,608,092	54,827,525
Disposals/Transfers	-	-	(15,600,000)
Depreciation	-	(15,634,695)	-
Balance as at 31 March 2020	1,783,278,484	421,379,546	1,698,461,370

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.

Company	2020		2019		
	Level	Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets					
Cash and Bank Balances		854,570,071	854,570,071	1,748,596,904	1,748,596,904
Reverse Repurchase Agreements		3,004,279,491	3,004,279,491	3,662,522,772	3,662,522,772
Placement with Banks		3,812,279,883	3,812,279,883	3,603,184,738	3,603,184,738
Financial assets recognised through profit or loss - measured at fair value	Level 1	2,072,291,864	2,072,291,864	-	-
Loans and Receivables	Level 2	18,219,942,284	20,171,750,023	23,704,115,396	36,126,081,319
Lease rentals receivable & Stock out on hire	Level 2	43,395,382,046	43,660,007,655	37,150,447,901	28,461,642,471
Debt & other instruments	Level 2	114,822,765	114,822,765	187,244,522	187,244,522
Financial assets at fair value through other comprehensive income	Level 3	4,310,479	4,310,479	-	-
Other financial assets		743,285,925	743,285,925	630,157,554	630,157,554
Total Financial Assets		72,221,164,808	74,437,598,156	70,686,269,785	74,419,430,278
Financial Liabilities					
Due to Banks	Level 2	12,661,616,855	12,728,933,957	9,241,472,974	8,646,435,290
Due to Customers	Level 2	47,394,521,877	47,310,530,555	51,710,377,365	51,446,889,741
Debt Instruments Issued	Level 2	3,349,894,465	3,056,622,160	3,011,533,608	2,999,705,378
Other Financial Liabilities		1,753,986,571	1,753,986,571	2,162,248,713	2,162,248,713
Total Financial Liabilities		65,160,019,768	64,850,073,243	66,125,632,660	65,255,279,122

Notes to the Financial Statements [Cont.]

As at 31st March 2020

Group	2020		2019		
	Level	Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
Financial Assets					
Cash and Bank Balances		1,208,461,539	1,208,461,539	2,340,080,214	2,340,080,214
Reverse Repurchase Agreements		3,141,542,623	3,141,542,623	3,787,893,629	3,787,893,629
Placement with Banks		3,826,996,141	3,826,996,141	3,513,125,045	3,513,125,045
Financial assets recognised through profit or loss - measured at fair value	Level 1	2,228,854,997	2,228,854,997	-	-
Loans and Receivables	Level 2	18,377,266,075	20,171,750,023	24,000,337,936	49,300,138,723
Lease rentals receivable & Stock out on hire	Level 2	52,689,500,344	43,660,007,655	46,081,967,199	28,461,642,471
Debt & other instruments	Level 2	114,822,765	114,822,765	187,244,522	187,244,522
Financial assets at fair value through other comprehensive income	Level 3	67,223,703	67,223,703	630,157,554	630,157,554
Other financial assets		725,285,925	725,285,925	187,244,522	187,244,522
Total Financial Assets		82,379,954,110	75,144,945,370	80,540,806,099	88,220,282,157
Financial Liabilities					
Due to Banks	Level 2	19,214,209,115	12,728,933,957	15,027,515,789	8,646,435,290
Due to Customers	Level 2	48,948,641,777	47,310,530,555	53,936,319,168	53,108,041,518
Debt Instruments Issued	Level 2	3,349,894,465	3,056,622,160	3,011,533,608	2,999,705,378
Other Financial Liabilities		1,987,798,983	1,987,798,983	2,546,086,231	2,546,086,231
Total Financial Liabilities		73,500,544,340	65,083,885,655	74,521,454,796	67,300,268,417

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 such risks are managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is primarily exposed to credit risk, 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. The 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 financial 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 Credit, Legal and Recoveries sub-committee, Fixed Deposits sub-committee, Human Resources sub-committee and Information Technology sub-committee to review operational risks related to each area. In addition the Assets and Liabilities Committee (ALCO) reviews market and liquidity risks. 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 operationalization of such decisions and directives.

Notes to the Financial Statements [Cont.]

As at 31st March 2020

49.2 CREDIT RISK

Credit risk is the potential loss incurred in the event that a borrower fails to fulfil agreed obligations. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

Impairment Assessment

The methodology of the impairment assessment is explained in Note 5.5.5 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

The Impact on COVID 19- Impairment of Financial Assets - Expected Credit Loss calculation

The Company considered the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA) computed as at February 29, 2020, in order to estimate the Expected Credit Loss (ECL) as at March 31, 2020, due to uncertainty and lack of sufficient information to make any adjustments to capture the potential impact of COVID 19 based on the "COVID - 19 Pandemic: Guidance Notes on the Implications on Financial Reporting" issued by The Institute of Chartered Accountants of Sri Lanka has provided reporting guidelines

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.

Microfinance Loans & Abhiwurdhi SME Loans

Microfinance loans and Abhiwurdhi Loans form a substantial part of the loans and advances granted by the Company. As is the practice in general in the industry both in Sri Lanka and Internationally, Microfinance loans are granted without obtaining any security from the borrower. Abhiwurdhi Loans are granted mainly to Microfinance customers who have obtained Microfinance 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. Credit risks associated with Microfinance 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 Abhiwurdhi 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 closely monitors 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. 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

Notes to the Financial Statements [Cont.]

As at 31st March 2020

49.2.1 Assessment of Expected Credit Losses

(a) Analysis of the total impairment for expected credit losses is as follows,

Company

As at 31 March 2020	Note	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	10.1	322,974,421	295,519,510	1,699,112,717	2,317,606,656
Lease Rentals Receivable & Stocks out on hire	11.1	618,754,363	526,269,095	1,408,367,483	2,553,390,942
Other Financial assets	14.1	44,785,377	-	-	44,785,377
		986,514,161	821,788,605	3,107,480,199	4,915,782,965

As at 31 March 2019	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	14.1	23,678,810	-	-	23,678,810
		1,185,368,514	968,653,168	2,814,129,547	4,968,151,229

Group

As at 31 March 2020	Note	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	10.1	963,265,937	519,855,371	1,845,274,772	3,328,396,080
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	14.1	44,785,377	-	-	44,785,377
		1,435,992,897	968,653,168	2,609,925,149	5,014,571,215

