

# UPlift

Commercial Credit and Finance PLC  
Company Journal | Annual Report 2020/2021





# UPlift



As a Company, whose purpose is to build leaders who uplift the lives of people by simple acts of love, we strive to join hands and uplift the lives of our stakeholders during these testing times.

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.

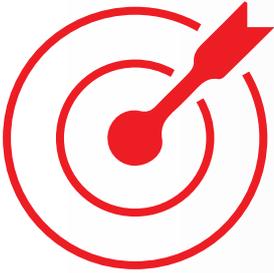
Our unrelenting commitment towards materialising our purpose has created a mutually beneficial partnership with our stakeholders.



# The Best is Achieved Together.

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

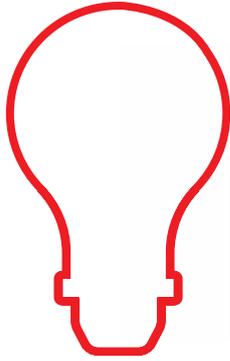
# Purpose



## **Purpose**

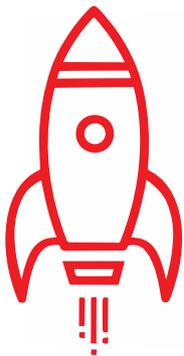
To build leaders who uplift the lives of people by simple acts of love.

# Vision



## **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.

# Mission

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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.



### 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 does 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.

## 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.

## 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.



## 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 good 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.

# Company Financial & Non Financial Highlights

	2020/21 LKR '000	2019/20 LKR '000	Change
<b>Financial Performance</b>			
Gross Income	<b>18,191,763</b>	22,958,818	-20.76%
Net Interest Income	<b>9,035,088</b>	10,912,143	-17.20%
Profit Before Taxation	<b>3,192,394</b>	2,185,069	46.10%
Profit After Taxation	<b>2,334,756</b>	2,006,616	16.35%

	2020/21 LKR '000	2019/20 LKR '000	Change
<b>Financial Position</b>			
Net Lending Portfolio	<b>68,567,137</b>	71,066,766	-3.50%
Total Assets	<b>91,129,873</b>	89,862,177	1.40%
Total Deposit Base	<b>47,989,537</b>	48,948,642	-2.90%
Borrowings	<b>23,889,048</b>	22,564,104	5.87%
Shareholders' Funds	<b>15,396,356</b>	14,488,988	6.26%
Core Capital	<b>13,016,331</b>	11,723,172	11.03%
Total Risk Weighted Capital	<b>14,067,803</b>	12,403,056	13.42%
Liquid Assets	<b>10,150,224</b>	7,158,866	41.79%

	2020/21	2019/20	Change
<b>Key Performance Indicators</b>			
Net Interest Margin	<b>11.20%</b>	13.57%	-17.46%
Return on Average Assets	<b>2.58%</b>	2.24%	15.18%
Equity / Assets	<b>16.89%</b>	16.13%	4.71%
Gross Non Performing Accommodation Ratio	<b>5.39%</b>	9.85%	
Net Non Performing Accommodation Ratio	<b>(2.94)%</b>	2.72%	
Return on Average Shareholders' Funds	<b>15.62%</b>	14.69%	6.33%

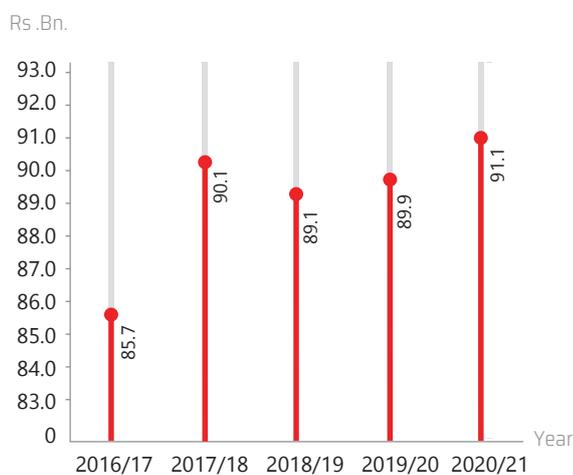
	2020/21	2019/20	Change
<b>Key Indicators per Ordinary Share</b>			
Earnings per Share( LKR)	7.34	6.30	16.51%
Net Assets per Share ( LKR)	48.40	45.57	6.21%
Year end Market Price per Share	21.50	18.30	17.49%

	2020/21	2019/20	Change
<b>Statutory Ratios</b>			
Capital Funds to Deposits	32.08%	31.00%	3.48%
Core Capital Ratio	13.45%	14.14%	
Total Risk Weighted Capital Ratio	14.55%	14.95%	

	2020/21	2019/20
<b>Non Financial Highlights</b>		
Number of Employees	2,928	2,863
Number of Branches	126	119
External Credit Rating (ICRA)	BBB (Stable Outlook)	BBB (Negative Outlook)

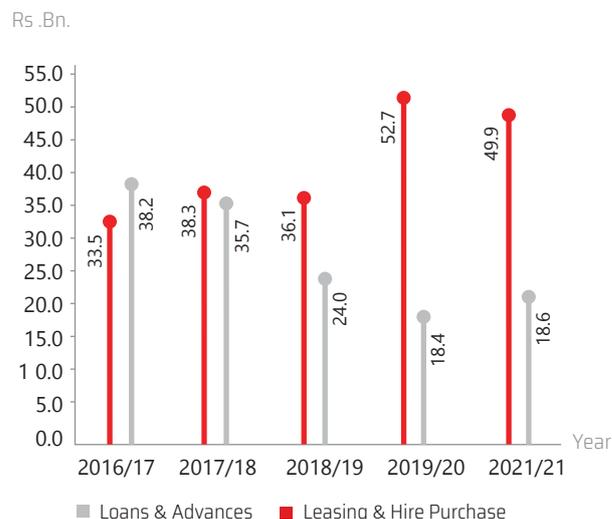
**Note:** The Company amalgamated with Trade Finance and Investments PLC with effect from 31<sup>st</sup> December 2020 and therefore group information for the financial years 2016/17, 2017/18, 2018/19 and 2019/20 has been taken as comparative information for financial year 2020/21. This is applicable to all figures and graphs above and below in the section.

### Total Assets



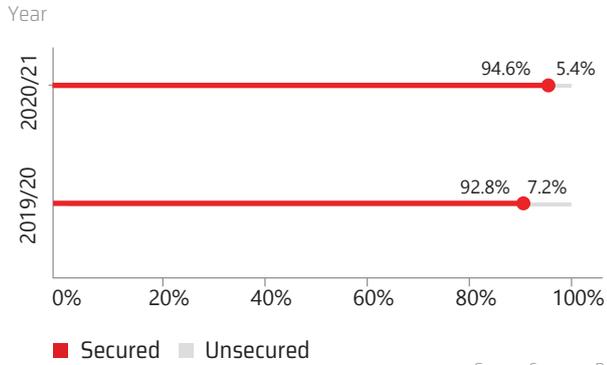
Source : Company Data

### Net Lending Portfolio

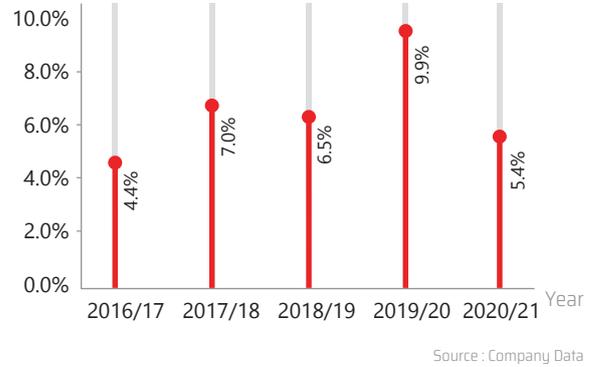


Source : Company Data

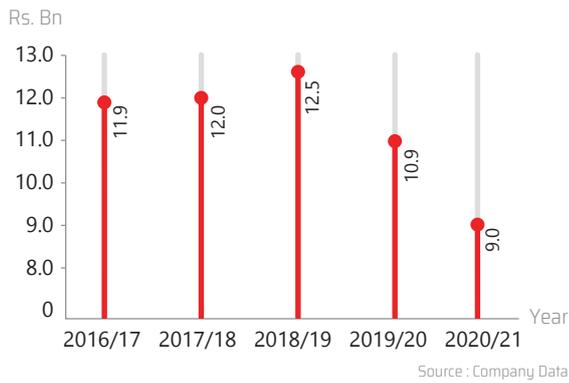
### Secured and Unsecured Portfolio



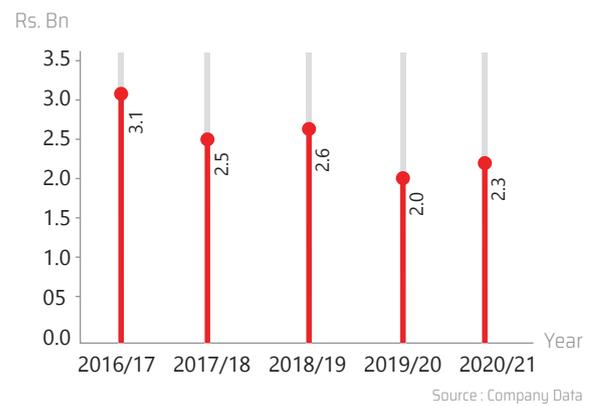
### Gross Non Performing Accommodation



### Net Interest Income



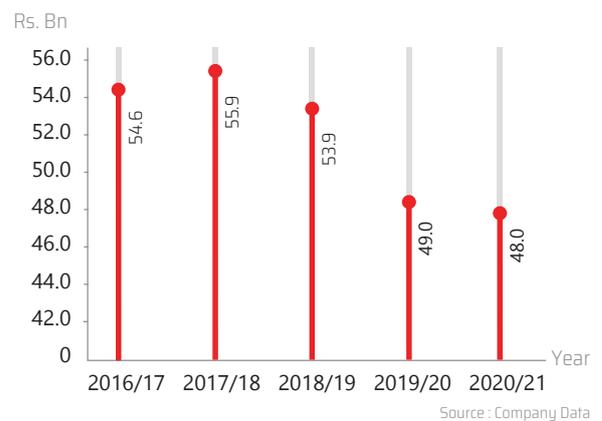
### Profit After Taxation



### Shareholders Funds



### Total Deposits



Never forget that your greatest duty  
is to your loved ones



**COMMERCIAL  
CREDIT**



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# Board of Directors & Executive Management

# Chairman's Statement



The Company demonstrated tremendous resilience and adaptability to successfully navigate a year where the economy, both locally and globally was challenged to its core, as a result of the COVID 19 pandemic. We were able to provide financial solutions to many of our customers whose livelihood was affected by the pandemic, reiterating our continuous commitment to uplift their lives.

On behalf of the Board of Directors, I warmly welcome you to the 38<sup>th</sup> Annual General Meeting of Commercial Credit and Finance PLC and present to you, on behalf of your Board of Directors, the Annual Report of the Company for the financial year ended 31<sup>st</sup> March 2021. It has been with the shareholders for the prescribed period of time, and I shall, with your permission, take it as read.

It gives me great pleasure to announce the Company's amalgamation with its sister Company Trade Finance and Investments PLC with effect from 31<sup>st</sup> December 2020. The amalgamation process was undertaken under the Central Bank of Sri Lanka (CBSL) financial sector consolidation plan. My profound thanks to the officials at the CBSL, Securities and Exchange Commission (SEC), Colombo Stock Exchange (CSE) and the Department of Registrar of Companies for the assistance and guidance extended by them to make the amalgamation process a success. I also wish to place on record the gratitude of the Board to the outgoing Board of Directors of Trade Finance and Investments PLC for their stewardship of the Company over the past years.

The Company demonstrated tremendous resilience and adaptability to successfully navigate a year where the economy, both locally and globally was challenged to its core, as a result of the COVID 19 pandemic. We were able to provide financial solutions to many of our customers whose livelihood was affected by the pandemic, reiterating our continuous commitment to uplift their lives. This was well received by our customer base, who responded positively to our corporative approach enabling both parties to achieve their objectives in unison.

### Economic Performance

The Sri Lankan economy contracted in a year dominated by the challenges from the global COVID 19 pandemic which severely affected the domestic economy due to the multiple lockdowns imposed by the government to curtail the spread of the virus. Accordingly a contraction of 3.6% was recorded during 2020 compared to the 2.3% growth during the previous year. The most significant drop was seen in the industry sector which reduced by 6.9% due to the drop in the manufacturing and construction industries as a result of the multiple lockdowns imposed during the year. The agriculture and service sectors also contracted by 2.4% and 1.5% respectively.

The CBSL implemented an accommodative monetary policy during 2020, through the reduction of the key policy interest rates to historic lows with a downward adjustment of 250 basis points, the lowering of the Statutory Reserve Ratio (SRR) applicable on rupee deposit liabilities of Licensed Commercial Banks (LCBs) by a total of 300 basis points and the Bank Rate by 650 basis points.

### Operating Environment

The Non-Bank Financial sector performance deteriorated during the year, with negative credit growth and high Non Performing Accommodations (NPA). Adding on to the COVID-19 pandemic related growth impediments, the reduction of consumer confidence due to issues observed in the sector contributed towards the sluggish performance.

The industry's asset base stood at Rs. 1,401.6 Bn at the end of 2020, a 2.2% decline compared to the previous year. Loans and advances which accounted for 74.2% of the asset base came down by 5.7% during the year as business activities continued to contract amidst the COVID-19 lockdowns and curtailment of vehicle imports.

The Company has consistently maintained its commitment to complying with the highest ethical and governance standards thereby ensuring the delivery of sustainable value to its stakeholders.

The gross NPA ratio of the sector increased to 13.9% as at December 2020, from 10.6% as at December 2019, reflecting a further deterioration in asset quality. Customer deposits continued to dominate the liabilities of the sector, accounting for 53.4% of liabilities. The deposits contracted by 1.1% to reach Rs.748.6 Bn while borrowings recorded a sharper decline of 19.1% reaching Rs. 328.0 Bn during the year.

### Business Performance

With a marginal growth of 1.4% growth in the asset base, the Company generated a Net Interest Margin (NIM) of 11.2% against the industry NIM of 7.3% driven by its high yielding asset backed products. The Company's Profit after Tax increased by 16.4% to Rs. 2.34 Bn. owing to the improved asset quality resulting in a lower impairment charge and a lower cost to income ratio which improved to 51.1% in the year under review when compared to 52.7% in the previous year.

## Chairman's Statement [Cont.]

This increase in profitability while maintaining a stable asset base enabled the Company to report a Return on Assets (ROA) of 2.6% this year compared to last year's 2.2%. Return on Equity (ROE) also improved to 15.6% compared to 14.7% in the previous year. Both the ROA and ROE compared well with the sector which was at 1.7% and 6.1% respectively. The Board of Directors has decided to recommend a final dividend of Rs. 1.50 per share for the financial year ending 31<sup>st</sup> March 2021.

### Navigating through the Unpredictable

The Company has consistently maintained its commitment to complying with the highest ethical and governance standards thereby ensuring the delivery of sustainable value to its stakeholders. To meet the challenges of increased uncertainty and risk faced by the Company during the year, the Board increased its oversight to ensure internal controls remained effective in the new norm and key risks were identified and managed as the pandemic exacerbated existing risks.

During the year, all Board Sub-Committees and Executive 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 continuity of the business processes of the Company and its competency to face challenges while seizing new business opportunities in the market.

### Defining the Future

Following a successful financial year amidst multiple pandemic driven adversities which challenged the status quo of so many businesses, the Company can look into the future with positive optimism. The key to our success during the year, lay in our customer oriented approach where the Company looked at avenues to rehabilitate the customers whose livelihoods are hampered as a result of the pandemic. This will be our mantra in the period to follow, looking at ways to uplift the lives of our customers.

We are acutely aware that the COVID 19 virus will continue to simmer, create new variants and with our medical and public health defenses lagging, fresh waves of disruption can be expected to dampen our prospects as a nation. Consequently it is critical that we are mindful and prepared to deal with the next challenge the pandemic throws at us. With meticulous planning these challenges can be turned into opportunities and catalysts for growth in the contemporary environment.

### Appreciations

Your Board of Directors and I extend our heartfelt gratitude to our loyal customers who have demonstrated their confidence in the Company's products and services for yet another year. Without their trust and loyalty, we would not have been able to scale the 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 and sincere encouragement to me in a challenging year. It is this outstanding group of professionals who have tapped into their wealth of knowledge and 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 as always and his outstanding leadership over the years for us to dream big 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 and dedicated 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 even greater heights together in the coming years.

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



**E. D. P. Soosaipillai**  
Chairman

28<sup>th</sup> July 2021

# Review of the Chief Executive Officer



In a pandemic ridden landscape where the entire world is tormented and is in need of love and compassion, our focus remains fixated upon the purpose of the organisation. We envisage that our purpose and Shared Values will provide us with guidance and direction to navigate these headwinds.

## Review of the Chief Executive Officer [Cont.]

It gives me great pleasure to present the performance review of Commercial Credit and Finance PLC for the period ending 31<sup>st</sup> March 2021.

It is with profound pleasure that I warmly welcome the beloved staff members of Trade Finance and Investment PLC who have joined hands with us in trust and affection to journey with us in unison into the future. I also pay my sincere gratitude to the outgoing Chief Executive Officer of Trade Finance and Investments PLC, Mr. L.A.J.F. Morais who has worked tirelessly to realise the full potential of the Company over the years.

I take this opportunity to share some of the main highlights and key achievements of the Company during the period under 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

In a pandemic ridden landscape where the entire world is tormented and is in need of love and compassion, our focus remains fixated upon the purpose of the organisation. We envisage that our purpose and Shared Values will provide us with guidance and direction to navigate these headwinds.

Our fruitful journey which lays claim to the resounding success of the Company can be mainly attributed to the passion, dedication and the drive of all members of the Commercial Credit team. A key element which has attributed towards our continuous success through the years is our unique principle-based culture derived from driving our purpose through Shared Values and principles. These trailblazing standards which are nurtured within the organisation has set us apart and ensured a loyal customer base. It is this principle based culture that has transformed Commercial Credit and Finance PLC into an innovative and formidable corporate entity within the Sri Lankan financial services sector. A salient feature of this unique culture is that we have instilled a sense of self confidence in all our employees, encouraging them to build their character and 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 emphasise 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 organisation.

We have initiated 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 the 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 and outside of the Company plays a pivotal role in employee's remunerations and promotions. Employee's alignment with the Company's Shared Values is evaluated by a 360 degree evaluation conducted quarterly through the system.

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 organisation- "Franklin Covey". Thereby, the Company has continued communicating these "7 habits" to the employees through comprehensive virtual training programs which are conducted 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 achieve 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.

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.

### Performance

Despite headwinds caused by the COVID 19 pandemic, the Company demonstrated tremendous resilience, adapting to the new business order and walking the extra mile to understand the adversities faced by customers. This approach yielded positive outcomes enabling the Company to finish the year on a high. The amalgamation with Trade Finance and Investments PLC which came into effect on 31<sup>st</sup> December 2020, further consolidated the Company's position in the sector, widening and strengthening its wings further .

The total asset base of the Company stood at Rs. 91.1 Bn as at the financial year end. This included a Rs.7.8 Bn asset base of Trade Finance which was amalgamated during the year. As a result the asset base grew marginally by 1.4% compared to the consolidated asset base as at 31<sup>st</sup> March 2020. The net loan book of the company experienced a decline of 3.5% against the previous year's consolidated net loan book, finishing the year at Rs. 68.6 Bn.

Public deposits continued to serve as the main source of funding to the Company fulfilling 66.8% of the funding requirement. However the deposit base dropped by 2.0% during the year finishing at Rs. 48.0 Bn following the amalgamation. The reason for this drop is the Company's continuous focus towards bank borrowing in a low interest rate regime resulting in a 17.6% increase in bank borrowings during the year.

Asset quality of the Company improved during the year, finishing with a Gross NPA ratio of 5.4% compared to the 9.9% the previous year. This was due to Company's conservative approach towards new investments and increased focus on collections. The Company's net NPA also improved to -2.9% from 2.7% reflecting meticulous provisioning. In contrast the sector Gross NPA shot up to 13.9% from 10.6% owing to the disruption caused to the lives of the public as a result of the pandemic.

The Company NIM dropped to 11.2% from 13.6% due to the 17.2% reduction in net interest income while the assets base remained relatively stable. The Company reported a Profit after Tax of Rs. 2.34 Bn post amalgamation, a 16.4% growth compared to last year. This growth was mainly fueled by increased asset quality resulting in a lower impairment charge and a lower cost to income ratio of 51.1% compared to 52.7% the previous year. In contrast the Non Bank Financial Institutions (NBFI) sector profitability dropped by 5.5% owing to the reduction in net interest income and increase in impairment charges.

The Company continued to focus on asset backed products with significant growth coming from the gold loan products. The amalgamation with Trade Finance saw the Company accomplish the status of market leadership in the two wheeler and three wheeler segment. The amalgamation also enabled the Company to expand its reach and penetrate into new geographical areas with the existing product range.

With uncertainty clouding the economy in this pandemic era, the Company decided to increase its liquidity buffers to gear itself towards any contingencies that could arise from the pandemic or similar situations in the near future. During the year ICRA Lanka reaffirmed the Company's credit rating to BBB with an upward revision in the outlook from "negative" to "stable".

Despite headwinds caused by the COVID 19 pandemic, the Company demonstrated tremendous resilience, adapting to the new business order and walking the extra mile to understand the adversities faced by customers.

Despite operating in a challenging environment for business, Commercial Credit and Finance PLC was ranked No 25<sup>th</sup> in the Business Today Top 30 Awards for 2019/20. This is the fourth consecutive year the group was recognised among the elite group of corporates.

#### Future Focus

As a customer centric organisation our recurring focus will be to assess the damage the COVID 19 pandemic has caused to our customer base and collectively finding avenues to overcome their predicament. We are sincerely grateful to the CBSL which has introduced a debt moratorium scheme for COVID 19 affected businesses and individuals and pledge to extend our fullest support to the cause.

We strongly believe that we at Commercial Credit will realise the Company's future potential towards progression amidst the inevitable challenges that we are bound to encounter in the years to come. In order to do so, 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.

The amalgamation with Trade Finance and Investment PLC provides an opportunity to unlock the potential of those resources, through the skills and competences of our management. Furthermore it will provide an opportunity for the Company to evaluate even better practices, which can be adopted in-house for better results.

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.

## Review of the Chief Executive Officer [Cont.]

### Appreciation

I am delighted to acknowledge the fact that Commercial Credit has enjoyed immense success during the past several years becoming one of the leading companies in the 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 would like to pay tribute to the incredible team at Commercial Credit. They continuously amaze me with their exemplary work ethics, determination, professionalism and innovation which has 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.

I also take this opportunity to place on record my sincere appreciation to the Board of Directors, led by our Chairman Mr. E. D. P. Soosaipillai, for the support and guidance provided to me during an extremely challenging period. The depth of knowledge, experience and leadership provided by the Chairman and the Board, added significant value to the company. I look forward to their continuous support and direction, to steer the Company through the challenging times ahead.



**R.S. Egodage**

Chief Executive Officer

28<sup>th</sup> July 2021

# Profiles of the Board of Directors



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

Mr. 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 as a Director of Commercial Credit and Finance PLC in January 2014. He chairs the Board Nomination Committee and the Board Remuneration Committee and is a member of the Board Audit Committee. He chaired the Board Audit Committee of Trade Finance and Investments PLC, the subsidiary of Commercial Credit and Finance PLC during the period from January to October 2015.

He is an Independent Non-Executive Director on the Boards of Udupussellawa Plantations PLC and Hapugastenne Plantations PLC, chairing the Board Audit Committees of both these Plantation Companies. He is also a member of the Related Party Transaction Review Committee and the Remuneration Committee of these two Plantations Companies.

He is also an Independent Non-Executive Director on the Board of Finlays Colombo Ltd. and chairs the Board Audit Committee of the Company. 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, 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. 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 several 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).



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

## Profiles of the Board of Directors [Cont.]



**G.R. Egodage**  
Executive Director

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

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

Mr. Casie Chitty is a fellow of the Association of Chartered Certified Accountants (ACCA), UK and an Associate Member of the Chartered Institute of Management Accountants (ACMA), UK and a Chartered Financial Analyst, USA.

He obtained his Masters in Economics from the University of Colombo and won the Janashakthi Gold at the 2006 CIMA Pinnacle Awards. Mr. Casie Chitty is an Independent Non-Executive Director of ACL Cables PLC, Tangerine Beach Hotels PLC, Royal Palms Beach Hotels PLC, Ceylon Printers PLC and Office Equipment PLC. He is the former President of the ACCA Sri Lanka panel. Mr. Casie Chitty has over 31 years of experience in the private sector of which over 16 years has been at senior management level.



**P.S.R.C. Chitty**  
Chief Operating Officer  
Executive Director



**P. T. Fisher**  
Non-Executive Director

Mr. Fisher is the founder and managing partner of Creation Investments Capital Management, LLC, an Impact Investment Fund Manager and transaction advisory group. With over \$900 Mn. in assets under management, Creation Investments focuses on private equity investments in financial services and microfinance, serving the Bottom of the Economic Pyramid. 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 multiple 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 LosAndes-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 JP Morgan Chase.

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

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

Mr. Wickremasinghe, FCA 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 specializes in Audit and Assurance Services. He is a member of the Board of Management and the Audit Committee Chairman of 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.

He serves as the Chairman of the Board Integrated Risk Management Committee and is a member of the Board Audit Committee and Board Related Party Transaction Review Committee.



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

Highlights  
Board of Directors & Executive Management  
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Sustainability Report  
Risk Management & Corporate Governance  
Financial Information

## Profiles of the Board of Directors [Cont.]



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

Ms. Paktsun is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA Sri Lanka) and a Fellow of the Chartered Association of Certified Accountants (FCCA UK). She is a senior finance professional with extensive 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 chairs the Board Audit Committee and the Board Related Party Transactions Review Committee. She is a member of the Board Integrated Risk Management Committee and the Board Remuneration Committee.

Ms. Paktsun was the Director Finance & Operations of Pricewaterhouse Coopers 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 Bank of Ceylon.

Mr. Vander Weele is a co-founder and partner of 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, a strategic buyer.

He is a Director of Muthoot Microfin-India. 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.



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



**G.R. Edwards**  
Independent  
Non-Executive Director

Mrs. Edwards is a career banker with over 35 years of experience in the Sri Lankan Banking Sector. Having rendered her services to DFCC Bank PLC and Seylan Bank PLC, she counts for over 11 years at the Senior Corporate Management level. Her work experience spans the transformative years in Retail Banking. Under her Leadership, Personal Financial Services / Retail Banking was set up at DFCC Vardhana Bank PLC and she progressed to head the Consumer Banking at DFCC Bank PLC.

Having held the positions of Senior Vice President Consumer Banking at DFCC Bank PLC and Assistant General Manager Personal Banking at Seylan Bank PLC, her vast experience covers all aspects of Retail Banking, Small and Medium Enterprise(SME) and Micro Small and Medium Enterprises (MSME).

Mrs. Edwards holds a Masters in Business Administration from University of Southern Queensland, Australia, a Post Graduate Executive Diploma in Bank Management from the Institute of Bankers of Sri Lanka and is an Associate Member of the Certified Management Accountants, Australia. She was honored for her achievements in the Banking Sector at the "Top 50 Professional and Career Women Awards Sri Lanka and Maldives, 2020".

She was appointed to the Board of Directors of the Company on 1<sup>st</sup> July 2021 and is a member of the Board Intergrated Risk Management Committee.

# Executive Management Team



**Roshan**  
Egodage



**Geya**  
Egodage



**Rajiv**  
Casie Chitty



**K.L.A.**  
Senaviratne



**Janaka**  
Deshapriya



**Lawrence**  
Fernando



**Prasanna**  
Wickramasinghe



**Anuradha**  
Ranaweera



**D.G.**  
Jayaratne



**Lalith**  
Karunarathna



**Ayesh**  
Pitigala



**Havindu**  
Balasooriya



**Nirosh**  
Madawala



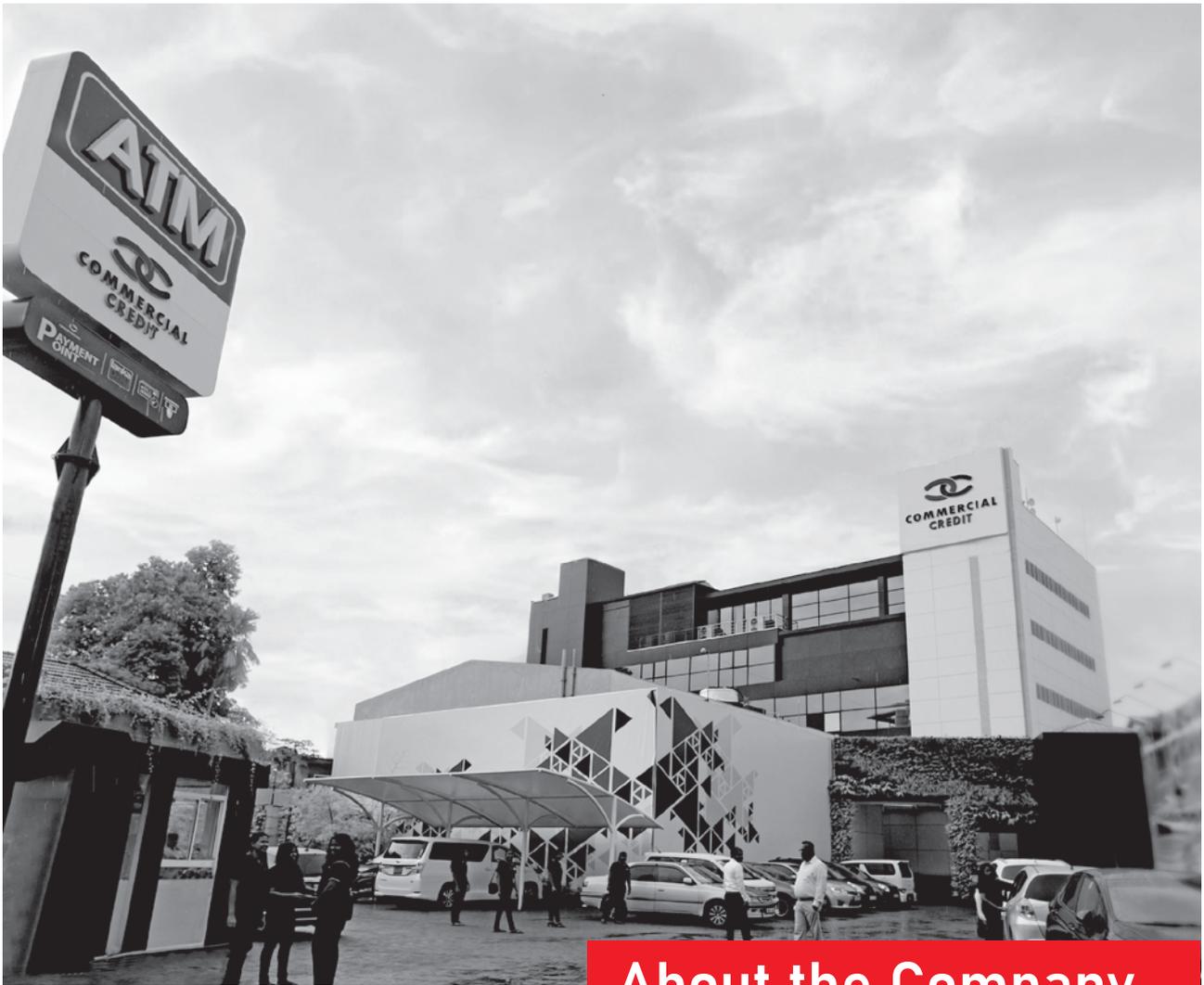
**Sisira**  
Attanayake



**Shammi**  
Jayathilake



## Company at a Glance



## About the Company

Commercial Credit and Finance PLC was established on the 4<sup>th</sup> of October 1982 following its incorporation under the Companies Act No. 17 of 1982 as a Private Limited Liability Company, by the name of Commercial Credit (Pvt) Ltd. Subsequently, it was registered as a Public Limited Liability Company under the provisions of the above Act on the 16<sup>th</sup> of December 1989 as Commercial Credit Ltd. The Company was then re-registered under the Companies Act No. 07 of 2007 on the 8<sup>th</sup> of April 2008 and under the Finance Business Act No. 42 of 2011 on the 6<sup>th</sup> of August 2012. When the shares of the Company were listed on the Dirisavi Board of the CSE on the 1<sup>st</sup> 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 17<sup>th</sup> May 2012.

The Company was originally established with the prime focus on agricultural lending. Since 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.

# Product Portfolio

We strongly believe that the customer is the most important stakeholder who drives our business forward. The main interface with our customer base is through our product portfolio. 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.



**Leasing and Hire Purchase Products**



**Revolving Business Loans**



**Gold Loans**



**Microfinance & Abhiwurdhi SME Loans**



**Educational Loans**



**Deposits & Savings Products**



**Term Loans**



### LEASING AND HIRE PURCHASE PRODUCTS

Commercial Credit offers a wide range of Leasing and Hire Purchase products that are designed 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 loyal 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.



### TERM LOANS

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.



### GOLD LOANS

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 customers.



### MICROFINANCE AND ABHIWURDHI SME LOANS

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 on 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 always offered through an efficient service, minimum documentation and convenient repayment methods and is backed by effective technology usage.



## REVOLVING BUSINESS LOANS (RBL)

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.

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 team of officers who visit each and every customer and use their Point of Sale (POS) device for collection.



## DEPOSITS & SAVINGS PRODUCTS

Public Deposits has been the main source of funding to carry out business operations at Commercial Credit with the Company's wide range of deposits & savings products helping the Company to expand the customer base across the island. The product range includes Fixed Deposits, General Savings and Minor Savings. Fixed Deposits are accepted for periods ranging from one (01) month to five (05) years with interest being paid either monthly or at maturity, while the Hari Minor Savings Account is accepted for longer periods.

In keeping with the culture of the Company, customer deposits & savings 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.