As at 31 March 2019	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	14.1	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	2020	2021	2022	2023	2024	2025	2026
GDP Growth (%)	Best Case	27.50%	2.74%	2.77%	2.81%	2.84%	2.86%	2.86%	2.86%
	Base Case	27.50%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%
	Worst Case	45.00%	2.64%	2.63%	2.61%	2.60%	2.57%	2.57%	2.57%
Inflation (YoY Average)	Best Case	27.50%	4.23%	4.18%	4.14%	4.10%	4.00%	4.00%	4.00%
	Base Case	27.50%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
	Worst Case	45.00%	4.52%	4.63%	4.74%	4.85%	4.90%	4.90%	4.90%
Interest Rate (PLR)	Best Case	27.50%	9.49%	9.37%	9.25%	9.13%	8.86%	8.86%	8.86%
	Base Case	27.50%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
	Worst Case	45.00%	10.36%	10.68%	11.01%	11.35%	11.50%	11.50%	11.50%
Exchange Rate-YE (US\$:LKR)	Best Case	27.50%	182.05	182.46	182.88	183.30	183.72	184.14	184.57
	Base Case	27.50%	192.27	203.53	215.45	228.06	241.42	250.00	250.00
	Worst Case	45.00%	217.28	250.00	250.00	250.00	250.00	250.00	250.00
Unemployment (% of Labor Force)	Best Case	27.50%	5.06%	5.05%	5.04%	5.03%	5.00%	5.00%	5.00%
	Base Case	27.50%	5.10%	5.10%	5.10%	5.10%	5.10%	5.10%	5.10%
	Worst Case	45.00%	5.13%	5.15%	5.15%	5.15%	5.15%	5.15%	5.15%

(c) Sensitivity analysis of impairment allowance for Loans and advances and Lease rentals receivables

Change Criteria	Change Factor	Sensitivity Effect on impairment allowance increase 2020	Sensitivity Effect on impairment allowance increase 2019
Probability of Default	Increase by 5%	77,421,170	84,246,434
Loss Given Default	Increase by 5%	205,609,737	230,549,414
Realisation of Cash Flows - Individually Significant Loans	Delayed by 1 year	5,808,643	125,840,921

Notes to the Financial Statements [Cont.]

As at 31st March 2020

49.2.2 CREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

Company

As at 31 March 2020

	Neither Past Due Nor Impaired Individually LKR	Past Due But Not Impaired Individually LKR	Individually Impaired LKR	Total LKR
Assets				
Cash and Bank Balances	854,570,071	-	-	854,570,071
Reverse Repurchase Agreements	3,004,279,491	-	-	3,004,279,491
Placements with Banks	3,812,279,883	-	-	3,812,279,883
Financial assets recognised through profit or loss - measured at fair value	2,072,291,865	-	-	2,072,291,864
Financial assets at amortised cost				
Loans and Receivables (Gross)	4,818,702,004	13,055,894,998	345,345,281	18,219,942,284
Lease rentals receivable & Stock out on hire (Gross)	8,016,300,321	35,347,951,532	31,130,194	43,395,382,046
Debt & other instruments	114,822,765	-	-	114,822,765
Financial assets at fair value through other comprehensive income	-	-	4,310,479	4,310,479
Other financial assets	575,989,305	-	167,296,620	743,285,925
Total Financial Assets	23,269,235,703	48,403,846,530	548,082,574	72,221,164,809

Company

As at 31 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 (Gross)	12,519,538,478	13,792,482,228	720,490,769	27,032,511,475
Lease rentals receivable & Stock out on hire (Gross)	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

Group

As at 31 March 2020

	Neither Past Due Nor Impaired Individually LKR	Past Due But Not Impaired Individually LKR	Individually Impaired LKR	Total LKR
Assets				
Cash and Bank Balances	1,208,461,539	-	-	1,208,461,539
Reverse Repurchase Agreements	3,141,542,623	-	-	3,141,542,623
Placements with Banks	3,826,996,141	-	-	3,826,996,141
Financial assets recognised through profit or loss - measured at fair value	2,228,854,997	-	-	2,228,854,997
Financial assets at amortised cost	-	-	-	-
Loans and Receivables (gross)	5,290,240,883	13,055,894,998	31,130,194	18,377,266,075
Lease rentals receivable & Stock out on hire (gross)	16,996,203,530	35,347,951,532	345,345,281	52,689,500,344
Debt & other instruments	114,822,765	-	-	114,822,765
Financial assets at fair value through other comprehensive income	-	-	67,223,703	67,223,703
Other financial assets	557,989,305	-	167,296,620	725,285,925
Total Financial Assets	33,365,111,782	48,403,846,530	610,995,598	82,379,954,111

49.2.2.1 Aging analysis of past due (i.e facilities in arrears of one day and above but not impaired loans by class of financial assets.

Group

As at 31 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 (gross)	12,773,799,611	13,885,848,139	720,490,769	27,380,138,519
Lease rentals receivable & Stock out on hire (gross)	19,643,111,554	27,866,346,015	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	1,265,256,207	88,068,331,707

Notes to the Financial Statements [Cont.]

As at 31st March 2020

49.2.2.1 Aging analysis of past due (i.e facilities in arrears of one day and above but not impaired loans by class of financial assets).

Company

As at 31 March 2020	Past Due But Not Individually Impaired				Total LKR
	"Less than 30 days" LKR	31 to 60 days LKR	61 to 90 days LKR	"More than 91 days" LKR	
Loans and Advances	3,591,541,085	2,557,129,998	1,715,555,416	5,191,668,499	13,055,894,998
Lease rentals receivable & Stock out on hire	15,033,803,692	6,764,238,267	5,305,132,340	8,244,777,233	35,347,951,532
	18,625,344,777	9,321,368,265	7,020,687,757	13,436,445,731	48,403,846,530

Company

As at 31 March 2019	Past Due But Not Individually Impaired				Total LKR
	"Less than 30 days" LKR	31 to 60 days LKR	61 to 90 days LKR	"More than 91 days" LKR	
Loans and Advances	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

Group

As at 31 March 2020	Past Due But Not Individually Impaired				Total LKR
	"Less than 30 days" LKR	31 to 60 days LKR	61 to 90 days LKR	"More than 91 days" LKR	
Loans and Advances	3,591,541,085	2,557,129,998	1,715,555,416	5,191,668,499	13,055,894,998
Lease rentals receivable & Stock out on hire	15,033,803,692	6,764,238,267	5,305,132,340	8,244,777,233	35,347,951,532
	18,625,344,777	9,321,368,265	7,020,687,757	13,436,445,730	48,403,846,530

Group

As at 31 March 2019	Past Due But Not Individually Impaired				Total LKR
	"Less than 30 days" LKR	31 to 60 days LKR	61 to 90 days LKR	"More than 91 days" LKR	
Loans and Advances	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

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 31 March 2020	As at 31 March 2020		As at 31 March 2019	
	Maximum Exposure to Credit Risk LKR	Net Exposure LKR	Maximum Exposure to Credit Risk LKR	Net Exposure LKR
Assets				
Cash and Bank Balances	854,570,071	857,417,013	1,748,596,903	1,748,596,903
Reverse Repurchase Agreements	3,004,279,491	-	3,662,522,772	-
Placements with Banks	3,812,279,883	3,812,279,883	3,603,184,738	3,603,184,738
Financial assets recognised through profit or loss - measured at fair value	2,072,291,865	2,072,291,865	2,112,157,240	2,112,157,240
Financial assets at amortised cost				
Loans and Receivables	20,537,548,938	12,694,022,921	27,032,511,475	13,136,034,977
Lease rentals receivable & Stock out on hire	45,948,772,987	759,508,868	38,765,638,057	707,046,840
Debt & other instruments	114,822,765	114,822,765	187,244,522	187,244,522
Financial assets recognised through profit or loss - measured at fair value	4,310,479	4,310,479	4,310,479	4,310,479
Other financial assets	743,285,925	743,285,925	630,157,554	630,157,554
Total Financial Assets	77,092,162,403	21,057,939,718	77,746,323,741	22,128,733,252