## EDUCATIONAL LOANS

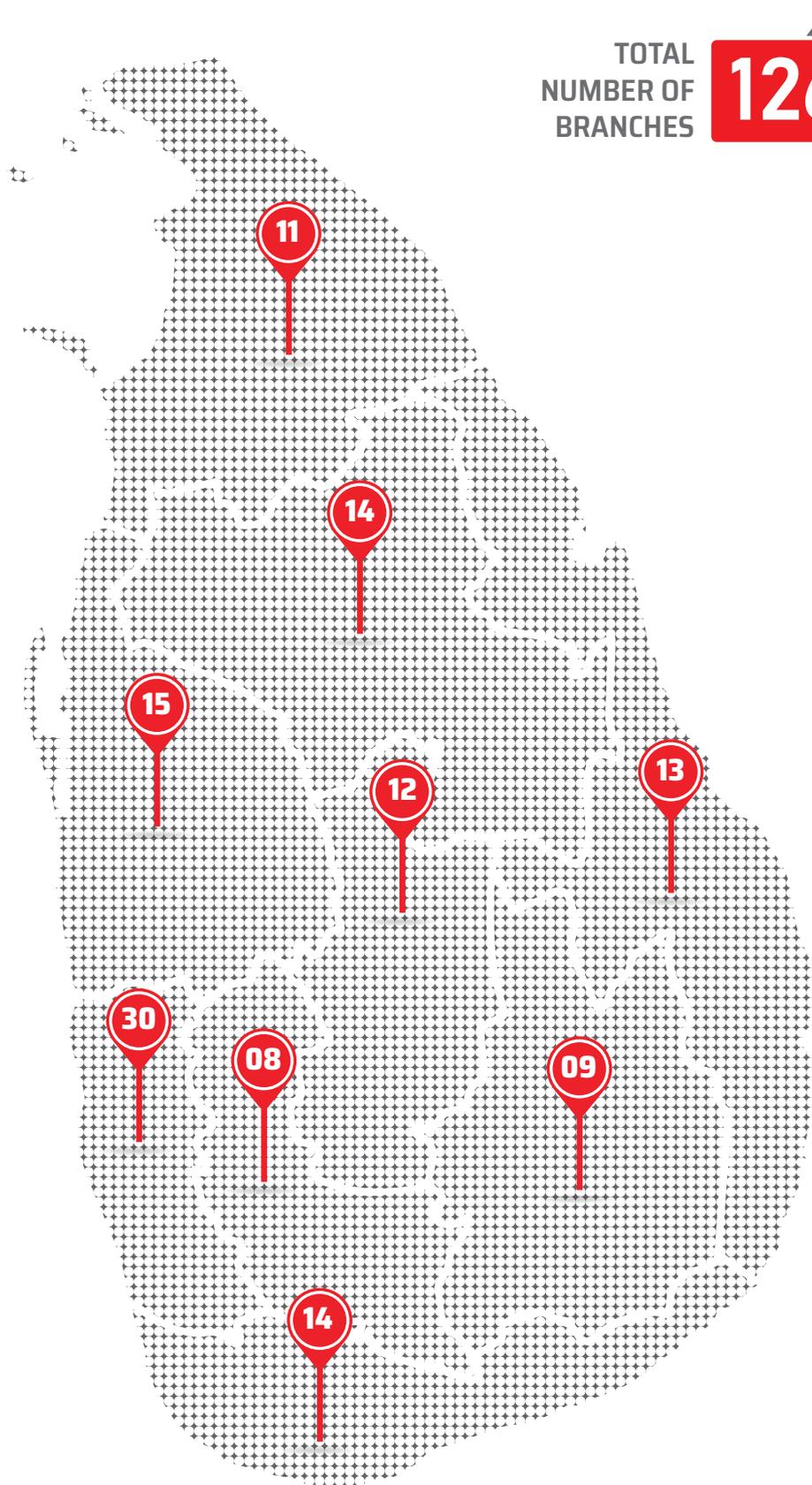
The Educational Loan Scheme of Commercial Credit was launched as a product that is focused on providing a viable and sustainable loan scheme to meet the aspirations of a certain segment of the society. It aims to provide financial support to students who intend to pursue higher education in Sri Lanka and abroad. The loan scheme is built upon the concept that a student, irrespective of his/her financial standing, must be provided with an opportunity to pursue higher studies through a sound financial support package that consists of reasonable and 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 the most vital resource of education 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, demonstrating them the customer friendly approach 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.

# Branch Network

TOTAL  
NUMBER OF  
BRANCHES

126





**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

**GALLE - 6**

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

**HAMBANTOTA - 4**

- Tissamaharama
- Angunakolapelessa
- Tangalle
- Ambalantota

**MATARA - 4**

- Akuressa
- Matara
- Deniyaya
- Waligama



**Southern Province**  
Province Count: 14



**Western Province**  
Province Count: 30

**COLOMBO - 15**

- Avissawella
- Battaramulla
- Borella
- Homagama
- Kotahena
- Kaduwela
- Maharagama
- Mount Lavinia
- Moratuwa
- Nugegoda
- Colpity

- Piliyandala
- Wellawatte
- Union Place
- Maligawatta

**KALUTARA - 6**

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

**GAMPAHA - 9**

- Gampaha
- Ja-Ela
- Negambo 1
- Negambo 2
- Wattala
- Divulapitiya
- Kiribathgoda
- Kirindiwela
- Nittambuwa

**KURUNEGALA - 8**

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

**PUTTALAM - 7**

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



**North Western Province**  
Province Count: 15



**Eastern Province**  
Province Count: 13

**AMPARA - 6**

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

**BATTICALOA - 4**

- Batticaloa 1
- Batticaloa 2
- Kalavanchikudy
- Valaichenai

**TRINCOMALEE - 3**

- Kanthale
- Trincomalee
- Muthur

**ANURADHAPURA - 9**

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

**POLONNARUWA - 5**

- Hingurakgoda
- Polonnaruwa
- Aralaganwila
- Bakamuna
- Welikanda



**North Central Province**  
Province Count: 14



**Sabaragamuwa Province**  
Province Count: 08

**KEGALLE - 3**

- Kegalle
- Warakapola
- Deraniyagala

**RATNAPURA - 5**

- Balangoda
- Embilipitiya
- Ratnapura
- Godakawela
- Kalawana

**BADULLA - 4**

- Badulla
- Bandarawela
- Mahiyanganaya
- Welimada

**MONARAGALA - 5**

- Monaragala
- Bibile
- Siyambalanduwa
- Thanamalwila
- Wellawaya



**Uva Province**  
Province Count: 9



## Northern Province

Province Count: 11

### JAFFNA - 6

- Jaffna 1
- Jaffna 2
- Nelliady
- Chunnakam
- Chavakchcheri
- Velanai

### MANNAR - 1

- Mannar

### VAVUNIYA - 1

- Vavuniya

### MULLAITIVU - 1

- Mullaitivu

### KILINOCHCHI - 2

- Kilinochchi 1
- Kilinochchi 2

### 12 CENTRAL

- 08 Kandy
- 02 Matale
- 02 Nuwara Eliya

### 13 EASTERN

- 06 Ampara
- 04 Batticaloa
- 03 Trincomalee

### 14 NORTH CENTRAL

- 09 Anuradhapura
- 05 Polonnaruwa

### 15 NORTH WESTERN

- 08 Kurunegala
- 07 Puttalam

### 30 WESTERN

- 15 Colombo
- 09 Gampaha
- 06 Kalutara

### 11 NORTHERN

- 06 Jaffna
- 02 Kilinochchi
- 01 Mannar
- 01 Mullaitiva
- 01 Vavuniya

### 08 SABARAGAMUWA

- 03 Kegalle
- 05 Ratnapura

### 14 SOUTHERN

- 06 Galle
- 04 Hambantota
- 04 Matara

### 09 UVA

- 04 Badulla
- 05 Monaragala

**126** TOTAL BRANCHES

## Business Today Top 30



# 25

Business Today Top 30 Award is a well recognised standard within the business fraternity of Sri Lanka since 1997. Its recognition of corporate excellence and contribution to the nation's economy is a much valued and sought after status revered by all business entities. It is with great pleasure that Commercial Credit and Finance PLC is able to report its ranking at number **25** for the year **2019/20**.

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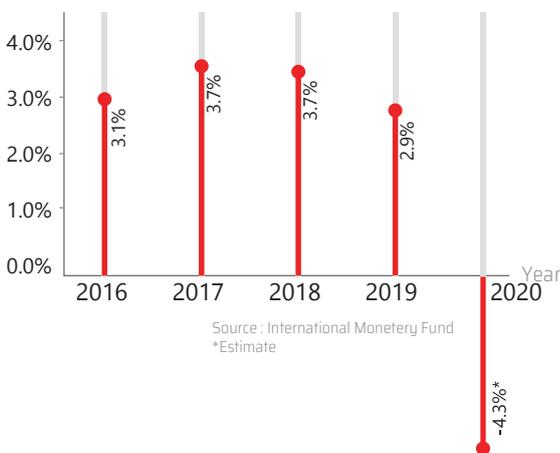
# Management Discussion & Analysis

# Management Discussion & Analysis

## GLOBAL ECONOMY

The COVID-19 pandemic impacted every aspect of the global economy in 2020 and is likely to remain a dominant factor in 2021 as new variants and waves continue to defer return to normalcy. Globally, central banks adopted an accommodative stance, cutting policy rates in 2020 to provide relief to individuals and businesses impacted by the pandemic as global growth declined sharply and inflation expectations lowered.

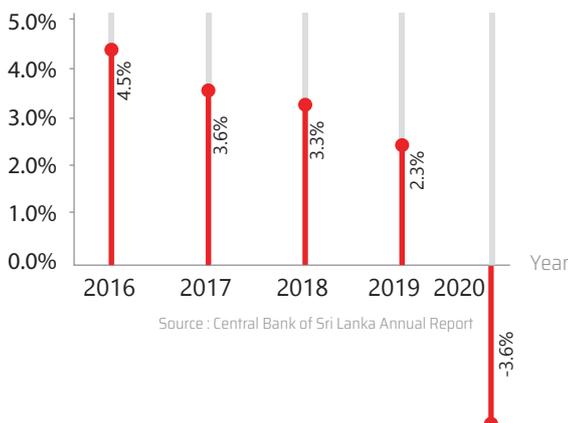
### World Economic Growth



## SRI LANKAN ECONOMY

The global economic downturn induced by the pandemic, the Sri Lankan economy contracted by 3.6% in 2020 compared to 2.3% growth in 2019, recording the deepest recession since independence. Mobility restrictions and other containment measures imposed locally and internationally, to curtail the spread of COVID-19, hampered real economic activity. All sectors of the economy contracted during 2020 with agriculture, industry and services contracting by 2.4%, 6.9%, and 1.5% and respectively.

### Real GDP Growth Rate



Effects of the pandemic were observed in the unemployment rate as well as the labor force participation rate (LFPR). The unemployment rate increased to 5.5% in 2020 from 4.8% in the previous year. Headline inflation remained broadly within the desired range of 4-6% during 2020, while core inflation remained low throughout the year due to subdued demand conditions.

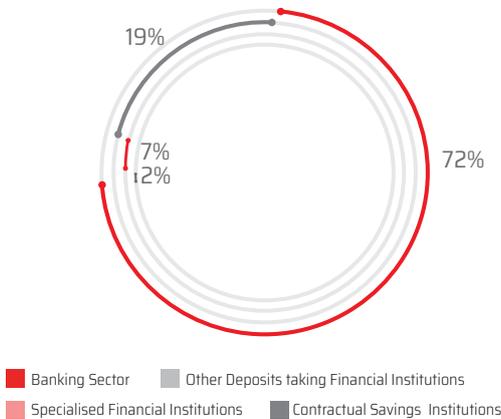
The Central Bank implemented accommodative monetary policy measures during 2020, through the reduction of key policy interest rates to historic lows with a downward adjustment of 250 basis points in total, the lowering of the Statutory Reserve Ratio (SRR) applicable on rupee deposit liabilities of licensed commercial banks (LCBs) by a total of 300 basis points and the Bank Rate by 650 basis points.

## FINANCIAL SECTOR

During the year 2020, the stability of Sri Lanka's financial system was preserved amidst challenging domestic and global market conditions posed by the COVID-19 pandemic. Despite the challenging economic environment resulting from the pandemic and regional or countrywide lockdown periods disrupting business activities to a larger extent, the banking sector exhibited moderate growth in terms of loans and advances, investments and deposit base. However, deterioration in credit quality, sovereign rating downgrades and decreased foreign inflows due to the pandemic, exerted pressure on the banking sector operations.

The Central Bank initiated several regulatory actions along with the introduction of the Financial Sector Consolidation Master Plan to avoid further deterioration of the financial position of LFCs, maintain the stability of the sector and safeguard the interest of depositors. Meanwhile, the Central Bank ensured the availability of liquidity in the money market, particularly considering the need for supporting the financial system and facilitating economic activities during the COVID-19 pandemic period by introducing several monetary policy relaxation measures during the year.

## 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

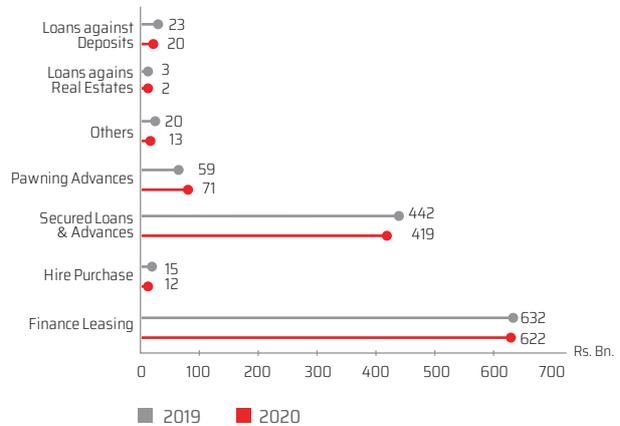
The LFCs and SLCs sector performance deteriorated during the year, with negative credit growth and high NPAs. In addition to the COVID-19 pandemic related growth impediments, the reduction of consumer confidence due to issues observed in the sector contributed towards the sluggish performance.

The sector as a whole remained stable, with capital maintained at healthy levels along with adequate liquidity buffers above the regulatory minimum levels. Total assets of the sector stood at Rs. 1,401.6 Bn by end-December 2020, representing 5.9% of Sri Lanka's financial system. The funding mix was dominated by deposits while borrowings of the sector declined compared to the previous year.

### Assets

Assets of the sector contracted, recording a negative growth rate of 2.2% during the year reaching Rs. 1,401.6 Bn compared to the 0.1% growth reported in 2019. Loans and advances accounted for 74.2% of the total assets of the sector. Finance leases accounted for the highest share of loans and advances, representing 53.7%, followed by the secured loans and advances (36.2%). Lending of the sector slowed considerably during the year as business activities continued to contract amidst the COVID-19 lockdowns and curtailment of vehicle imports. Credit provided by the LFCs and SLCs sector contracted by 5.7% to Rs. 1,039.9 Bn compared to the contraction of 3.0% in the corresponding period of 2019.

## Productwise Loans & Advances



Source : Central Bank of Sri Lanka Annual Report

## Liabilities & Capital

Customer deposits continued to dominate the liabilities of the LFCs and SLCs sector, accounting for a share of 53.4% of liabilities. The deposits contracted by 1.1% to reach Rs.748.6 Bn while borrowings recorded a sharp decline of 19.1% reaching Rs. 328.0 Bn during the year.

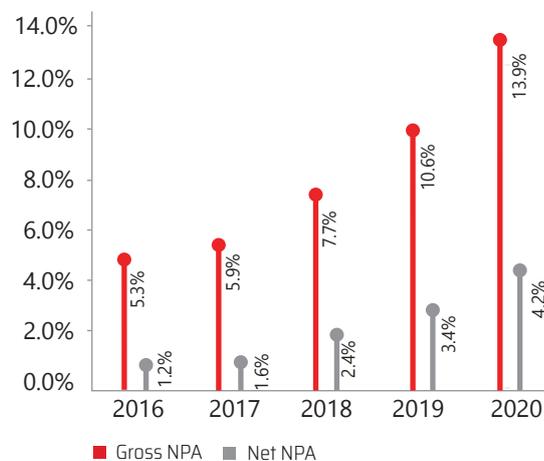
The sector as a whole remained resilient with capital maintained above the minimum required levels during the year. The capital base improved to Rs. 218.9 Bn by end December 2020 compared with Rs. 182.0 Bn recorded by end December 2019, with the infusion of new capital by LFCs to meet regulatory requirements and cancellation of license of a LFC with a large negative net worth. The sector Core Capital and Total Risk Weighted Capital Ratios increased to 14.5% and 15.7%, respectively, by end of December 2020 from the reported levels of 11.1% and 12.5% at end December 2019.

## Credit Quality

Total gross loans and advances reduced by 3.0% by end of December 2020, compared to a reduction of 0.9% recorded at end December 2019. The gross NPA ratio increased to 13.9% by end December 2020 from 10.6% reported as at end December 2019, showing a severe deterioration in the asset quality of the sector. The net NPA ratio also increased to 4.2% by end December 2020 from 3.4% reported at end December 2019. This was mainly due to the slowing down in the economic activities following the COVID-19 pandemic. Provision coverage ratio marginally increased to 58.9% in December 2020, compared with 56.6% reported in December 2019.

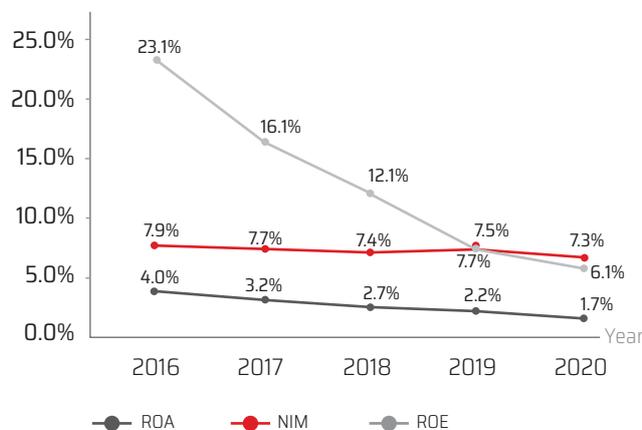
## Management Discussion & Analysis [Cont.]

### Gross NPA and Net NPA



Source : Central Bank of Sri Lanka Annual Report

### Key Industry Performance Indicators



Source : Central Bank of Sri Lanka Annual Report

### Profitability

Net interest income of the sector during the year was Rs. 111.2 Bn, which was a decline of 5.3% compared to 2019. This was due to the decline in economic activities with the COVID-19 outbreak resulting in a reduction in both interest income and interest expenses. The interest income and interest expenses declined by 12.0% and 17.6% respectively. The NIM of the sector declined to 7.3% in 2020 from the 7.7% in 2019, due to a decline in the net interest income and a marginal increase in gross average assets.