Group

As at 31 March 2020	As at 31 March 2020		As at 31 March 2019	
	Maximum Exposure to Credit Risk LKR	Net Exposure LKR	Maximum Exposure to Credit Risk LKR	Net Exposure LKR
Assets				
Cash and Bank Balances	1,208,461,539	1,208,461,539	2,340,080,214	2,340,080,214
Reverse Repurchase Agreements	3,141,542,623	-	3,789,768,571	-
Placements with Banks	3,826,996,141	3,826,996,141	3,513,125,045	3,513,125,045
Financial assets recognised through profit or loss - measured at fair value	2,228,854,997	2,228,854,997	2,116,672,126	2,116,672,126
Financial assets at amortised cost				
Loans and Receivables	20,485,443,700	13,445,201,329	27,380,138,520	13,445,201,329
Lease rentals receivable & Stock out on hire	45,686,059,451	759,508,868	48,049,912,529	707,046,840
Debt & other instruments	114,822,765	114,822,765	187,244,522	187,244,522
Financial assets recognised through profit or loss - measured at fair value	67,223,703	67,223,703	60,607,465	60,607,465
Other financial assets	725,285,925	725,285,925	630,157,554	630,157,554
Total Financial Assets	77,484,690,843	22,315,949,529	88,067,706,545	23,000,135,095

Notes to the Financial Statements [Cont.]

As at 31st March 2020

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 instalments on bank and other borrowings.

Mitigation:

Special attention is focused on the liquidity of the Company as it provides critical defense 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.

The Group's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Group regularly monitors liquidity position and maintain an adequate buffer of liquid assets. Group also maintains access to diverse funding sources to meet unforeseen liquidity requirements. All statutory and prudent liquidity ratios are monitored against tolerance limits and stress testing is carried out regularly to assess the effectiveness of liquidity management. With the onset of COVID 19 pandemic in late March of this year, the Group introduced more rigour to the processes already in place to manage its liquid assets. While closely monitoring any developments related to the pandemic, it has continued to keep its risk management measures under review to readily respond to changing circumstances. The Group is comfortable with its existing buffer of liquid assets. The actions taken will help to maintain existing liquidity position while mitigating any disruptive effect on liquidity that may arise due to the continuously evolving nature of the pandemic.

49.3.1 The Finance Companies (Liquid Assets) Direction No. 01 of 2009 requires Company 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 31 March 2020.

Company	"On Demand" LKR	"Less than 03-12 Months" LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets					
Cash and Bank Balances	854,570,071	-	-	-	854,570,071
Reverse repurchase agreements		1,864,746,339	1,198,228,259		3,062,974,598
Placement with Banks	29,949,186	1,445,300,885	2,496,523,248		3,971,773,319
Financial assets recognised through profit or loss - measured at fair value	-	916,442,657	1,177,977,180	-	2,094,419,837
Financial assets at amortised cost					
Loans and Advances	3,447,086,858	4,020,939,516	4,382,927,008	4,825,151,442	137,116,354
Lease rentals receivable & Stock out on hire	5,364,577,833	3,888,291,186	20,883,175,266	32,172,741,195	16,254,878
Debt & other instruments		103,676,515	12,101,404		115,777,918
Financial assets at fair value through other comprehensive income	-	-	-	4,310,479	4,310,479
Other financial assets		423,983,829	116,140,797	203,161,300	743,285,925
Total Financial Assets	9,696,183,948	12,663,380,925	30,267,073,162	37,201,053,937	157,681,711
					89,985,373,683

Company	"On Demand" LKR	"Less than 03-12 Months" LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Liabilities					
Due to Banks	259,596,661	4,969,112,426	5,575,084,623	3,225,392,496	14,029,186,207
Due to Customers	3,576,067,132	12,418,559,502	22,718,435,137	13,991,058,952	52,704,120,723
Debt Instruments Issued and Other borrowed funds		1,126,250,000	2,314,250,010		3,440,500,010
Other Financial Liabilities		1,704,058,114			1,704,058,114
Total Financial Liabilities	3,835,663,793	20,217,980,042	30,607,769,770	17,216,451,448	-
Total Net Financial Assets/(Liabilities)	5,860,520,155	(7,554,599,117)	(340,696,609)	19,984,602,489	157,681,711
					18,107,508,629

Notes to the Financial Statements [Cont.]

As at 31st March 2020

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2019.

	"On Demand" 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 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	9,621,101,869	19,123,354,129	34,280,998,246	32,862,545,612	122,959,803	96,010,959,660

	"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 31 March 2020.

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	857,417,013	-	-	-	-	857,417,013
Reverse repurchase agreements	-	1,864,746,339	1,198,228,259	-	-	3,062,974,598
Placement with Banks	29,949,186	1,441,664,109	2,494,524,886	-	-	3,966,138,181
Financial assets recognised through profit or loss - measured at fair value	-	918,054,791	1,180,732,411	-	37,522,504	2,136,309,706
Financial assets at amortised cost	-	-	-	-	-	-
Loans and Advances	3,447,086,858	4,020,939,516	4,382,927,008	4,825,151,442	137,116,354	16,813,221,178
Lease rentals receivable & Stock out on hire	5,364,577,833	3,888,291,186	20,883,175,266	32,172,741,195	16,254,878	62,325,040,359
Debt & other instruments	1,103,487	115,540,006	520,685	-	-	117,164,178
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	9,700,134,376	12,834,371,953	30,185,130,062	36,997,892,637	195,204,215	89,912,733,244
Financial Liability						
Due to Banks	259,596,661	4,969,112,426	5,575,084,623	3,225,392,496	-	14,029,186,207
Due to Customers	-	5,836,850,762	15,237,259,364	35,761,416,395	-	56,835,526,521
Debt Instruments Issued and Other borrowed funds	-	1,126,250,000	2,314,250,010	-	-	3,440,500,010
Other borrowed funds	-	1,704,058,114	-	-	-	1,704,058,114
Other Financial Liabilities	-	-	-	-	-	-
Total Financial Liabilities	259,596,661	13,636,271,302	23,126,592,997	38,986,808,892	-	76,009,270,853
Total Net Financial Assets/(Liabilities)	9,440,537,714	(801,899,351)	7,058,537,064	(1,988,916,255)	195,204,215	13,903,462,390

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As at 31st March 2020

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 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