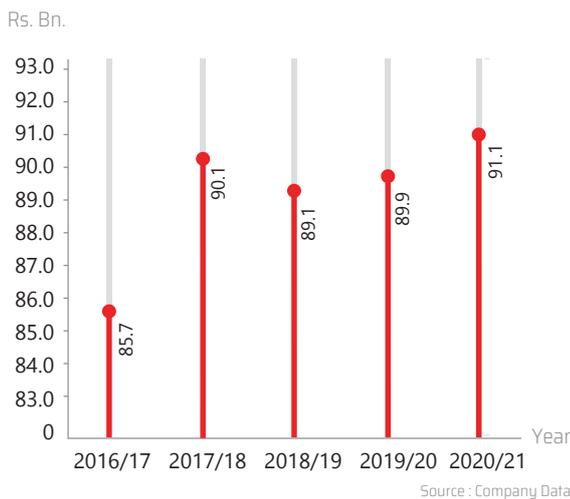
Non-interest income declined by 18.7%, while non-interest expenses declined by 16.4% during 2020, affecting sector profitability. Non-interest expenses declined mainly due to decreased administrative expenses, loss on valuation/disposal of repossessed items, reduction in staff costs and other expenses. The loan loss provisions made against NPAs during the year was Rs. 38.2 Bn, which was an increase of 26.4%, when compared with the provision made in 2019. The sector posted a Profit after Tax of Rs. 13.7 Bn, a decline of 6.1% compared to the profit recorded in year 2019, mainly due to the significant decline in interest income recorded during the period.

## Company Financial Review

### Assets

The Company asset base consolidated to Rs. 91.1 Bn as at 31<sup>st</sup> March 2021 aided by the amalgamation between Commercial Credit and its subsidiary Trade Finance which possessed an asset base of Rs. 7.8 Bn at the point of amalgamating which came in to effect on 31<sup>st</sup> December 2020. The consolidated asset base recorded a growth of 1.4% despite the 3.5% decline in the net loan book. The growth was supported by the growth in liquidity buffers maintained by the Company during the period which rose by 31.6%. The LFC and SLC sector assets base shrunk by 2.2% during the year 2020.

### Total Assets



### Lending Portfolio

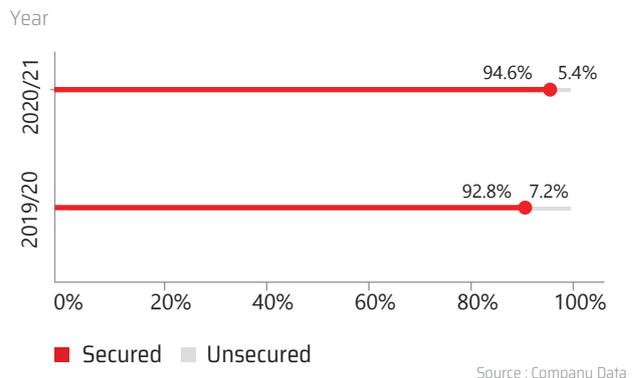
The post amalgamation lending portfolio stood at Rs. 68.6 Bn. as at 31<sup>st</sup> March 2021 with a Rs. 6.2 Bn contribution coming from Trade Finance. The lending portfolio shrunk by 3.5% owing to the 5.2% drop in the leasing and hire purchase segment which accounts for 72.9% of the net lending portfolio. This drop in the segment was mainly driven by the lack of new investments during the year due to multiple lockdowns imposed by the government to curtail the spread of the COVID 19 virus and also restrictions imposed on vehicle imports in to the county. In contrast the loans and advances grew by 1.2% with a notable 62.2% growth coming from the gold loan portfolio due to high market demand for short term consumption loans.

### Net Lending Portfolio



Growth in the gold loan segment and consolidation in the leasing and hire purchase segments saw the asset backed portfolio shrink marginally by 0.9%. In comparison the non-asset backed portfolio declined by 26.5% as a result of Company's cautious approach towards such products in times of uncertainty. Therefore the asset back composition of the gross loan portfolio increased to 94.6% from 92.8%, further tipping the scale towards assets backed products.

### Secured and Unsecured Portfolio Composition

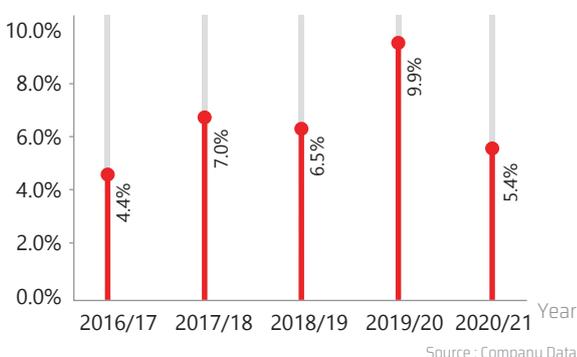


## Management Discussion & Analysis [Cont.]

### Asset Quality

Asset quality of the Company improved during the year finishing with a Gross Non Performing Accommodation (NPA) ratio of 5.4% compared to the 9.9% in the previous year. This was due to the Company's conservative approach towards new investments and increased focus on collections. The Company's net NPA also improved to -2.9% from 2.7% reflecting meticulous provisioning. In contrast the sector Gross NPA shot up to 13.9% from 10.6% owing to the disruption caused to the lives of the public as a result of the pandemic. The sector Net NPA also worsened to 4.2% from 3.4%.

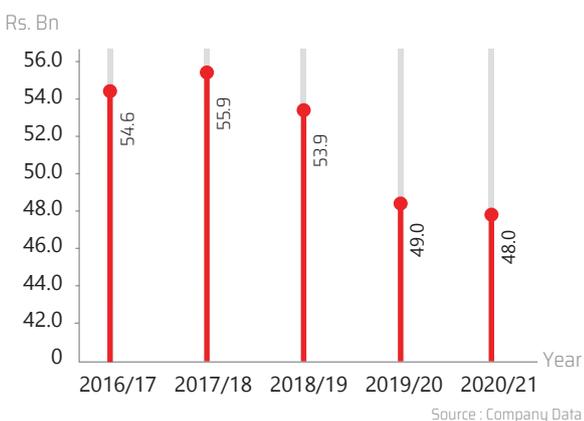
#### Gross NPA



### Deposits

Public deposits continued to serve as the main source of funding to the Company fulfilling 66.8% of the funding requirement. However the deposit base dropped by 2.0% during the year finishing at Rs. 48.0 Bn following the amalgamation. The reason for this drop is the Company's continuous focus towards bank borrowing in a low interest rate regime resulting in a 17.6% increase in bank borrowings during the year.

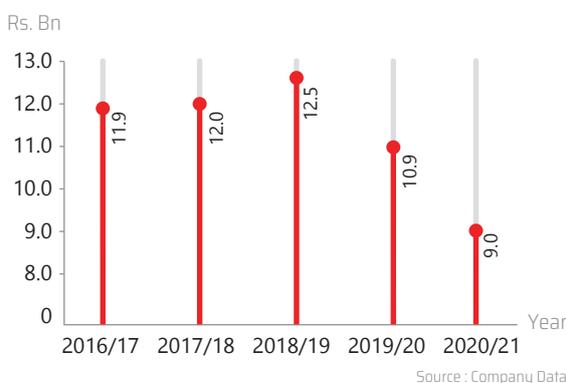
#### Total Deposits



### Net Interest Income

The net interest income dropped by 17.2% during the year owing to the 22.8% drop in the interest income. This was caused by the debt moratoriums offered to the customer base affected by the pandemic which stipulated a lower yield and also due to reduced new loan disbursements during the period. However the interest expense also dropped by 28.9% while the funding base remained stable, due to multiple rate reduction imposed by the CBSL to boost the money supply in the economy. This is reflected in the Company cost of funds which reduced to 9.8% from 13.8% during the year.

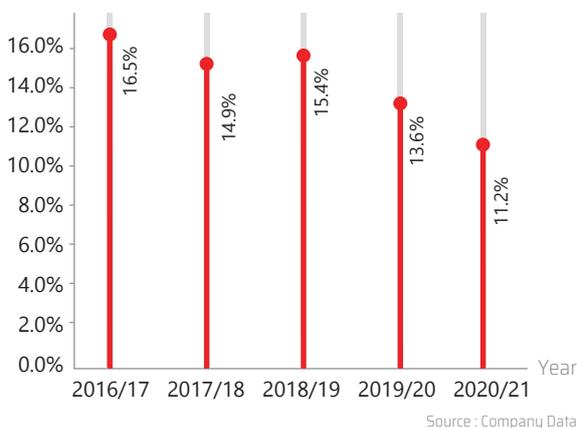
#### Net Interest Income



### Net Interest Margin

The Company NIM dropped to 11.2% from 13.6% due to the 17.2% reduction in net interest income while the assets base remained relatively stable. These lower yields, despite the drop in Company cost of funds was caused by the debt moratorium scheme where the interest income is calculated using a modified yield. The NBFIs sector NIM also dropped to 7.3% compared to 7.7% the previous year.

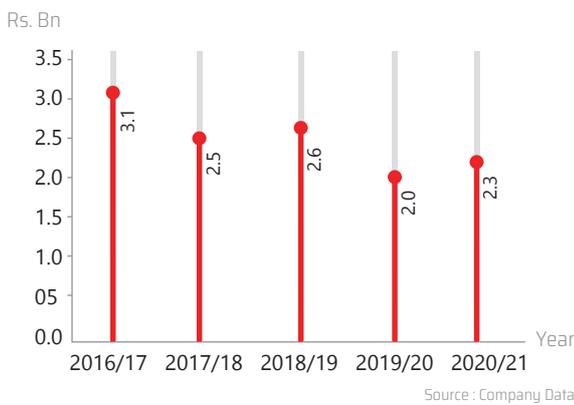
#### Net Interest Margin



## Profitability

The Company reported a Profit after Tax of Rs.2.34 Bn. post amalgamation, a 16.4% growth compared to last year. This growth was mainly fueled by increased asset quality resulting in a lower impairment charge and a lower cost to income ratio which improved to 51.1% compared to 52.7% during the previous year. In contrast the NBFIs sector profitability dropped by 5.5% owing to the reduction in net interest income and increase in impairment charges.

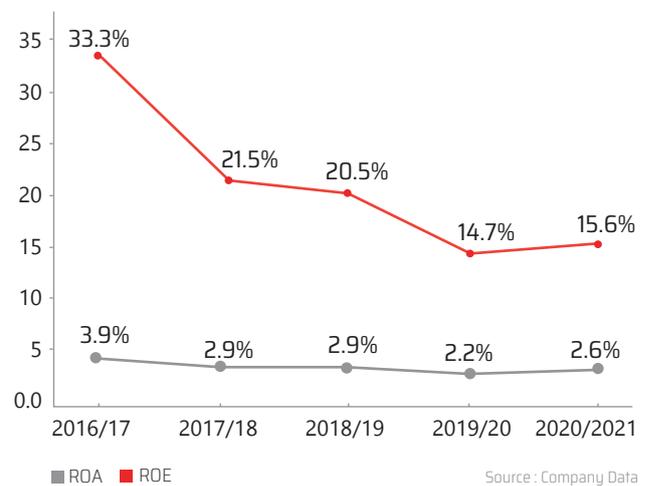
### Company Profitability



With the 16.4% increase in profitability in the backdrop of a relatively stable asset base, the Company reported a Return on Assets (ROA) of 2.6% compared to 2.2%. Return on Equity also improved to 15.6% compared to 14.7% during the previous year. The NBFIs sector ROA dropped to 1.7% from 2.2% owing to the 5.5% drop in sector profitability. The sector ROE also came down to 6.1% from 7.5% during the year.

Both the Core Capital Ratio and the Total Risk Weighted Capital Ratio reduced during the year to 13.5% and 14.6% respectively, compared to 14.1% and 15.0% reported during the previous year. Both ratios remained well above the minimum regulatory requirement of 6.5% and 10.5% respectively.

### ROE and ROA



**Note:** The Company amalgamated with Trade Finance and Investments PLC with effect from 31<sup>st</sup> December 2020 and therefore group information for the financial years 2016/17, 2017/18, 2018/19 and 2019/20 has been taken as comparative information for financial year 2020/21. This is applicable to all figures and graphs in the "Company Financial Review" section.

### Product Review

#### LEASING AND HIRE PURCHASE PRODUCTS

The leasing and hire purchase portfolio consolidated to a Rs. 54.3 Bn. post amalgamation with a portfolio of Rs. 9.4 Bn. coming from Trade Finance. Considering the strong exposure in both companies towards two wheelers and three wheelers, the amalgamation distinguishes the amalgamated Company as the market leaders in the segment. From a consolidated point of view the leasing and hire purchase portfolio shrunk by 3.0% during the year. This was mainly due to the lack of new investments during the first quarter of the year and also the vehicle import restrictions imposed by the government to stabilise the Sri Lankan Rupee. However capitalising on the Company's exposure and experience in the business of lending towards registered two wheelers and three wheelers, the Company managed to invest during the final two quarters of the year once the lock down was lifted. The Company stuck to a no repossession policy and provided debt moratoriums to all customer categories eligible for the scheme. These initiatives were well received by the customers who proactively settled their dues with minimum delinquencies.

#### TERM LOANS

With major disruption caused by the COVID 19 pandemic, 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 25.1% drop in the term loan portfolio during the year. The term loan team was provided training on the recovery side enabling them to focus more on collections while investing in a cautious manner.

#### GOLD LOANS

The gold loan portfolio expanded significantly with a growth of 62.2%, finishing the year at Rs. 10.1 Bn. This was mainly due to the high demand for consumption loans within all parts of the island, as the day to day livelihoods of the public was challenged by multiple lockdowns imposed by the government. The Company continued to fixate its focus on shorter cycles mostly promoting 01 month and 03 month products.

#### MICROFINANCE AND ABHIWURDHI SME LOANS

The micro finance and Small and Medium Enterprise (SME) portfolio shrunk by 25.3% on the back of lack of new investments during the first three quarters of the year owing to the difficulties created by the pandemic which challenged the status quo of the micro finance and SME sector in the country. However the Company continued to deploy micro finance staff into promoting registered two wheeler and three wheeler products through their already established Customer Service Units (CSU) network.

#### REVOLVING BUSINESS LOAN (RBL)

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 pandemic struck economy provided limited opportunity for growth. As a result the RBL portfolio came down by 30.0% during the year.

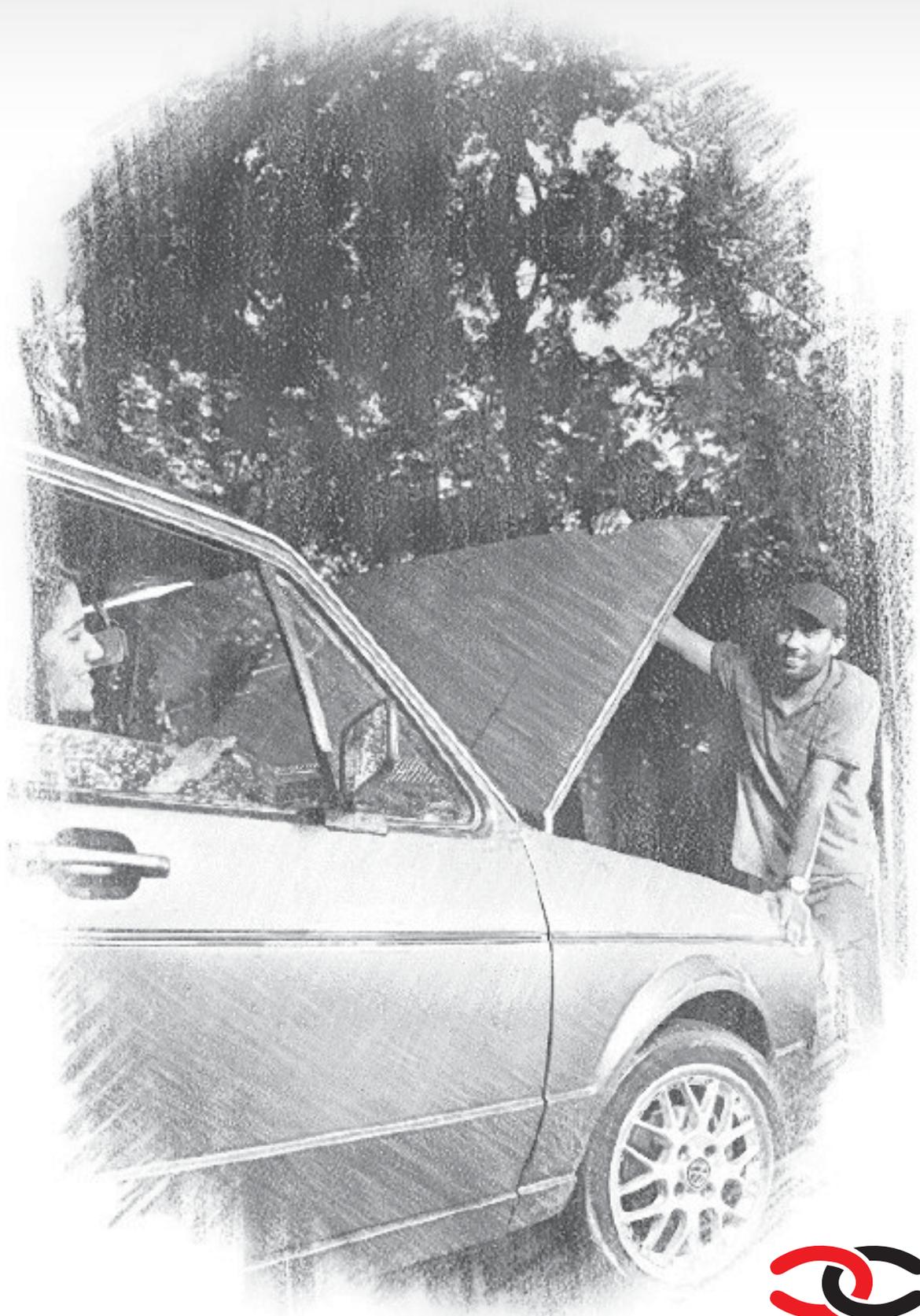
#### EDUCATIONAL LOANS

The management was compelled to restrict new investments due to the emergence of the COVID 19 pandemic which restricted academic activities during the financial year. As a result the education loan portfolio shrunk by 38.2% during the year.