	"On Demand" LKR	"Less than 03 Months" LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Liability						
Due to Banks	807,941,181	2,723,212,147	4,710,492,634	2,317,851,558	-	10,559,496,519
Due to Customers	1,128,154,468	7,352,811,147	6,609,413,043	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	-	82,143,926,621
Total Net Financial Assets/(Liabilities)	8,179,876,864	6,292,438,410	(22,424,899,761)	(22,561,658,490)	122,959,803	14,458,516,351

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	"On Demand" LKR	"Less than 03 Months" LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
As at 31 March 2020						
Commitments						
Commitment for unutilised facilities	216,590,063	-	-	-	-	1 216,590,063
Financial guarantee contracts	80,845,000	-	-	-	-	80,845,000
Total Commitments	297,435,063	-	-	-	-	297,435,063

Company/Group

As at 31 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 guarantee contracts	44,163,000					44,163,000
Total Commitments	964,694,781	-	-	-	-	964,694,781

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

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 31 March 2020 is LKR 37,552,504/- (2019 - LKR 57,220,236/-).

	Impact on profit/loss Company/Group	
	2020 LKR	2019 LKR
+10%	3,755,250	5,722,024
-10%	(3,755,250)	(5,722,024)

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.

The Management of the Company is closely scrutinizing the impact on NII/NIMs resulting from interest rate related relief measures announced by CBSL to the Covid-19 affected groups.

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	
		2020 LKR Mn	2019 LKR Mn	2020 LKR Mn	2019 LKR Mn
Long Term Loans linked to AWPLR*	+100/ (-100)	(5.87)/5.87	(65.84)/65.84	(5.87)/5.87	(65.84)/65.84

Notes to the Financial Statements [Cont.]

As at 31st March 2020

GROUP

Financial Instrument	Increase/ (Decrease) in basis points	Sensitivity of Profit/(Loss)		Sensitivity of Equity	
		2020 LKR Mn	2019 LKR Mn	2020 LKR Mn	2019 LKR Mn
Long Term Loans linked to AWPLR*	+100/ (-100)	(5.87)/5.87	(122.25)/122.25	(5.87)/5.87	(122.25)/122.25

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 categorized by the earlier of contractual reprising or maturity dates.

Company As at 31 March 2020	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non interest bearing LKR	Total as at 31 March 2019 LKR
Assets						
Cash and Bank Balances	151,807,501	-	-	-	702,762,570	854,570,071
Reverse repurchase agreements	1,844,151,058	1,160,128,434	-	-	-	3,004,279,492
Placement with Banks	1,457,430,180	2,354,849,703	-	-	-	3,812,279,883
Financial assets recognised through profit or loss - measured at fair value	907,204,856	1,127,534,506	-	-	37,552,504	2,072,291,866
Loans and receivables	10,384,766,816	4,022,107,432	3,695,641,316	117,426,719	-	18,219,942,283
Lease rentals receivable & Stock out on hire	6,496,245,830	13,115,945,080	23,767,610,113	15,581,022	-	43,395,382,046
Debt & other Instruments	104,822,765	10,000,000	-	-	-	114,822,765
Financial assets at fair value through other comprehensive income	-	-	-	-	4,310,479	4,310,479
Other financial assets	-	-	-	-	743,285,925	743,285,925
Total Financial Assets	21,346,429,006	21,790,565,155	27,463,251,429	133,007,741	1,487,911,478	72,221,164,809
Financial Liabilities						
Due to banks	10,751,951,855	684,305,000	1,225,360,000	-	-	12,661,616,855
Due to Customers	15,080,499,716	20,370,272,432	11,943,749,730	-	-	47,394,521,878
Debt Instruments Issued and Other borrowed funds	-	1,100,000,000	2,210,000,000	-	39,894,465	3,349,894,465
Other Financial Liabilities	-	-	-	-	1,753,986,571	1,753,986,571
Total Financial Liabilities	25,832,451,571	22,154,577,432	15,379,109,730	-	1,793,881,036	65,160,019,769
INTEREST SENSITIVITY GAP	(4,486,022,565)	(364,012,277)	12,084,141,699	133,007,741	(305,969,558)	7,061,145,040

Company As at 31 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 31 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 measured at amortised cost	1,039,054,806	1,015,882,199	-	-	57,220,236	2,112,157,241
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	24,580,213,524	24,679,672,846	103,496,074	1,760,635,006	77,746,323,741
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	4,152,172,208	42,952,884,664	-	3,545,705,815	66,323,622,632
INTEREST SENSITIVITY GAP	10,949,446,348	20,428,041,314	(18,273,211,818)	103,496,074	(1,785,070,809)	11,422,701,108

Notes to the Financial Statements [Cont.]

As at 31st March 2020

49.4.4 INTEREST RATE RISK EXPOSURE ON FINANCIAL ASSETS & LIABILITIES

Group As at 31 March 2020	Up to 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Non interest bearing LKR	Total as at 31 March 2019 LKR
Assets						
Cash and Bank Balances	148,027,228	-	-	-	1,660,430,047	1,808,457,275
Reverse repurchase agreements	3,787,893,629	1,160,128,434	-	-	-	4,948,022,063
Placement with Banks	1,557,445,749	1,955,679,297	-	-	-	3,513,125,046
Financial Investments measured at amortised cost	1,039,054,806	1,020,396,735	-	-	37,552,504	2,097,004,045
Loans and Advances	11,585,857,750	10,921,544,404	3,695,641,316	117,426,719	-	26,320,470,189
Lease rentals receivable & Stock out on hire	14,113,250,618	13,878,029,750	20,056,082,382	15,581,022	-	48,062,943,772
Debt & other instruments	176,417,686	-	10,000,000	-	-	-
Financial assets at fair value through other comprehensive income	-	58,797,442	-	-	4,310,479	63,107,921
Other financial assets	-	-	-	-	727,793,410	727,793,410
Total Financial Assets	32,407,947,467	28,994,576,061	23,761,723,698	133,007,741	2,430,086,440	87,540,923,721
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	-	1,265,177,476	53,829,573,148
Debt Instruments Issued and Other borrowed funds	-	1,100,000,000	2,210,000,000	-	11,533,608	3,321,533,608
Other Financial Liabilities	-	-	-	-	2,546,086,230	2,546,086,230
Total Financial Liabilities	17,184,604,756	8,268,049,566	45,449,257,143	-	3,822,797,314	74,724,708,779
INTEREST SENSITIVITY GAP	15,223,342,711	20,726,526,495	(21,687,533,445)	133,007,741	(1,392,710,874)	12,816,214,942

Group As at 31 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 31 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	-	-	-	-	-	-
Lease rentals receivable & Stock out on hire	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	88,881,081,189
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)	13,546,876,911

Notes to the Financial Statements [Cont.]

As at 31st March 2020

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.

Company	2020 With in 12 Months LKR	2020 After 12 Months LKR	2020 Total as at 31 March 2020 LKR	2019 With in 12 Months LKR	2019 After 12 Months LKR	2019 Total as at 31 March 2019 LKR
Assets						
Cash and Bank Balances	854,570,071	-	854,570,071	1,748,596,904	-	1,748,596,904
Reverse Repurchase Agreements	3,004,279,491	-	3,004,279,491	3,662,522,772	-	3,662,522,772
Placement with Banks	3,812,279,883	-	3,812,279,883	3,603,184,738	-	3,603,184,738
Financial assets recognised through profit or loss - measured at fair value	2,034,739,361	37,552,503	2,072,291,864	2,054,937,004	57,220,236	2,112,157,240
Loans and Receivables	14,406,874,248	3,813,068,035	18,219,942,284	18,649,752,781	5,054,362,614	23,704,115,396
Lease rentals receivable & Stock out on hire	19,612,190,910	23,783,191,136	43,395,382,046	14,269,806,994	22,880,640,907	37,150,447,901
Debt & other instruments	114,822,765	-	114,822,765	177,244,522	10,000,000	187,244,522
Financial assets at fair value through other comprehensive income	-	4,310,479	4,310,479	-	4,310,479	4,310,479
Other financial assets	560,287,055	182,998,870	743,285,925	132,465,413	497,692,140	630,157,553
Inventories	-	65,910,298	65,910,298	-	77,133,325	77,133,325
Other assets	138,222,412	34,977,106	173,199,518	53,100,210	261,695,163	389,870,741
Investments in Subsidiaries	-	1,599,288,321	1,599,288,321	-	1,599,288,321	1,599,288,321
Investments in associates	-	390,000,000	390,000,000	-	390,000,000	390,000,000
Investment property	-	1,698,461,370	1,698,461,370	-	1,448,351,320	1,448,351,320
Property, plant and equipment	-	3,051,877,367	3,051,877,367	-	3,059,953,319	3,059,953,319
Intangible assets & goodwill	-	649,825,707	649,825,707	-	176,116,081	176,116,081
Right of use assets	-	199,319,998	199,319,998	-	-	-
Current tax assets	311,261,563	-	311,261,563	234,306,485	-	234,306,485
Total Assets	44,849,527,759	35,510,781,189	80,360,308,948	44,585,917,823	35,516,763,904	80,102,681,728
Liabilities						
Due to Banks	6,984,271,494	5,677,345,361	12,661,616,855	7,235,269,394	2,006,203,580	9,241,472,974
Due to Customers	35,450,790,134	11,943,731,743	47,394,521,877	33,071,366,833	18,837,000,505	51,908,367,338
Debt instruments issued	3,349,894,465	-	3,349,894,465	-	3,011,533,608	3,011,533,608
Other Financial Liabilities	1,753,986,571	-	1,753,986,571	2,162,248,713	-	2,162,248,713
Other liabilities	903,010,682	416,567,400	1,319,578,082	1,239,960,094	-	1,239,960,092
Deferred tax liabilities	265,361,284	-	265,361,284	384,558,207	-	384,558,207
Post employment benefit obligations	-	298,691,827	298,691,827	-	175,608,858	175,608,858
Total liabilities	48,707,314,630	18,336,336,332	67,043,650,962	44,093,403,241	24,030,346,551	68,123,749,792

Group	2020 With in 12 Months LKR	2020 After 12 Months LKR	2020 Total as at 31 March 2019 LKR	2019 With in 12 Months LKR	2019 After 12 Months LKR	2019 Total as at 31 March 2018 LKR
Assets						
Cash and Bank Balances	1,208,461,539	-	1,208,461,539	2,340,080,214	-	2,340,080,214
Reverse Repurchase Agreements	3,141,542,623	-	3,141,542,623	3,787,893,629	-	3,787,893,629
Placement with Banks	3,826,996,141	-	3,826,996,141	3,513,125,045	-	3,513,125,045
Financial assets recognised through profit or loss - measured at fair value	2,039,253,898	189,601,099	2,228,854,997	2,059,451,541	57,220,236	2,116,671,777
Loans and Advances	14,406,874,248	3,970,391,826	18,377,266,075	18,649,752,781	5,350,585,154	24,000,337,936
Lease rentals receivable & Stock out on hire	19,612,190,910	33,077,309,434	52,689,500,344	14,269,806,994	31,812,160,204	46,081,967,198
Debt & other instruments	114,822,765	-	114,822,765	177,244,522	10,000,000	187,244,522
Financial assets at fair value through other comprehensive income	58,797,442	8,426,261	67,223,703	58,797,442	4,310,479	63,107,921
Other financial assets	560,287,055	164,998,870	725,285,925	132,465,413	497,692,140	630,157,553
Inventories	-	65,910,298	65,910,298	-	77,133,325	77,133,325
Other assets	138,222,412	119,764,248	257,986,659	53,100,210	3368,770,531	389,870,741
Investments in subsidiary	-	-	-	-	-	-
Investments in associates	-	364,203,089	364,203,089	-	379,914,143	379,914,143
Investment property	-	1,698,461,370	1,698,461,370	-	1,448,351,320	1,448,351,320
Property, plant and equipment	-	3,126,825,486	3,126,825,486	-	3,131,138,603	3,131,138,603
Intangible assets & Goodwill	-	672,158,910	672,158,910	-	941,044,854	941,044,854
Right of use assets	-	-	959,881,318	-	-	-
Current tax assets	-	-	-	54,594,333	-	54,594,333
Deferred tax assets	-	336,796,145	336,796,145	-	-	-
Total Assets	45,107,449,032	43,794,847,035	89,862,177,386	45,096,312,124	44,046,320,988	89,142,633,114
Liabilities						
Due to Banks	10,514,920,043	8,699,289,075	19,214,209,118	10,765,917,943	4,261,597,849	15,027,515,792
Due to Customers	36,801,170,379	12,147,471,398	48,948,641,777	34,421,747,078	19,514,572,090	53,936,319,168
Debt Instruments Issued and Other borrowed funds	3,349,894,465	0	3,349,894,465	-	3,011,533,608	3,011,533,608
Other Financial Liabilities	1,753,986,571	233,812,412	1,987,798,983	2,162,248,713	383,837,518	2,546,086,231
Other liabilities	1,462,995,410	-	1,462,995,410	1,398,867,679	-	1,398,867,679
Deferred tax liabilities	80,761,132	-	80,761,132	207,060,291	-	207,060,291
Post employment benefit obligations	-	321,699,082	321,699,082	-	189,283,759	189,283,759
Total liabilities	53,963,728,000	21,402,271,968	75,365,999,968	48,955,841,704	27,360,824,824	76,316,666,528

Notes to the Financial Statements [Cont.]

As at 31st March 2020

51. COMMITMENTS AND CONTINGENCIES

There were no material contingent liabilities outstanding as at the reporting date.

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 40,600,000/- (2019-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 or liquidity. Accordingly, no provision for any liabilities has been made in these Financial Statements.