#### DEPOSITS

The amalgamation with Trade Finance which possessed a deposit base of Rs. 1.8Bn, saw the deposit portfolio finishing the year at Rs. 48.0 Bn. However the declining loan book and Company's increased focus on bank borrowing in a low interest rate environment saw the deposit base drop by 2.0% during the year. Cancellation of a few NBF1 licenses during the year made mobilizing public funds challenging.

“නමක්, ගමක් දැනීමට නම් නෑ.  
හැමැයි මනුස්සයෙක්”



**COMMERCIAL  
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# Sustainability Report

# Sustainability Report

Commercial Credit believes that the Company's commitment towards its purpose and Shared Values through continuous training and development within the organisation is the formula for a sustainable business model. Accordingly Company's products and functions are guided and realigned if required to ensure that the Company's philosophy is preserved in carrying out day to day activities within the organisation which operates in a challenging business landscape.

## Marketing & Branding

### Overview

The Marketing Department of Commercial Credit and Finance PLC primarily focusses on carrying out strategies to build the corporate image, 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 on the viewer as it demonstrate how qualities such as kindness and compassion can be a prerequisite to uplifting the life of a fellow human being. The Department 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 customers or potential clients, who we are keen to serve.

### Highlights of the Year

The marketing team launched a new above the line advertisement campaign targeting gold loan products during the year, extending its purpose driven theme. The "loved ones" advertisement was nominated for the People's Advertisement of the year at the SLIM Nielsen Awards 2020. Below the line marketing activates leveraged key products such as Leasing, Hire Purchase and Gold Loans connecting the customer base with the Company's product offerings at the grass root level.

## 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 HRIS was completed during the year, automating the HR functions of the Company. Good 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 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 continuously enhances the capabilities of the HR Department and fine-tunes the HR practices in order to create a positive environment for all concerned.

## Maintaining Compliance

The Company has put in place a range of policies and procedures related to employees, their rights and privileges as well as their duties and responsibilities. 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 an Anti-Sexual Harassment Policy and an Ethical 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 maximise its effects within 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 organisation, paving the way for any employee, irrespective of their designation to converse directly and rally their concerns with the Chief Executive Officer and Executive Directors at any given time. This approach has been well-received by the employees and has 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 translates to greater output levels and improved results by the employees, reflecting 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 bi-annually 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 utilised 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 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 superiors, peers and subordinates.

# Shared Values

### The Launch of Our Shared Values

The Shared Values of Commercial Credit were launched during the Value Day held on 4<sup>th</sup> 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 Badges. 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 has been an important 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 Company's system is utilised to evaluate every member of the Company through the 360 Degree Value Appraisal conducted on a quarterly basis. As a Value-driven Company, Commercial Credit has given a higher weightage for this appraisal conducted 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 locations 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 every two (02) years to recognise 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 recognised 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. This policy, which applies to all employees and all activities, contains a detailed framework and course of action to ensure the adherence of employees, by embedding the Shared 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 is used as a 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 on the worded appreciation received by their colleagues.

# Learning and Development

A large number of training programmes and workshops were held on culture development throughout the year using virtual platforms. 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 are constantly 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 is of the belief that the practice of the 7 Habits by employees will allow the internalisation 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 enables members to have regular opportunities to clarify matters regarding the issues they encounter in living the Shared Values on a day-to-day basis.

# Stakeholder Engagement

Commercial Credit and Finance PLC believes that genuine sustainability requires engaging closely with stakeholders in building 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.





## Business Partners

### Stakeholder aspirations

- ❖ Contractual performance
- ❖ Future business opportunities
- ❖ Maintaining healthy relationships
- ❖ Timely settlement of dues
- ❖ Ease of working
- ❖ Growth potential
- ❖ Collaboration for new technologies

### Engagement mechanism

Supplier relationship management  
On-site visits and meetings

### Frequency

As required  
As required



## Society & Environment

### Stakeholder aspirations

- ❖ Responsible financing
- ❖ Commitment to community
- ❖ Financial inclusion and awareness
- ❖ Ethics and business conduct
- ❖ Environmental performance
- ❖ Employment opportunities

### Engagement mechanism

Media advertising campaigns  
Press releases, conferences and media briefings  
Informal briefings and communications  
Public events and gatherings  
Corporate website  
Sponsorships for social events

### Frequency

As required  
As required  
As required  
As required  
Continuous  
As required



## Government Institutions & Regulators

### Stakeholder aspirations

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

### Engagement mechanism

On-site surveillance  
Directives and circulars  
Meetings and consultations  
Press releases  
Periodic returns  
Submissions to policymakers

### Frequency

Annually  
As required  
As required  
As required  
As specified  
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 in the Company

### Engagement mechanism

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	Continuous
Employee satisfaction survey	Bi-annually
Code of conduct and whistle blower policy	Continuous

### Frequency



## 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

### Engagement mechanism

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

### Frequency



## Investors

### Stakeholder aspirations

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

### Engagement mechanism

Annual Reports and Annual General Meetings (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

### Frequency

Let's take the time to  
appreciate one another



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# Risk Management & Corporate Governance

# Risk Management

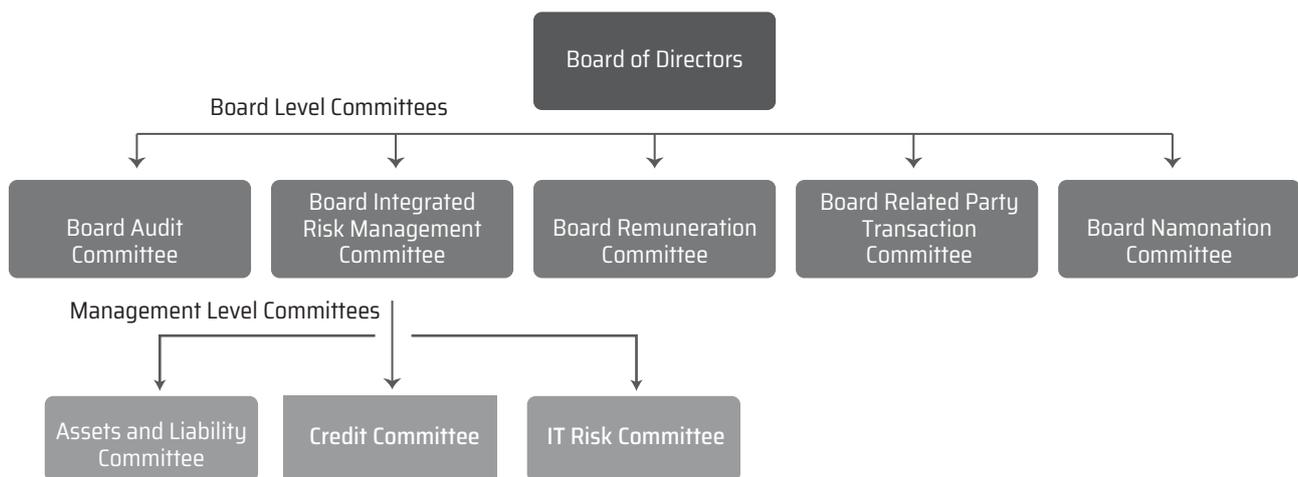
The Company has developed a Risk Management Framework (RMF) which enables a structured approach to manage all the risk exposures. It is underpinned by organisational structures, systems, processes, procedures and industry best practices and takes into account possible risks, potential losses, and uncertainties the Company is exposed to.

Risk Management involves identifying, assessing, avoiding or reducing the negative impacts arising from current or future risks. 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 institutions since risk management is a responsibility of each and every employee of the Company and they need to clearly understand the risks the Company is exposed to,

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 effective management of risk.

## Risk Governance Structure of the Company



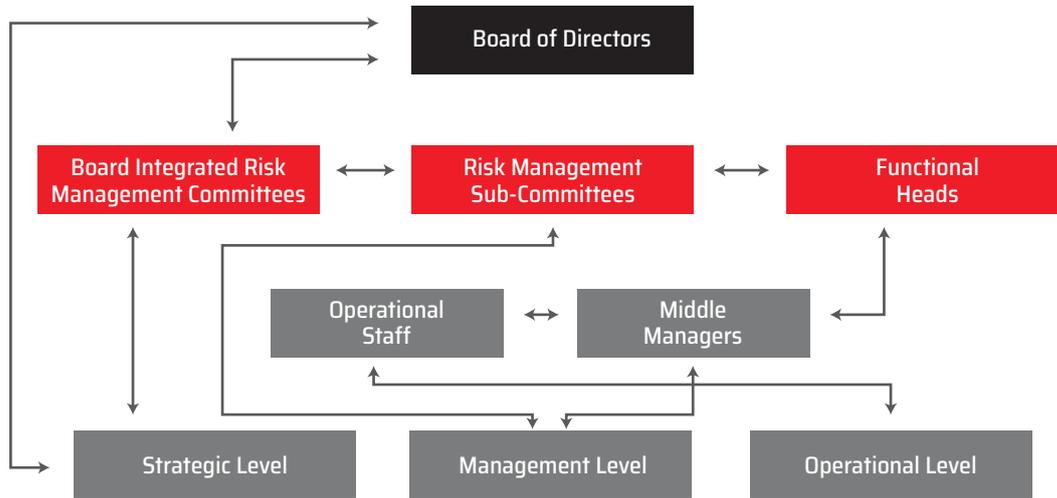
### 2020/2021- Key Achievements

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

Business decisions are made in a manner that the safeguarding of stakeholders' interest 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:



### Strategic Level

At the strategic level, Risk Management functions are performed by the Board of Directors and the Board Integrated Risk Management Committee (BIRMC). 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 Board Integrated Risk Management Committee (BIRMC) together with the Operational Management.

The Company has established risk Sub-Committees in the areas of Information Technology and Credit, in addition to the Assets and Liabilities Committee (ALCO). The effectiveness of these Sub-Committees are assessed by the BIRMC 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 BIRMC and the ALCO meeting minutes are circulated to the Board through BIRMC. The decisions and directives of the BIRMC are communicated to the Operational Management through Sub-Committees for operationalization of such decisions and directives. The BIRMC 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. 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 are developed for all risks and the appropriate risk treatment identified and actioned.

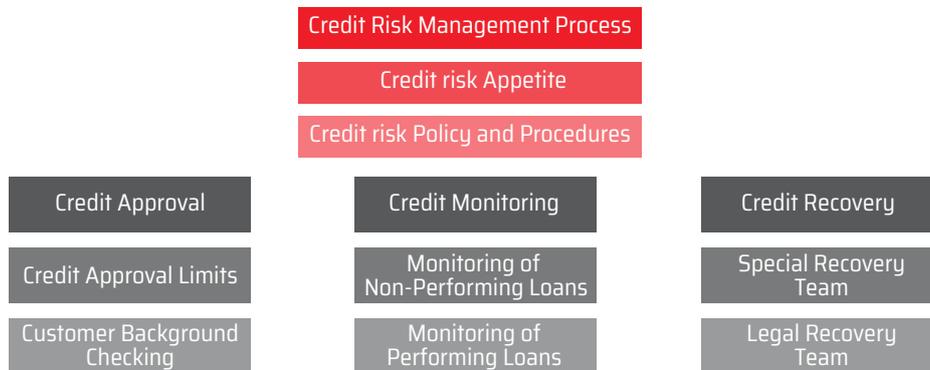
### Types of Risks

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 to honour its financial or contractual obligations to the Company. 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 and maximise the return and maintain 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 periodically 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 before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organisation as well as for each product and operational location.

The 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.

Problems and risks associated with the credit facilities need to be identified early to safeguard against possible losses. The Credit Risk Sub-Committee measures and tracks the status of the credit portfolio. Credit reports need to be prepared monthly reviewing credit portfolio concentration and performance of the facilities granted.

Defaulted 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, vehicle 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 procedure and Board-approved Risk appetite limits.

## Marketing Risk Management Approach

Movements in interest rates are closely monitored. Further, the Company maintains an adequate 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 to the liquidity of the Company as it provides critical defense against 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 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.

### Operational risk

Operational risk is the risk of losses or failed internal processes, people and systems, or from external events such as natural disasters, social or political events. It is inherent in all financial products and processes and the Company's objective is to control it in a cost-effective manner. Operational risk includes legal risk but excludes strategic and reputational risk.

### Operational Risk Management Approach

The Company manages operational risk through policies, risk assessment, risk mitigation including insurance coverage, managing technology risk, a comprehensive Business

Continuity Plan (BCP) and Disaster Recovery Plan (DRP), creating a culture of risk awareness across the Company, stress testing and monitoring and reporting. The degree of compliance of staff with such operational policies, processes and controls is regularly reviewed.

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

Reputational risk is the risk of adverse impact on earnings, assets and liabilities or brand value arising from negative stakeholder perception of the Company's business practices, activities and financial position. The Company recognises that reputational risk is driven by a wide range of other business risks relating to the "conduct" of the Company that must all be actively managed. In addition, the increase of social media has widened the stakeholder base and expanded the sources of reputational risk.

Further, with the emergence of the Company as a major player among NBFIs, it is critical that due attention is given to safeguard the reputation the Company has earned among all stakeholders. In today's highly interconnected world with the capability to communicate rapidly, an excellent reputation carefully built over a long period could be at risk instantly.

## Reputational Risk Management Approach

Accordingly, reputational risk is broadly managed through the systems and controls adopted for all other risk types such as credit, market, operational risk, etc., which are underpinned by Communication Policy and ethics framework that prohibit unethical behavior and promote employees to live a principle based life. Further, promotion of the Value driven culture within the organisation and customer confidence building initiatives employed, enhance the reputation of the Company. The Company pays close attention to ensure that there is no reputation-reality gap for any stakeholder group of Commercial Credit.

## Information Technology (IT) Risk

IT risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an organisation. It is a major component of operational risk comprising IT related events such as system interruptions, failures, errors, frauds through system manipulations, cyberattacks, obsolescence in applications, that could potentially affect the whole business. Given the uncertainty with regard to frequency and magnitude, managing IT risk poses challenges. Hence, the Company has accorded top priority to addressing IT risk, giving more focus to cyber security strategies and continually investing on improving the cyber security capabilities. 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 Central Bank of Sri Lanka 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 BIRMC and is responsible for managing risks relating to information security. The Information Security function is supported by an out-sourced Security Operation Center which monitors systems on a 24x7 basis. The Information 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 DRP 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 is related to strategic decisions and may manifest in the Company not being able to keep up with the evolving market dynamics, resulting in loss of market share and failure to achieve strategic goals. Corporate planning and budgeting process and critical evaluation of their alignment with the Company's vision, mission and the risk appetite facilitate management of 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.

## Compliance and regulatory risk

Compliance and regulatory risk refers to the potential risk to the Company resulting from non compliance with applicable laws, rules and regulations and codes of conduct and could result in regulatory fines, financial losses, disruptions to business activities and reputational damage.

## Compliance and Regulatory Risk Management Approach

A compliance function reporting directly to the Board of Directors is in place to assess the Company's compliance with external and internal regulations on an ongoing basis. The Company's culture and the Shared Values too play a key role in managing this risk.

## 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 its 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., that are monitored closely.

# Corporate Governance

Corporate Governance is the system of rules, practices and processes by which a Company is managed. Good Corporate Governance helps in driving the Company towards performance excellence while complying with external and internal regulations, guidelines and ethical standards. Sound internal controls and procedures play an integral part in maintaining high standards of transparency, disclosure, financial controls and accountability in good Corporate Governance.