51.2. Commitments

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Commitment for unutilised facilities				
Guarantees issued	216,590,063	920,531,781	216,590,063	920,531,781
Total commitments and contingencies	80,845,000	44,163,000	80,845,000	44,163,000
	297,435,063	964,694,781	297,435,063	964,694,781

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		
		2020 LKR	2019 LKR	2020 LKR	2019 LKR	
Lease Rentals Receivable & Stock out on Hire	Loans	7,483,218,183	5,501,219,648	7,483,218,183	10,483,818,128	Lease Rentals Receivable & Stock out on Hire
Microfinance Loans	Loans	-	-	-	1,049,916,649	Loans & Receivables
Land & Building	Overdraft	156,375,750	156,300,000	156,375,750	156,300,000	Property, Plant and Equipment
Balance held in foreign currency account	Loans	447,616,717	397,071,378	447,616,717	-	Cash & Bank Balances
Placement with banks	Loans	1,812,531,108	891,111,094	1,812,531,108	891,111,094	Placement with banks
		9,899,741,757	6,945,702,119	9,899,741,757	12,581,145,870	

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 comparable 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	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Short Term Employment Benefits	121,679,850	185,942,000	121,679,850	185,942,000
Post Employment Benefits	9,403,550	9,035,550	9,403,550	9,035,550
Directors Fees & Expenses	8,255,000	6,112,040	8,255,000	6,272,040
	139,338,400	201,089,590	139,338,400	201,249,590

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	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Fixed Deposits held at the end of the year	18,568,115	14,030,392	18,568,115	24,390,392
Interest on Fixed Deposits	1,630,933	1,100,261	1,630,933	2,084,082
Dividend Paid	471,808	353,856	471,808	353,856

Notes to the Financial Statements [Cont.]

As at 31st March 2020

53.2 Transactions with related entity

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	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Investment in Fixed Deposit at Commercial Credit and Finance PLC	250,000,000	-	250,000,000	-
Fixed deposit Interest paid for the period ended 31 March 2020	21,625,000	-	21,625,000	-

53.2.3 Transactions with Immediate Parent Entity BG Investments (Pvt) Ltd

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Dividends Paid (Gross)	159,832,175	119,874,131	159,832,175	119,874,131
Investment in Fixed Deposit at Commercial Credit and Finance PLC	267,000,000	893,300,506	267,000,000	1,081,724,388
Fixed deposit Interest paid for the period ended	68,316,531	-	68,316,531	-
- Investment in Fixed Deposit at Trade Finance and Investment PLC	-	-	-	280,850,000

53.2.4 Transactions with Significant Investor - Group Lease Holdings Pte Ltd

Dividend Paid (Gross)	95,390,500	71,542,875	95,390,500	71,542,875
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53.2.5 Transactions with Subsidiary Trade Finance and Investments PLC

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
Dividend Received (Gross)	-	56,800,430	-	-
- Investment in Fixed Deposits at Trade Finance and Investments PLC	50,000,000	103,369,260	50,000,000	-
Interest Expense Paid on Fixed deposits at Commercial Credit and Finance PLC	1,878,493	-	1,878,493	-
Interest earned on Fixed deposit at Trade Finance and	1,886,426	28,185,756	1,886,426	-

53.2.6 TRANSACTIONS WITH ASSOCIATES

	Company		Group	
	2020 LKR	2019 LKR	2020 LKR	2019 LKR
TVS Lanka (Pvt) Ltd				
Payment for lease contracts	2,227,740,552	583,636,591	2,227,740,552	583,636,591

53.2.7 Transactions with other group entities

	2020 LKR	2019 LKR	2020 LKR	LKR
(a) APIIT Lanka (Pvt) Ltd				
Investment in Fixed Deposits at Commercial Credit and Finance PLC	300,000,000	-	300,000,000	-
Interest paid on Fixed Deposits	21,000,000	-	21,000,000	-
(b) Creation Investments Lanka LLC				
Dividend Paid	30,360,125	20,672,635	30,360,125	20,672,635

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.

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	2010/11 Rs.'000	2011/12 Rs.'000	2012/13 Rs.'000	2013/14 Rs.'000
Interest Income	1,112,597	2,442,086	3,963,168	6,913,772
Net Interest Income	702,488	1,741,800	2,408,012	4,037,642
Interest Expenses	410,109	700,285	1,555,156	2,876,129
Operating Expenses	497,323	881,341	1,620,520	2,555,196
Profit/(Loss) before Tax	244,366	960,421	865,704	1,194,504
Income Tax & VAT on Financial Services	184,272	388,139	288,670	353,109
Net Profit/(Loss)	60,094	655,609	679,401	1,007,836
Dividend Paid	-	-	238,074	119,037
ASSETS				
Cash & Bank Balance	203,708	140,961	395,655	1,123,108
Treasury Bills & Bonds	66,969	83,558	257,673	811,343
Placements with Banks & Other Finance Companies	112,056	378,394	572,721	624,132
Investment in Dealing Securities	30,165	45,320	46,705	144,356
Lease,Hire Purchase,Loans and Advances	4,323,467	8,413,092	14,485,926	25,931,647
Property, Plant and Equipment	238,532	290,505	557,661	607,580
Total Assets	5,238,595	10,244,294	18,285,191	31,643,210
LIABILITIES				
Deposits	3,958,394	6,925,890	13,155,609	22,855,779
Borrowings	594,986	1,517,721	2,796,157	4,251,989
Total Liabilities	4,909,633	9,259,724	16,831,846	28,340,201
SHARE HOLDERS' FUNDS				
Stated Capital	170,640	170,640	470,640	1,478,640
Reserves	158,322	813,931	982,705	1,824,369
Total Share Holders' Funds	328,962	984,571	1,453,345	3,303,009
RATIOS				
Growth of Income (%)	195.04	119.49	62.29	74.45
Growth of Net Profit (%)	32.98	990.97	3.63	48.34
Interest Cover (times)	1.69	2.37	1.62	1.47
Net Assets Growth (%)	44.97	199.3	47.61	127.27
Equity Assets Ratio (%)	6.28	9.61	7.95	10.44
Growth of Leases, Hire Purchases, Loans and Advances (%)	155.78	94.59	72.18	79.01
Return on Assets (%)	4.66	9.38	6.07	4.78
Return on Equity (%)	18.27	66.59	55.74	42.38
Total Assets to Share Holders' Funds (times)	15.92	10.40	12.58	9.58
Fixed Assets to Share Holders' Funds (times)	0.73	0.30	0.38	0.18
Net Asset per Share	1.51	4.51	6.10	11.55
Earning per Share	0.28	3.01	2.85	4.20
Dividend per Share	-	-	1.00	0.50

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 31 March 2020 and the Audited Statement of Financial Position of the company will be submitted to the Colombo Exchange before 30 June 2020.

2. Share Holder Base

The Total Number of (Ordinary Voting) shareholders as at 31 March 2020 were 1629 compared to 1564 shareholders as at 31 March 2019.

3. Distribution Shareholders

Range of Shares	As at 31 March 2020			As at 31 March 2019		
	No of Shareholders	No of Shares	Percent of Shareholding	No of Shareholders	No of Shares	Percent of Shareholding
1 - 1,000	1,001	237,218	0.07%	998	240,275	0.08%
1,001 - 5,000	361	913,751	0.29%	333	822,952	0.26%
5,001 - 10,000	111	886,999	0.28%	98	768,878	0.24%
10,001 - 50,000	114	2,508,560	0.79%	102	2,165,467	0.68%
50,001 - 100,000	14	976,409	0.31%	10	708,846	0.22%
100,001 - 500,000	12	2,741,888	0.86%	9	2,093,775	0.66%
500,001 & Above	16	309,809,540	97.40%	14	311,274,172	97.86%
Total	1,629	318,074,365	100.00%	1,564	318,074,365	100.00%

4. Composition of Shareholders

Shareholders	As at 31 March 2020			As at 31 March 2019		
	No of Shareholders	No of Shares	Percent of Shareholding	No of Shareholders	No of Shares	Percent of Shareholding
Resident	1562	194,584,967	61%	1552	194,938,208	61.29%
Non- Resident	67	123,489,398	39%	12	123,136,157	38.71%
Total	1,629	318,074,365	100%	1,564	318,074,365	100%
Individual	1514	23,525,428	7%	1461	23,012,798	7.24%
Institution	115	294,548,937	93%	103	295,061,567	92.76%
Total	1,629	318,074,365	100%	1,564	318,074,365	100%

5. Top Twenty Shareholders

Ordinary Voting Shares

As at 31 March 2020

No.	Name of the Shareholder	No of Shareholders	%
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	DR. E Fernando	6,500,000	2.04%
7	People's Leasing & Finance PLC / Ms. S. N. Egodage	5,093,438	1.60%
8	Ceylinco Life Insurance Limited Account No. 1	4,014,843	1.26%
9	Mrs. H H J Hewage	1,937,800	0.61%
10	Mr. S B Hemachandra	1,796,320	0.56%
11	Mr. N Y Hemachandra	1,796,072	0.56%
12	Mrs. H N Hemachandra	1,796,070	0.56%
13	Mr. S M Hemachandra	1,796,070	0.56%
14	Mr. T K Hemachandra	1,555,689	0.49%
15	Mr. S K Semage	737,049	0.23%
16	People's Leasing & Finance PLC / B G Investments (PVT) Ltd	602,079	0.19%
17	DFCC Bank PLC / P.S.R. Casie Chitty	429,808	0.14%
18	Mrs. L S Semage	423,429	0.13%
19	Code-Gen International PVT LTD	405,000	0.13%
20	Seylan Bank PLC / W.D.N.H. Perera	383,087	0.12%
	Sub Total	311,450,864	97.92%
	Other	6,623,501	2.08%
	Total	318,074,365	100.00%

Ordinary Voting Shares

As at 31 March 2020

No.	Name of the Shareholder	No of Shareholders	%
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	Mrs. E Fernando	7,216,294	2.27
6	Mr. G G Hemachandra	7,184,282	2.26
7	Creation Investments SL1 LLC	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

6. Director's Shareholding

Name	As at 31 March 2020		As at 31 March 2019	
	"No. of Shares"	"% of Holdings "	No of Shares	"% of Holdings "
Mr. K. J.C. Perera	N/A	N/A	Nil	Nil
Mr. R.S. Egodage	Nil	Nil	Nil	Nil
Mrs. G. R. Egodage	Nil	Nil	Nil	Nil
Mr. E. D. P. Soosaipillai	Nil	Nil	Nil	Nil
Mr. M. S. D. Pinto	42,000	0.013	42,000	0.013
MR. P. S. R. C. Chitty	429,808	0.14	429,808	0.14
Mr. P. T. Fisher	Nil	Nil	Nil	Nil
Mr. K. D. Vander Weele	Nil	Nil	Nil	Nil
Mr. B. Zschorsch	Nil	Nil	Nil	Nil
MR. A. J. P. Dufes	Nil	Nil	Nil	Nil
Mr. L. L. S. Wickramasinghe	Nil	Nil	N/A	N/A
Ms. T. M. L. Paktsun	Nil	Nil	N/A	N/A

7. Share Information

	As at March 2020	As at March 2019
Net Asset per Share (Rs)	41.43	37.69
Share Price		
Highest (Rs.)	31.00	28.60
Lowest (Rs.)	18.00	22.70
Last Traded (Rs.)	18.30	27.30
Earnings		
Basic Earning per share (Rs.)	5.23	6.54
Price Earning Ratio (Times)	3.50	4.08
Divident per share (Rs.)	1.00	0.75
Divident Payout Ratio	0.03	0.15
Number of Transactions	2,386	1,767
Market Capitalisation	5,821	8,683

8. Debenture Information

	As at March 2020	As at March 2019
Debt/ Equity Ratio	4.93	5.68
Quick Asset Ratio	0.61	0.83
Interest Cover	1.20	1.32

Company issued LKR 1,000,000,000 rated subordinated guaranteed redeemable Debentures for 5 years in June 2015. These debentures were listed on the Colombo Stock Exchange.

	As at March 2020	As at March 2019
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 Traded Price (LKR)	Not Traded	Not Traded
Credit Rating (Instrument)	AA	AA
Comparable Government Security Coupon Rate	9.81	11.04

Company issued LKR 2,000,000,000 rated subordinated guaranteed redeemable Debentures for 5 years in December 2015. These debentures were listed on the Colombo Stock Exchange.

	As at March 2020	As at March 2019
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 Traded Price (LKR)	Not Traded	Not Traded
Credit Rating (Instrument)	A+	A+
Comparable Government Security Coupon Rate	9.81	11.04

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.

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 the 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 the directives issued by The 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.

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.

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 nonoccurrence 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.

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 from 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.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

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.

F

Fair Value

The amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller 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 the asset under lease.

Glossary [Cont.]

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 unfavorable 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.

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 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 for 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.

P

Parent

An entity that controls one or more subsidiaries.

Price Earnings Ratio

Market price of a share divided by earnings per share.

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.

Glossary [Cont.]

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.

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

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.

Y

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 Seventh (37th) Annual General Meeting of Commercial Credit and Finance PLC will be held will be held as a as a Hybrid Meeting at Commercial Credit and Finance PLC, City Office, Third (3rd) Floor, Training Room, No. 165, Kynsey Road, Colombo 08 on 28 September 2020 at 10.00 a.m. and the business to be brought before the meeting will be as follows:

1. To receive and consider the Audited Financial Statements for the Year Ended 31st March 2020 and the Reports of the Auditors' and of the Directors' thereon
2. Directors
 - (I) To elect Mrs. Tamara Mu-Lin Lam Paktsun, Director, who retires in terms of Article 24 (2) of the Articles of Association of the Company
 - (II) To re-elect Mr. Roshan Sanjaya Egodage, Director, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company
 - (II) To re-elect Mrs. Geya Rasi Egodage, Director, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company
 - (II) To re-elect Mr. Patrick Thomas Fisher, Director, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company
3. 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.
4. To authorise the Directors to determine contributions to charities.