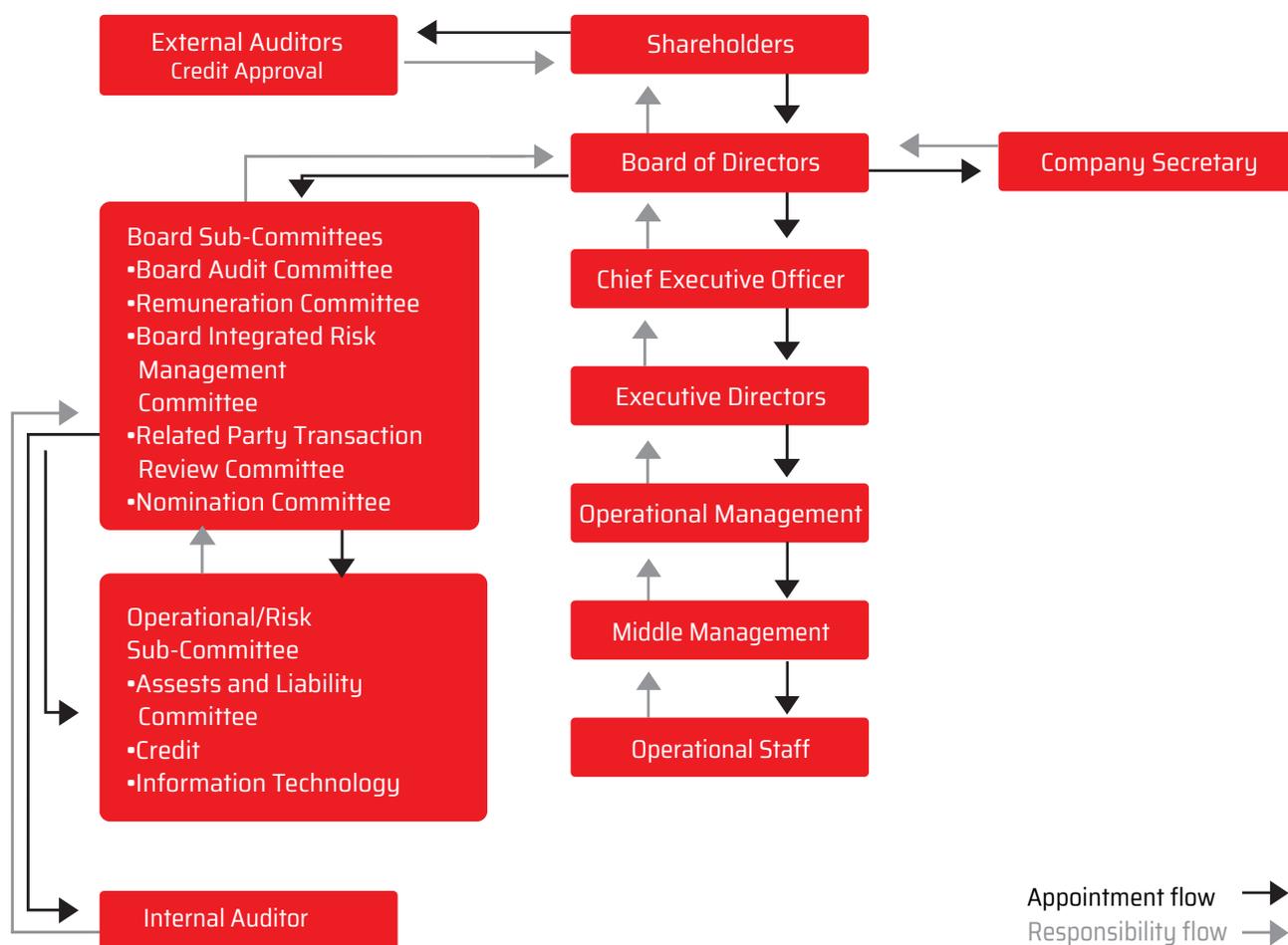
The Company is committed to high standards of Corporate Governance and we are constantly seeking ways of improving its Governance practices. We believe that the emphasis the Company consistently makes in instilling the Shared Values of the Company among all members of the Commercial Credit team play a critical role in this regard. The systems are designed and developed to influence the behavior of everyone assigned with the responsibility of managing the affairs of the Company ensuring that the interests of all stake holders are effectively served on a consistent basis.

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 the CSE.
3. Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and SEC of Sri Lanka.
4. Finance Companies (Corporate Governance) Direction No.03 of 2008 issued by the Central Bank of Sri Lanka.
5. Finance Companies (Corporate Governance-Amendments) Direction No.04 of 2008 issued by the Central Bank of Sri Lanka.
6. Finance Companies (Corporate Governance-Amendments) Direction No.06 of 2013 issued by the Central Bank of Sri Lanka.

## Governance Structure of the Company

The governance structure of the Company comprises of several governance bodies with well defined roles and responsibilities, accountability and clear reporting lines.



## Board of Directors

The Board of Directors as the highest decision making authority of the Company 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 Purpose, Vision and Mission in keeping with our Shared Values.

The Board of Directors of the Company comprised of eight 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 wealth of knowledge and experience and are thus eminently suitable to provide the leadership and direction required.

The Board is lead by the Chairman who is an Independent Non-Executive Director, who had no financial or any other relationship with any other member of the Board. The Chief Executive Officer (CEO) has a business relationship with a Non-Executive Director of the Company where such Non-Executive Director and CEO serve on the Board of "Trade Finance and Investments PLC" a subsidiary of the Company which was amalgamated with the Company on 31 December 2020. Also, one Executive Director of the Company is the spouse of the CEO.

The Board has appointed the CEO, who is the apex of the organisation and the executive management of the Company. The Board has identified other KMPs who are in a position to influence policy, direct activities and exercise control over the business activities. The Board maintains appropriate oversight over the KMPs and meets them as and when required to discuss the performance and issues related to their areas of operation. The Board has developed a succession plan for the identified KMPs to ensure minimum disruption to operations.

The Board carries out a self-evaluation of its performance

The composition of the Board during the period under review is set out below together with a record of the attendance at Board meetings and Board Sub-Committee meetings.

Director / Category	Board	Audit Committee	Integrated Risk Management Committee	Related Party Transaction Review Committee	Remuneration Committee	Nomination Committee
	Attended/ Eligible	Attended/ Eligible	Attended/ Eligible	Attended/ Eligible	Attended/ Eligible	Attended/ Eligible
Mr. E. D. P. Soosaipillai (Independent Non-Executive)	12/12	14/14	*8/8*	*4/4*	2/2	2/2
Mr. M. S. D. Pinto (retired w.e.f 18/05/2020) (Independent Non-Executive)	1/1	1/1	N/A	N/A	N/A	N/A
Mr. R. S. Egodage (Executive)	12/12	*3/3	11/12	N/A	2/2	2/2
Mrs. G. R. Egodage (Executive)	12/12	N/A	N/A	N/A	N/A	N/A
Mr. P. T. Fisher (Non-Executive)	12/12	N/A	N/A	N/A	N/A	N/A
Mr. K. D. Vander Weele (Non-Executive)	9/12	N/A	N/A	N/A	N/A	N/A
Mr P.S.R. C. Chitty (Executive)	12/12	*14/14	12/12	4/4	*2/2	*2/2
Mr. B.B. Zschorsch (resigned w.e.f 08/02/2021) (Non-Executive)	7/9	N/A	N/A	N/A	1/1	N/A
Mr. A. J. P. Dufes (resigned w.e.f 28/05/2020) (Non-Executive)	1/1	N/A	N/A	N/A	N/A	N/A
Mr. L. L. S. Wickremasinghe (Independent Non-Executive)	12/12	14/14	12/12	4/4	N/A	2/2
Ms. T.M.L. Paktsun (Independent Non-Executive)	12/12	14/14	12/12	4/4	2/2	N/A

\* As an invitee

designed to improve the Boards effectiveness and that of its Committees. The evaluation is conducted annually in line with good Corporate Governance practices. The Board discusses the results of self-evaluation to identify weaknesses and improve its practices.

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 (12) Board meetings held during the financial year under review. The Board of Directors through their regular meetings and those 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. In reviewing the performance of the Company, the Board meets the CEO and Executive Management as and when required.

The Board has established a Risk Management Framework which includes overall risk policy, risk management procedures and mechanisms. The Board has delegated the process of risk management to the Board appointed Board Integrated Risk Management Committee (BIRMC), which reports to the Board on risks arising from new strategies and ongoing operations, and discusses means of mitigating such risks.

The Board has delegated the oversight of the financial reporting and the external audit to the Board Audit Committee (BAC). The Board Audit Committee assesses the integrity and accuracy of the internal control systems and reviews the accuracy of the non - financial information which is used by the Board and Board Sub-Committees to ensure sound decision making.

The Board composition of Executive, Non-Executive and Independent Non-Executive Directors met the regulatory requirement and voluntary code issued by CA Sri Lanka and SEC.

### Board Committees

Towards strengthening Board oversight and governance, the Board has delegated authority to five Board Sub-Committees, namely, Board Audit Committee, Board Remuneration Committee, Board Related Party Transaction Review Committee, Board Nominations Committee and Board Integrated Risk Management Committee. These Committees are made up of members of the Board and constituted as required by the Listing Rules of the CSE and the related directives of the CBSL. The reports of these individual Committees are given else where in this annual report.

These Committees deal with and decide on certain specific subjects and specialized matters and make appropriate recommendations to the Board. These Committees have been constituted with Board approved terms of reference and held regular meetings. The minutes of the proceedings are maintained by the secretary to the Committee and reported to the Board.

### Operational and Risk Sub-Committees

In order to facilitate the implementation of the policies and decisions made by the Board and the Executive Management, regular meetings are held with the operational management teams, 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, Information Technology and Credit, 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 that meet regularly. Matters discussed and decisions made are communicated to the Board Integrated Risk Management Committee (BIRMC).

### Company Secretaries

Jacey & Company have been appointed by the Board to provide 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 CSE and other regulatory bodies. The Secretaries also ensure that Board procedures are followed and information is provided to shareholders on a timely basis. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

### 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 and external consultants at the expense of the

Company if required. The Directors make every endeavor to ensure that the Company complies with applicable laws and regulations. The Company has appointed a Compliance officer to strengthen the compliance with regulatory and statutory requirements governing the operation of the Company.

### HIGHLIGHTS FOR 2020/21

#### 1. Directors' Re-appointments at the Annual General Meeting

- Ms. Tamara Mu-Lin Lam Paktsun, Independent Non-Executive Director of the Company who was first appointed to the Board on 10 February 2020, was re-elected at the Annual General Meeting held on 28 September 2020.
- Mr. Roshan Sanjaya Egodage, Executive Director of the Company who was first appointed to the Board on 15 March 2011, was re-elected at the Annual General Meeting held on 28 September 2020.
- Mrs. Geya Rasi Egodage, Executive Director of the Company who was first appointed to the Board on 26 December 2009, was re-elected at the Annual General Meeting held on 28 September 2020.
- Mr. Patrick Thomas Fisher, Non-Executive Director of the Company who was first appointed to the Board on 27 March 2014, was re-elected at the Annual General Meeting held on 28 September 2020.

#### 2. Directors' Retirements/Resignations

- Mr. M.S.D. Pinto, Independent Non-Executive Director of the Company retired with effect from 18 May 2020
- Mr. B.B. Zschorsch, Non-Executive Director of the Company resigned with effect from 08 February 2021
- Mr. A.J.P. Dufes, Non-Executive Director of the Company resigned with effect from 28 May 2020

#### 3. Re-appointment of Auditors

Messrs. Ernst & Young, Chartered Accountants were re-appointed as the Auditors of the Company at the AGM held on 28 September 2020

#### 4. 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 CBSL and subsequent amendments there to.

#### 5. 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.

## Compliance with Finance Companies Direction

Compliance with the Finance Companies (Corporate Governance) direction No.03 of 2008 and amendments there to as specified in Finance Companies (Corporate Governance-Amendment) Directions No.04 of 2008 and No.06 of 2013 issued by the Central Bank of Sri Lanka

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
<b>Responsibilities of the Board of Directors</b>			
<b>2</b>	<b>(1) Strengthening the Safety and Soundness of the Company</b>		
a)	<b>Approving and overseeing strategic objectives and corporate values</b> A three year strategic plan covering financial years 2021/22-2023/24 that encompasses the strategic objectives and corporate values has been approved by the Board of Directors (Board)	Complied	
b)	<b>Approving overall business strategy including risk policy and management procedures</b> The Company's three year strategic plan including measurable goals has been approved by the Board. Further, overall risk policy and risk management procedures and mechanism are in place.	Complied	
c)	<b>Risk Management</b> The Board has delegated the process of management of risk to the Board Integrated Risk Management Committee (BIRMC), which identifies risks and ensures implementation of appropriate systems to manage the risks faced by the Company prudently.	Complied	
d)	<b>Communication with stakeholders</b> A Board approved policy on communications with the relevant stakeholders is in place.	Complied	
e)	<b>Reviewing Internal Control systems and Management Information Systems (MIS)</b> There is a Board mechanism at the Company to identify the accuracy of the Company's internal control systems by the Board of Directors to ensure effectiveness of internal control over financial reporting.  The Company has a process to review the accuracy of all Non-financial information which is used by the Board and the Board Sub-Committees.	Complied	
f)	<b>Key Management Personnel</b> The Board of Directors has identified and designated personnel who are in a position to significantly influence policy, direct activities and exercise control over business activities as KMPs.  KMPs are defined according to the definition issued by CBSL.	Complied	
g)	<b>Authority and responsibility for the Board and KMPs</b>  The Board has approved areas of key responsibilities for themselves and clearly defined areas of key responsibilities for KMPs.	Complied	
h)	<b>Oversight of affairs of the Company by KMPs</b> The Board has a process for appropriate oversight of the affairs of the Company by KMPs. Board meets the KMPs on a regular basis as and when required to obtain explanations of matters relating to their areas of responsibility.	Complied	

## Corporate Governance [Cont.]

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
i)	<b>Assess effectiveness of governance practices</b> The Board periodically assesses its own governance practices which is used to identify weaknesses and implement changes after discussion of the same	Complied	
j)	<b>Succession plan for KMP's</b> Board approved succession plan for KMPs is in place	Complied	
k)	<b>Regular meetings with KMPs</b> KMPs are invited to Board meetings as and when required to explain matters relating to their areas of responsibility and to assist the Board in reviewing related policies	Complied	
l)	<b>Understanding the regulatory environment</b> The Board has taken measures to understand the regulatory environment and the Company maintains a healthy relationship with the regulators.	Complied	
m)	<b>Hiring and oversight of External Auditors</b> 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	Complied	
2(2)	<b>Appointment of the Chairman and CEO and defining and approving their functions and responsibilities</b> The Chairman and the CEO are appointed by the Board and their functions and responsibilities are separated and defined and approved by the Board of Directors	Complied	
2(3)	<b>Obtaining independent professional advice by the Directors</b> A procedure approved by the Board of Directors to obtain independent professional advice where necessary at the Company's expense is in place.	Complied	
2(4)	<b>Managing conflict of interest</b> A procedure is in place to avoid conflicts of interest and Directors who have an interest in a matter under discussion make a disclosure of his/her interest therein and refrain from engaging themselves in the deliberations on that matter and from voting thereon.	Complied	
2 (5)	<b>Availability of formal schedule of matters specifically reserved for the Board</b> There is a Board approved formal schedule of matters specifically reserved for the Board to ensure that the Company is firmly under its authority.	Complied	
2 (6)	<b>Disclosure of probable solvency issues</b> The Company is solvent and no situation has arisen to challenge its solvency.	Complied	
2(7)	<b>Publish Corporate Governance Report on compliance with the Direction in the Annual Report</b> This Report forms a part of the Corporate Governance Report of the Company	Complied	Refer pages 67-76

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
2 (8)	<b>Self-assessment of Directors</b> The Board has in place a scheme of self-assessment to be undertaken by each Director annually, and records of such assessments are obtained by the Company Secretary and discussed by the Board.	Complied	
3	<b>Meetings of the Board</b>		
3 (1)	<b>Regular Board meetings</b> Board Meetings were held regularly and twelve (12) Board meetings were held during the year 2020/21. There were Fifty Five (55) 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	Complied	
3 (2)	<b>Directors to include matters and proposals in the agenda</b> The Board has a procedure in place to enable all Directors to include matters and proposals in the agenda.	Complied	
3 (3)	<b>Notice of Board meetings</b> The Board has given notice of at least 7 days for a Regular Board meeting to provide all Directors an opportunity to attend	Complied	
3 (4)	<b>Attendance of Directors at Board meetings</b> All the Directors have complied with the direction requirement and attended two-thirds of the meetings during the year 2020/21. Further, no Director has been absent for three consecutive meetings during the year 2020/2021	Complied	Refer page 65
3 (5)	<b>Appointment of a Company Secretary</b> The Board has appointed a professional Secretarial Company as the Company Secretary in accordance with the provisions of the Companies Act and other regulations.	Complied	Refer page 66
3 (6)	<b>Responsibility for preparing agenda for Board meeting</b> The Chairman sets the Board Agenda, assisted by the Company Secretary.	Complied	
3 (7)	<b>Director's access to advice and services of the Company Secretary</b> Board approved procedure is in place to enable all Directors to have access to advice and services of the Company secretary	Complied	
3 (8)	<b>Maintenance of minutes of Board meeting</b> The Company Secretary maintains the minutes of the Board Meetings which are approved at the next Board meeting. The Directors have access to past Board minutes and papers at any time.	Complied	
3 (9)	<b>Recording minutes of Board meetings in sufficient detail</b> Board minutes contain required details such as data and information used by the Board in its deliberations, matters considered by the Board, fact-finding discussions, the decisions and Board resolutions etc. used by the Board members in their decision making.	Complied	
4	<b>Composition of the Board</b>		
4 (1)	<b>Number of Directors on the Board</b> The Board consists of eight (8) Directors as at 31 March 2021	Complied	Refer page 65
4 (2)	<b>Period of service of a Director</b> None of the Non-Executive Directors have held office for over nine (9) years	Complied	

## Corporate Governance [Cont.]

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
4 (3)	<b>Appointment of Executive Directors and Board composition</b> The number of Executive Directors do not exceed one half (1/2) of the number of Directors on the Board.	Complied	
4 (4)	<b>Board balance and criteria for independence</b> The number of Independent Non-Executive Directors is in excess of the regulatory requirement of one fourth (1/4) of total number of Directors of the Board.	Complied	
4 (5)	<b>Alternate Director</b> No such situation has arisen during the financial year 2020/21	Complied	
4 (6)	<b>Skills and experience of Non-Executive Directors to bring an objective judgment</b> All Non-Executive Directors are persons with proven track records and necessary skills and experience to bring independent judgment to bear on issues of strategies, performance and resources. A brief profile of each Director is disclosed in this Annual Report	Complied	Refer pages 21-25
4 (7)	<b>Quorum at Board meetings</b> The required quorum of five (5) Directors and the regulatory requirement that more than half (1/2) of the quorum to be comprised of Non-Executive Directors has been met at all Board meetings held during the financial year 2020/21	Complied	
4 (8)	<b>Disclosure of independent Non-Executive Directors, Board composition in corporate governance communications and in the Annual Report</b> The Independent Non -Executive Directors have been expressly identified in all corporate communications	Complied	
4 (9)	<b>Formal and transparent procedure for appointment of new Directors</b> Article 24 of the Articles of Association of the Company addresses the procedure for appointment and removal of Directors. Further, the Board has appointed a Nomination Committee to identify and recommend suitable candidates to the Board.	Complied	Refer page 92
4 (10)	<b>Re-election of Directors appointed to fill a casual vacancy</b> All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.	Complied	Refer page 66
4 (11)	<b>Disclosure of Resignations/Removal of Directors</b> Resignations of Directors and the reasons are promptly informed to the Director of Department of Supervision of Non-Bank Financial Institutions and the shareholders through the CSE after obtaining such approval from Director of Department of supervision of NBFIs.	Complied	
5	<b>Criteria to assess the fitness and propriety of Directors</b>		
5 (1)	<b>Age of Directors should not exceed seventy (70) years</b> There are no Directors who are over seventy (70) years of age	Complied	
5 (2)	<b>Holding office in more than 20 companies</b> There are no Directors who hold Directorship in more than twenty (20) Companies/Societies/Bodies/Corporates Including Associate Companies and Subsidiaries of the Finance Company and do not hold Directorship in more than ten (10) Companies that are classified as Specified Business Entities as defined in Sri Lanka Accounting and Auditing Standards act No. 15 of 1995.	Complied	

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
6	<b>Delegation of functions</b>		
6 (1)	<b>Delegation of Board functions</b> The Board has not delegated matters to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions	Complied	
6 (2)	<b>Review delegation of Board functions on a periodic basis</b> A comprehensive process for delegation of authority is being developed.	Complied and under Review	
7	<b>The Chairman and the Chief Executive Officer</b>		
7 (1)	<b>Separation of roles of Chairman and CEO</b> The roles of Chairman and CEO are separated and held by two individuals appointed by the Board	Complied	Refer page 21
7 (2)	<b>Designation of an Independent Non-Executive Director as the Senior Director when the Chairman is not an Independent Non-Executive Director</b> Chairman is an Independent Non-Executive Director	Complied	Refer page 65
7 (3)	<b>Disclosure of relationship between the Chairman, CEO and members of the Board</b> The identity of the Chairman and the CEO are disclosed in this Annual Report. 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.	Complied	Refer page 65
7 (4)	<b>Role of the Chairman</b> The Chairman leads the Board ensuring it works effectively and discharge its responsibilities and ensure that all key issues are discussed at the Board meeting. Further, The effectiveness of the Chairman and Board in discharging of their functions and responsibilities are assessed by its annual self-assessment process.	Complied	
7 (5)	<b>Role of Chairman in the preparation of the agenda for Board meetings</b> The Chairman sets the Board Agenda, assisted by the Company Secretary.	Complied	
7 (6)	<b>Ensure that all Directors are informed adequately and timely of the issues arising at Board meetings</b> Agenda has adequate information in relation to the agenda items and papers are circulated to the Directors seven (7) days prior to the meeting.	Complied	
7 (7)	<b>Encouraging all Directors to make an active contribution to Board's affairs</b> The Chairman encourages all Directors to actively contribute towards the best interest of the Company.	Complied	
7 (8)	<b>Encourage participation of Non-Executive Directors and relationship between Executive and Non-Executive Directors</b> The Chairman encourages effective participation of all Directors and encourages constructive relationships between the Executive and Non-Executive Directors.	Complied	
7 (9)	<b>Avoidance of engaging in activities involving direct supervision of KMP or executive duties by the Chairman</b> The Chairman is an Independent Non-Executive Director and does not get involved in the supervision of KMP's or in any other executive duties.	Complied	

## Corporate Governance [Cont.]

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
7 (10)	<p><b>Effective communication with shareholders</b> Shareholders are given the opportunity to express their views on matters of interest at annual general meeting which is the main forum where the Board maintains effective communication with shareholders. Further, the Board approved communication policy includes the process in this regard.</p>	Complied	
7 (11)	<p><b>Role of Chief Executive Officer</b> The CEO functions as the apex executive of the Company supported by the Executive Management</p>	Complied	
8	<p><b>Board Appointed Committees</b></p>		
8 (1)	<p><b>Establishing Board Committees, its functions and reporting</b> Company has established five Board Committees namely Audit Committee, Integrated Risk Management Committee, Related Party Transactions Review Committee, Remuneration Committee and Nomination Committee. Each Sub-Committee is governed by its own Terms of Reference and has a Secretary who maintains minutes and records under the supervision of the Chairman of the Sub-Committee. The Reports of the Board Sub-Committees are included in this Annual Report.</p>	Complied	Refer pages 90-94
<b>8 (2) Board Audit Committee</b>			
a)	<p><b>Chairperson of the Board Audit Committee</b> The Chairperson of the Committee is an independent Non-Executive Director and the profile of the Chairperson is given in this Annual Report</p>	Complied	Refer page 24
b)	<p><b>Composition of Audit Committee</b> All three (3) members of the Board Audit Committee are Independent Non-Executive Directors</p>	Complied	Refer page 90
c)	<p><b>Functions of the Audit Committee</b> The Committee makes recommendations to the Board on:  <ul style="list-style-type: none"> <li>• The appointment of the External Auditor for audit services provided in compliance with the relevant statutes;</li> <li>• The implementation of the central bank guidelines issued to auditors from time to time;</li> <li>• The application of the relevant accounting standards; and</li> <li>• The service period, audit fee and any resignation or dismissal of the auditor</li> </ul>                     The BAC has ensured that the service period of the engagement of the external audit partner has not exceeded five years.</p>	Complied	
d)	<p><b>Review and monitor External Auditor's independence and objectivity and the effectiveness of audit processes</b> Review and monitor External Auditor's independence and objectivity and the effectiveness of audit processes The Committee monitors the External Auditor's independence objectivity and effectiveness of the audit process taking into account relevant professional and regulatory requirements. The Committee has obtained a representation from External Auditors that confirm the External Auditors are independent.</p>	Complied	
e)	<p><b>Provision of non-audit services by External Auditor</b> A Board approved policy on the engagement of the 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</p>	Complied	

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
f)	<p><b>Determine scope of audit</b> The Committee has discussed the nature and scope of the audit with the External Auditor including the assessment of the Company's compliance with relevant directions in relation to corporate governance and the management's internal controls over financial reporting.</p>	Complied	
g)	<p><b>Review financial information of the Company by the Audit Committee</b> The Committee has a process to review financial information of the Company in order to monitor the integrity of the financial statements of the Company, its annual report, accounts and periodical reports prepared for disclosure.</p>	Complied	
h)	<p><b>Discussion of issues, problems and reservations arising from the interim and final audits with the External Auditor</b> The Committee has met External Auditors to discuss issues, problems and reservations arising from the interim and the final audit.</p>	Complied	
i)	<p><b>Review of External Auditor's Management Letter and Management's response</b> The management letter and the management's response is reviewed and oversight given to any corrective actions required.</p>	Complied	
j)	<p><b>Review of Internal Audit function</b> The Company has established an Internal Audit Charter which covers the scope and functions of the Internal Audit Department which has been discussed and approved by the Committee.</p> <p>The Committee has reviewed the resources of the internal audit department when they discussed the Internal Audit Plan for the financial year.</p> <p>The Committee reviewed the internal audit findings and results of the internal audit process and, where necessary, ensured that appropriate actions are taken on the recommendations of the internal Audit Department.</p> <p>The Committee has reviewed appraisal of the performance of the senior staff members of the Internal Audit Department.</p> <p>The Committee reviews the appointment and is informed of the resignation of Senior staff members of Internal Audit Department.</p> <p>The senior manager - internal audit directly reports to the Board Audit Committee thus ensuring the independence and impartiality of the Internal Audit Department.</p> <p>The Board approved Internal Audit Charter ensures that the audit work has been performed with proficiency and due professional care.</p>	Complied	
k)	<p><b>Major findings of internal investigations and Management's response</b> The Committee considers the major findings of the internal audit department and the management's responses thereto and ensures that the recommendations were implemented.</p>	Complied	
l)	<p><b>Participants of Audit Committee meetings</b> The CEO, COO, CFO, Head of Internal Audit, CRO, Compliance Officer, Head of IT, DGM Operations and a representative from the External Auditor are invited to attend meetings. Other Board members may also attend the meetings by invitation. The Committee met the External Auditor on two occasions in the absence of Executive Directors and KMP's.</p>	Complied	

## Corporate Governance [Cont.]

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
m)	<p><b>Authority and resources of the Audit Committee</b></p> <p>The Board Audit Committee is guided by the Committee Charter which sets out the authority and responsibility of the Committee. The BAC is authorized to obtain external professional advice. The Committee has full access to information in order to investigate matters.</p>	Complied	
n)	<p><b>Meetings of Audit Committee</b></p> <p>The Committee met fourteen (14) times during the financial year 2020/21 and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings.</p>	Complied	Refer page 65
o)	<p><b>Disclosure in Annual Report</b></p> <p>Required information is discussed in the “Report of the Board Audit Committee” and “Corporate Governance Report” in this annual report of the Company.</p>	Complied	Refer page 90
p)	<p><b>Recording and maintenance of minutes of meetings</b></p> <p>Detailed minutes of the meetings are maintained by the secretary to the Committee</p>	Complied	
q)	<p><b>Whistle-blowing policy</b></p> <p>A Board-approved whistle blower policy is in place. The policy and procedure has been communicated to all staff members.</p>	Complied	
<b>8 (3) Board Integrated Risk Management Committee</b>			
a)	<p><b>Composition of Board Integrated Risk Management Committee</b></p> <p>The composition of the Committee is in compliance with the requirements stipulated in the direction.</p>	Complied	Refer page 94
b)	<p><b>Risk assessment</b></p> <p>Committee has a documented process to assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the Company on a monthly basis through appropriate risk indicators and management information.</p>	Complied	
c)	<p><b>Review adequacy and effectiveness of all Executive Level Committees</b></p> <p>The Committee has reviewed the effectiveness of the performance of management level Committees that reports to the BIRMC.</p>	Complied	
d)	<p><b>Corrective action to mitigate the effect of risks exceeding the prudent levels decided by the Committee</b></p> <p>The Company has established Risk Appetite limits on Credit, Market, Liquidity and Operational based on the past history and the market conditions and Risk Appetite statement is submitted to BIRMC on a monthly basis.</p>	Complied	
e)	<p><b>Frequency of meetings</b></p> <p>The Committee has met twelve (12) times during the financial year 2020/21.</p>	Complied	Refer page 65
f)	<p><b>Action against officers for failure to identify specific risks and take prompt corrective action</b></p> <p>No such instances have occurred during the financial year 2020/21</p>	Complied	
g)	<p><b>Submission of risk assessment report to the Board</b></p> <p>A comprehensive report is submitted to the Board within a week of each Committee meeting.</p>	Complied	

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
h)	<b>Establish a compliance function</b> The Company has appointed a dedicated compliance officer designated as a KMP to carry out the compliance function and report to the Committee periodically	Complied	
9	<b>Related Party Transactions</b>		
9 (2)	<b>Avoid conflict of interest</b> A Board approved Related Party Transaction Policy is in place which deals with different related parties to avoid any conflicts of interest that may arise from any transactions with the related parties	Complied	Refer page 93
9 (3)	<b>Related Party Transactions covered in the Direction</b> A Board approved Related Party Transaction Policy is in place which deals with different types of related party transactions as per the direction and for the Company to avoid any conflicts of interest that may arise from such transactions with the identified related parties..	Complied	Refer page 93
9 (4)	<b>Prohibit engaging in transactions with a related party in a manner that would grant such party “more favorable treatment”</b> A monitoring system is in place at the Company where the Company extracts quarterly reports on all related party transactions which are verified by the Compliance Officer to ensure that the Company does not grant related parties more favorable treatment than accorded to other customers.	Complied	
10	<b>Disclosures</b>		
10 (1)	<b>Disclosure of Financial Statements</b> Annual audited financial statements and interim financial statements were prepared in accordance with formats prescribed by the supervisory and regulatory authorities and accounting standards and are published in the newspapers in all three languages.	Complied	
10 (2)	<b>Responsibility of Board to ensure appropriate disclosure in the Annual Report</b>		
a)	<b>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</b> Refer the “Report of the Board of Directors on the Affairs of the Company” in this annual report	Complied	Refer page 88
b)	<b>Report on Company’s Internal Control systems</b> Refer the “Directors’ Statement on Internal Controls over Financial Reporting” in this annual report	Complied	Refer page 97
c)	<b>External Auditor’s Certification on the effectiveness of the internal control mechanism</b> Refer the “Directors’ Statement on Internal Controls over Financial Reporting” in this annual report	Complied	Refer page 99
d)	<b>Details of Directors, including names, transactions with the Company</b> 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	Complied	Refer pages 88/194

## Corporate Governance [Cont.]

Rule reference	Principle and compliance	Status of compliance	Reference to Annual Report
e)	<p><b>Fees/remuneration paid by the Company to the Directors in aggregate</b></p> <p>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</p>	Complied	Refer page 88
f)	<p><b>Net accommodation outstanding in respect of each category of related parties as a percentage of the Company's capital funds</b></p> <p>Accommodations outstanding as a percentage of the Company's capital funds; Directors: NIL Other KMPs: Rs.24.7 Mn, (0.17%)</p>	Complied	
g)	<p><b>Aggregate value of remuneration paid to and transactions with KMP's</b></p> <p>Remuneration paid to KMPs (including Executive Directors): Rs. 155 Mn Accommodations to KMPs (including Executive Directors): Rs.24.7 Mn Deposits made by key management (including Executive Directors) : 66.2 Mn</p>	Complied	
h)	<p><b>Certification of Compliance</b></p> <p>Refer the "Report of the Board of Directors' on the affairs of the Company.</p>	Complied	Refer page 89
i)	<p><b>Statement of Regulatory and supervisory concerns</b></p> <p>As per CBSL onsite Examination Report, CBSL has not directed the Company to disclose any such instances during the year 2020/21.</p>	Complied	
j)	<p><b>External Auditors Certification of Compliance</b></p> <p>The External Auditors have carried out an agreed upon procedure engagement on corporate governance and have issued the factual findings report in this regard</p>	Complied	

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

ICASL Code Reference	Corporate Governance Principle	Status of compliance	Reference to Annual Report
A.1	<b>The Board</b> The Board of Directors comprised of eight (8) professionals drawn from multiple fields and, five (5) out of them are Non-Executive Directors. They bring diverse skills, experience and leadership required to direct and lead the Company.	Complied	Refer Page 65
A.1.1	<b>Conducting regular Board meetings</b> The Board met 12 times during the year at regular monthly intervals.	Complied	Refer Page 65
A.1.2	<b>Roles and responsibilities of the Board</b> The Board is responsible to stakeholders for creating and delivering sustainable shareholder value through management of the Company's business.	Complied	Refer Pages 67-68
A.1.2	<b>Appointing the chair and the senior independent Director if relevant</b> The Board has appointed a Chairman who is an Independent Non-Executive Director.	Complied	Refer Page 65
A.1.2	<b>The CEO and management team possess the skills, experience and Knowledge to implement the strategy</b> The Executive Management consists of competent members who have skills, knowledge and experience to carry out their respective functions effectively. The CEO is responsible for the effective implementation of the policies approved by the Board with the assistance of the Executive Management.	Complied	
A.1.2	<b>Effective succession planning for the CEO and Executive Management</b> A Board approved succession plan for CEO and Executive Management is in place.	Complied	
A.1.2	<b>Approving budgets and major capital expenditure</b> The annual budget is approved along with the strategic plan of the Company by the Board. Major capital expenditure requires the approval of the Board.	Complied	
A.1.2	<b>Determining the matters expressly reserved for the Board and those delegated to the management including limits of the authority and financial delegations</b> Board reserves for itself a formal schedule of matters on which it takes the ultimate decision.	Complied	
A.1.2	<b>Ensuring effective systems to secure Integrity of Information, Internal Controls, Business Continuity and Risk Management</b> The Board Audit Committee reviews internal audit reports submitted by the internal audit department and monitors the follow up actions. Further, based on the assessment of internal control over financial reporting, Directors conclude that the Company's internal control over financial reporting is effective.	Complied	
A.1.2	<b>Compliance with laws, regulations and ethical standards</b> The Company has appointed a dedicated compliance officer who is a KMP to head the compliance function of the Company. The compliance officer submits a report to the BIRMC on the compliance status of the Company on a quarterly basis.	Complied	

Highlights

Board of Directors & Executive Management

Company at a Glance

Management Discussion & Analysis

Sustainability Report

Risk Management & Corporate Governance

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## Corporate Governance [Cont.]