By Order of the Board



Secretary
Jacey & Company

Colombo
03 September 2020

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. E D P SOOSAIPILLAI whom failing, MR. R S EGODAGE whom failing, MRS. G R EGODAGE whom failing, MR. K D VANDER WEELE, whom failing MR. P T FISHER, whom failing, MR. R CASIE CHITTY, whom failing, MR. BORIS ZSCHORSCH, whom failing, MR. LASANTHA WICKRAMASINGHE, whom failing, MS. TAMARA PAKTSUN as my/our Proxy to represent me/us and to vote on my/our behalf at the THIRTY SEVENTH ANNUAL GENERAL MEETING of the Company to be held on 28 September 2020 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 2020 and the Reports of the Auditors' and of the Directors' thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. Directors		
(I) To elect Mrs. Tamara Mu-Lin Lam Paktsun, Director, who retires in terms of Article 24 (2) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(II) To re-elect Mr. Roshan Sanjaya Egodage, Director, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(III) To re-elect Mrs. Geya Rasi Egodage, Director, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
(IV) To re-elect Mr. Patrick Thomas Fisher, Director, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. 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.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorise the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand thisday ofTwo Thousand and

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
- 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.

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 Vidiya, Kandy(Please confirm) 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 and 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 :

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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. E. D. P. Soosaipillai - Independent Non-Executive Director (Chairman)

Mr. R. S. Egodage - Executive Director (Chief Executive Officer)

Mrs. G. R. Egodage - 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. Zschorsh - Non-Executive Director

Mr. L. L. S. Wickremasinghe - Independent Non-Executive Director

Ms. T.M.L. Paktsun - Independent 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

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

Board Audit Committee

Mr. E. D. P. Soosaipillai (Chairman)

Mr. L. L. S. Wickremasinghe

Ms. T.M.L. Paktsun

Related Party Transactions Review Committee

Ms. T. M. L. Paktsun (Chairperson)

Mr. P. S. R. C. Chitty

Mr. L. L. S. Wickremasinghe

Integrated Risk Management Committee

Mr. L. L. S. Wickremasinghe (Chairman)

Mr. E. D. P. Soosaipillai

Mr. R. S. Egodage

Mr. P. S. R. C. Chitty

Ms. T.M.L. Paktsun

Mr. M.A.D.J. Deshapriya

Mr. K.L.A. Seneviratne

Mr. K. A. Buddika

Remuneration Committee

Mr. E. D. P. Soosaipillai (Chairman)

Mr. R. S. Egodage

Mr. B. B. Zschorsh

Ms. T.M.L. Paktsun

Nomination Committee

Mr. E. D. P. Soosaipillai (Chairman)

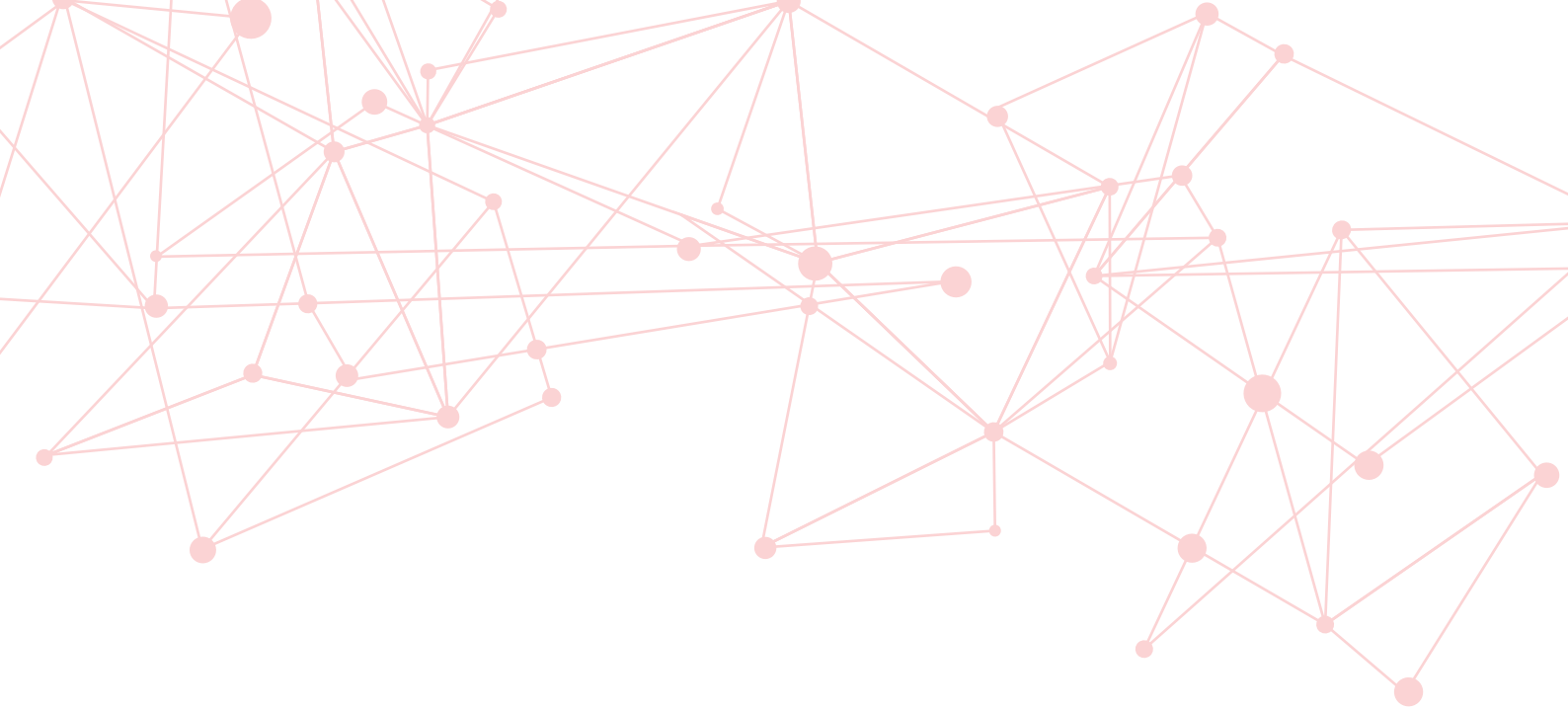
Mr. R. S. Egodage

Mr. L. L. S. Wickremasinghe

Designed & Developed By:

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clubb

www.designclubb.com



Commercial Credit and Finance PLC
www.cclk.lk