ICASL Code Reference	Corporate Governance Principle	Status of compliance	Reference to Annual Report
A.1.2	<p><b>Ensuring all stakeholder interests are considered in corporate decisions</b> The Board of Directors consider the impact on all stakeholders of the Company when decisions are made at Board meetings.</p>	Complied	
A.1.2	<p><b>Recognising sustainable business development in Corporate Strategy, decisions and activities</b> Sustainable business development is one of the key areas of focus considered by the Board when taking decisions.</p>	Complied	
A.1.2	<p><b>Ensuring that the Company's value and standards are set with emphasis on adopting appropriate accounting standards</b> The Board Audit Committee and the Board review accounting policies 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.</p>	Complied	
A.1.2	<p><b>Establishing a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks</b> The management monitors performance against KPIs at frequent intervals. The performance of the Company viz-a-viz the budget is reviewed by the Board of Directors on a monthly basis.</p>	Complied	
A.1.2	<p><b>Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company</b> 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.</p>	Complied	
A.1.2	<p><b>Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned</b> The Board is committed to fulfil its functions in line with the laws, regulation and good governance practices adopted by the Company.</p>	Complied	
A.1.3	<p><b>Act in accordance with laws of the country</b> The Board has approved procedures to facilitate compliance with the laws of the country, CBSL Directions and guidelines and best practices with regard to the operation of the Company. A Board approved policy is in place, enabling Directors to seek and obtain independent professional advice.</p>	Complied	
A.1.4	<p><b>Access to services of Company Secretary and removal of Company Secretary</b> All Directors are able to obtain the advice and service of the Company secretary.</p>	Complied	
A.1.4	<p><b>Insurance cover for Board of Directors and KMPs</b> An insurance policy is in place to cover the Board of Directors and KMPs of the Company</p>	Complied	
A.1.5	<p><b>Independent judgment of the Board</b> All Directors bring their independent judgment to matters discussed at Board meetings.</p>	Complied	
A.1.6	<p><b>Dedicate adequate time and effort to Board matters</b> 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</p>	Complied	

ICASL Code Reference	Corporate Governance Principle	Status of compliance	Reference to Annual Report
A.1.8	<b>Training for Directors</b> The Board of Directors attend necessary training sessions and 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.	Complied	
A2	<b>CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)</b>		
A2	<b>Division of responsibilities between Chairman and CEO</b> The posts of Chairman and CEO of the Company are held by two separate persons and there is a clear division of responsibilities thereby maintaining the balance of power between the two roles.	Complied	
A3	<b>CHAIRMAN'S ROLE</b>		
A3	<b>Chairman's role in preserving good Corporate Governance</b> The Chairman ensures that the affairs of the Board are conducted in an effective manner and adheres to good governance practices.	Complied	
A4	<b>FINANCIAL ACCUMEN</b>		
A4	<b>Availability of financial acumen and knowledge to offer on matters of finance</b> Five (5) out of the eight (8) Directors of the Board have a finance background ensuring a sufficiency of financial acumen and knowledge within the Board on matters of finance.	Complied	
A5	<b>BOARD BALANCE</b>		
A5.1	<b>Non-Executive Directors of sufficient caliber and number</b> Five (5) out of the eight (8) Directors of the Board are Non-Executive Directors. The Chairman is an Independent Non-Executive Director	Complied	Refer Pages 21-25
A5.3	<b>Determination of independence of Directors</b> Three (3) of the Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	Complied	Refer Page 65
A 5.4/A 5.5	<b>Annual declaration of independence or non-independence of Non-Executive Directors</b> Annual declaration have been obtained from each Non-Executive Director as to the status	Complied	
A5.6	<b>Appointment of Alternate Director by Non-Executive or Independent Directors to meet the same criteria</b> No alternate Directors have been appointed for Non-Executive Directors of the Company.	Complied	
A 5.7/A 5.8	<b>Appointment of Senior Independent Director</b> The posts of Chairman and CEO of the Company are held by two separate persons	Complied	
A 5.10	<b>Directors concerns regarding the matters of the Company, which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes recording of a dissenting view.</b> All Directors bring their independent judgment to matters discussed at Board meetings.	Complied	
A6	<b>SUPPLY OF INFORMATION</b>		
A 6.1/A 6.2	<b>The Board to be provided appropriately and timely information by management. Agenda, Board papers and minutes of previous meetings to be circulated 7 days in advance</b> The Board is provided appropriate and timely information by the management. Agenda, Board papers and minutes of previous meetings are circulated seven days prior to the Board meeting.	Complied	

## Corporate Governance [Cont.]

ICASL Code Reference	Corporate Governance Principle	Status of compliance	Reference to Annual Report
A7	<b>APPOINTMENTS TO THE BOARD</b>		
A7.1	<b>Establishment of Nominations Committee to make recommendations on new Board appointments</b> The Board has established a Nominations Committee to make recommendations on new appointments to the Board.	Complied	Refer page 92
A7.3	<b>Appointment of new Director to the Board to be disclosed to the shareholders</b> Disclosures are made to Shareholders in terms of the Listing Rules issued by the CSE.	Complied	
A8	<b>RE-ELECTION</b>		
A8.1	<b>Non-Executive Directors should be appointed for specific terms subject to re-appointment</b> As per the Articles of Association of the Company, 1/3 of the Directors should retire at each AGM and be subject to re-election.	Complied	Refer page 66
A8.2	<b>Re-Election of Chairman and Board of Directors</b> All the Directors appointed to fill casual vacancies are subject to re-election by the Shareholders at the first AGM after their appointment.	Complied	
A8.3	<b>Communicating reason for resignation to the Board</b> Two Directors resigned during the year and the reason for their resignation was communicated to the Board and the CSE and regulatory authorities.	Complied	
A9	<b>APPRAISAL OF BOARD AND COMMITTEE PERFORMANCE</b>		
A9.1	<b>Annual appraisal of Board and its' Committees on its performance in the discharge of its key responsibilities</b> The Board carried out its self-evaluation process in respect of the year ended 31 March 2021. All Directors were required to complete a detailed questionnaire and the results of the evaluation were discussed at a Board Meeting.	Complied	
A9.2	<b>Annual self-evaluation of Board performance and Board Committees</b> Annual Self-evaluation of Board of Directors and Board Sub Committees were performed and results were discussed at the respective meetings	Complied	
A9.3	<b>Review participation, contribution and engagement of Directors at the time of re-election</b> Director's participation, contribution and engagement is reviewed at the time of re-election.	Complied	
A10	<b>DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS</b>		
A10.1	<b>Annual Report to disclose specified information regarding Directors</b> Information specified in the Code with regard to the Directors is disclosed within this Annual Report.	Complied	Refer pages 21-25/65

ICASL Code Reference	Corporate Governance Principle	Status of compliance	Reference to Annual Report
A.11	<b>APPRAISAL OF THE CEO</b>		
A.11.1	<b>Board in consultation with the CEO to set financial and non-financial targets to be met by the CEO</b> The Board sets financial targets at the commencement of the financial year in consultation with the CEO.	Complied	
A.11.2	<b>Performance of the CEO to be evaluated by the Board at the end of each fiscal year</b> Performance of the CEO is evaluated by the Remuneration Committee at the end of each financial year	Complied	
B	<b>DIRECTORS' REMUNERATION</b>		
B1.1	<b>Establishment of a Remuneration Committee</b> The Board has established a Remuneration Committee to develop policy and determine remuneration of the Directors.	Complied	Refer page 91
B1.2 - B1.3	<b>Composition and Disclosures related to the Remuneration Committee</b> The Board Remuneration Committee consists of two (2) Independent Non-Executive Directors and an Executive Director	Complied	Refer pages 65/91
B1.4	<b>Determination of remuneration of Non-Executive Directors</b> The Board Remuneration Committee determines the remuneration of the Non-Executive Directors.	Complied	
B1.5	<b>Ability to consult the Chairman and/ or CEO and to seek professional advice by the Committee</b> The Board Remuneration Committee has access to the Chairman and CEO to discuss matters and a policy in place to obtain professional advice as and when required.	Complied	
C	<b>RELATIONSHIP WITH SHAREHOLDERS</b>		
C1.1	<b>Notice of the AGM</b> The Notice of the AGM is circulated together with the Annual Report and Accounts which includes any other resolution that may be set before the shareholders at the AGM fifteen (15) working days in advance.	Complied	Refer page 208
C1.2	<b>Separate resolutions to be obtained for substantially separate issues and adoption of Annual Report and Accounts</b> Separate resolutions are obtained for substantially separate matters to provide Shareholders with an opportunity to deal with each significant matter separately.	Complied	Refer page 208
C1.4	<b>Chairpersons of all Board Sub-Committees to be available to respond to questions of any Shareholder at the AGM.</b> Chairpersons of other Board Committees are present at the AGM to answer all queries that may be raised	Complied	
C1.5	<b>Adequate notice of all meetings to Shareholders together with the summary of the procedure to be adopted by Shareholders</b> The notice of meetings and the related documents are circulated to the Shareholders with adequate notice in accordance with the provisions of the Companies Act No. 7 of 2007, CSE rules and the Articles of Association of the Company	Complied	

## Corporate Governance [Cont.]

ICASL Code Reference	Corporate Governance Principle	Status of compliance	Reference to Annual Report
<b>C2</b>	<b>COMMUNICATION WITH SHAREHOLDERS</b>		
<b>C.2.1</b>	<b>Communication with shareholders</b> The Company has in place a communication policy, which sets out the multiple channels of communication for engaging with Shareholders to disseminate timely information.	Complied	
<b>C.2.2 - C.2.3</b>	<b>Disclosure of the policy and methodology for communication with Shareholders and implementation.</b> The Interim financial statement are published in all three (3) languages within the stipulated deadlines. The required disclosures to CSE are published on the CSE website. Every effort is made to ensure that the Annual Report provides a balanced review of the Company's performance.	Complied	
<b>C.2.4 - C.2.7</b>	<b>The Company to disclose to shareholders the contact person for communication with shareholder matters and process of making all Directors aware of shareholders major concerns/issues</b> Details of the contact personnel are provided in the "Corporate Information" section of the Annual Report.	Complied	Refer page 213
<b>C3</b>	<b>MAJOR AND MATERIAL TRANSACTIONS</b>		
<b>C3.1</b>	<b>Disclosure of major and material transactions</b> 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 that necessitated disclosure	Complied	
<b>C3.2</b>	<b>Disclosure requirements and shareholder approval by special resolution</b> 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 CSE as well as the Companies Act and the Company's Articles of Association.	Complied	
<b>D</b>	<b>ACCOUNTABILITY AND AUDIT</b>		
<b>D.1.1</b>	<b>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</b> All efforts are taken to ensure that the Annual Report presents a balanced review of the Company's performance. Due care has been exercised to ensure that all statutory requirements are complied within the Annual Report.	Complied	
<b>D.1.2</b>	<b>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 information required to be presented for statutory requirements.</b> The Board has exercised due care to ensure that all statutory requirements are complied within the Annual Report and interim financial statements and communications on financial performance prior to publication.	Complied	
<b>D.1.3</b>	<b>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</b> Refer the Chief Executive Officer's and Chief Financial Officer's responsibility statement and the Directors' statement on Internal Control over Financial Reporting is included in this Annual Report	Complied	Refer pages 95/97-98

ICASL Code Reference	Corporate Governance Principle	Status of compliance	Reference to Annual Report
D.1.4	<b>Declarations by the Directors' in the Directors' Report</b> Refer "Report of the Board of Directors on the affairs of the Company"	Complied	Refer page 88
D.1.5	<b>Responsibilities of the Board for preparation of financial statements and reporting responsibilities of auditors</b> Refer, "Directors statement of internal control over financial reporting" and auditors "Independent Assurance Report"	Complied	Refer pages 97-98 / 99
D.1.6	<b>Inclusion of a "Management Discussion and Analysis" report in the Annual Report</b> Refer, "Management Discussion and Analysis" in this annual report.	Complied	Refer page 38
D.1.7	<b>Requirement to summon an Extraordinary General Meeting (EGM) to notify serious loss in Net Assets and periodical reporting to Shareholders of the progress and remedial actions taken</b> This situation has not arisen during the year.	Complied	
D.1.8	<b>Disclosure of Related Party Transactions</b> Related Party transactions are reported in the notes to the Financial Statement and the process in place is described in the "Board Related Party transaction review Committee report" in this annual report	Complied	Refer page 93
D2	<b>RISK MANAGEMENT AND INTERNAL CONTROL</b>		
D.2.2	<b>The Board should carry out a robust assessment of the principal risks facing the Company and manage or mitigate the risks</b> The Board is responsible for determining the risk appetite for achieving the strategic objectives and formulates and implements appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Company with assistance of BIRMC and BAC.	Complied	
D.2.3	<b>The Company should have an internal audit function</b> The BAC provides oversight to the Company's internal audit function	Complied	
D.2.4	<b>The Board should require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls.</b> The BAC reviewed the internal controls and procedures at twelve meetings held during year	Complied	

## Corporate Governance [Cont.]

ICASL Code Reference	Corporate Governance Principle	Status of compliance	Reference to Annual Report
D.2.5	<b>The Schedule L to the voluntary code of Corporate Governance issued by SEC and CA Sri Lanka contains guidance on the responsibilities of Directors in maintaining a sound system of internal control and the contents of the Statement of Internal Control</b> Refer "Directors' statement of internal control over financial reporting" in this annual report.	Complied	Refer page 97
D3	<b>AUDIT COMMITTEE</b>		
D.3.1	<b>Composition of Audit Committee</b> All three members of the Board Audit Committee are Independent Non-Executive Directors including the Chairperson. The Chairperson has relevant experience in financial reporting and control.	Complied	Refer page 90
D.3.2	<b>Terms of reference of the Audit Committee</b> The Board Audit Committee is guided by the Board approved terms of reference which specifies the authority and responsibility of the Committee.	Complied	
D.3.3	<b>Disclosures regarding Audit Committee.</b> Refer the report of Board Audit Committee in this annual report.	Complied	Refer page 90
D4	<b>RELATED PARTY TRANSACTIONS REVIEW COMMITTEE</b>		
D.4.1	<b>A related party and related party transactions will be as defined in LKAS 24.</b> A Board approved Related Party Transactions Policy is in place to ensure that the 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"> <li>•Corporate Governance Direction No. 3 of 2008 (as amended)</li> <li>•Section 9 of the Listing Rules of the CSE on Related Party Transactions.</li> <li>•Identification and disclosure requirements in accordance with LKAS 24 and Companies act no 7 of 2007</li> </ul>	Complied	Refer page 90
D.4.2	<b>Composition of the Board Related Party Transactions Review Committee</b> In terms of Section 9 of the Listing Rules issued by 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	Complied	
D.4.3	<b>Terms of Reference of the Related Party Transactions Review Committee</b> A Board approved Terms of reference for Related party transaction review Committee is in place		
D5	<b>CODE OF BUSINESS CONDUCT AND ETHICS</b>		
D.5.2	<b>Process to ensure that material and price sensitive information is promptly identified and reported</b> The Communication policy covers the disclosures of price sensitive information to the shareholders through CSE	Complied	

ICASL Code Reference	Corporate Governance Principle	Status of compliance	Reference to Annual Report
D6	<b>CORPORATE GOVERNANCE DISCLOSURES</b>		
D.6.1	<b>Disclosure of Corporate Governance</b> Refer the Report on Corporate Governance in this annual report	Complied	
E	<b>INSTITUTIONAL INVESTORS</b>		
E.1.1	<b>Regular and structured dialogue with Shareholders</b> 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.	Complied	
E.2	<b>Evaluation of governance disclosures</b> Institutional investors are encouraged to consider all relevant factors in evaluating the current and future performance of the Company, the financial sector and the country.	Complied	
F	<b>OTHER INVESTORS</b>		
F.1	<b>Investing/Divesting Decision</b> The Annual Report contains sufficient information for a potential investor to carry out his/her own analysis.	Complied	
F.2	<b>Shareholder Voting</b> Individual shareholders are encouraged to participate at the Annual General meetings of the Company and exercise their voting rights.	Complied	



Rule No	Disclosure Requirement	Section/Reference
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Scheme <ul style="list-style-type: none"> <li>• Total number of shares allotted during the financial year</li> <li>• Price at which shares were allotted</li> <li>• Highest, lowest &amp; closing price of the share recorded during the financial year</li> <li>• Details of funding granted to employees (if any)</li> </ul>	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", "Report of the Board Integrated Risk Management Committee" and Corporate Governance section in this Annual Report.
7.6 (xvi)	Related Party transactions exceeding ten (10) percent of the Equity or five (5) percent of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Not applicable as there have been no related party transactions that have exceeded the stipulated limit.

# 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 31<sup>st</sup> March, 2021. This Report contains information conforming to the requirements of the Companies Act No. 7 of 2007 and other information required by the Listing Rules of CSE.

## Principal Activities

The principal activities of the Company are accepting deposits, granting of leasing facilities, hire purchase facilities, personal loans, micro finance loans, gold loans and other credit facilities.

## Amalgamation with Trade Finance and Investments PLC

Commercial Credit Finance PLC continues as the surviving entity after the Company amalgamated with Trade Finance and Investments PLC, a subsidiary Company on 31<sup>st</sup> December 2020.

## Changes to the Nature of Business

There were no significant changes to the principle activities of the Company during the financial year ended 31<sup>st</sup> March, 2021.

## Financial Statements

The Financial Statements for the year ended 31<sup>st</sup> March, 2021 are set out in this Annual Report.

## Director's Responsibility for the Financial Statements

The Directors are responsible for preparing and presenting the Financial Statements, as set out in this Annual Report. The Financial Statements have been prepared in conformity with the Sri Lanka Accounting Standards set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of 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 113 to 127. 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

The Board ensures that the Company's Corporate Governance frame work remain robust and relevant. The Corporate Governance practices within the Company is set out in pages 64 to 87 of this report.

## Directors

The names and the profiles of the Directors as who held office during the year are set out on Pages 21 to 25.

## 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 CSE, Sri Lanka Accounting Standard and the Directions issued by the CBSL and are disclosed in Note 53 to the Financial Statements.

## Interest Register

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

## 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):

	31.03.2021	31.03.2020
Mr. E.D.P. Soosaipillai	NIL	NIL
Mr. R.S. Egodage	NIL	NIL
Mrs. G.R. Egodage	NIL	NIL
Mr. P.T. Fisher	NIL	NIL
Mr. K. Vander Weele	NIL	NIL
Mr. P.S.R.C. Chitty	429,808	429,808
Mr. L.L.S. Wickremasinghe	NIL	NIL
Ms. T. M. L. Paktsun	NIL	NIL

There are no Company debentures held by the Directors.

## Directors' Fees & Emoluments

Directors' fees and emoluments for the financial year ended 31<sup>st</sup> March, 2021, is LKR 11,089,500/- (2020- LKR 8, 255,000/-).

## Donations

During the year the Company has made LKR 891,280/- as charitable contributions (2020-LKR 4,334,808/-).

## 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 31<sup>st</sup> March, 2021 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 CSE.

## Shareholders

The total shareholder base of the Company as at 31<sup>st</sup> March, 2021 was 1,774 (2020 - 1,629). The distribution of the shareholding and a list of the 20 major shareholders are given under Investor Information in page 200 of this 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 and the audit report is set out in pages 102 to 106 of this report.

Audit & Audit related fees and non-audit fees payable to Ernst & Young for the year under review amounted to LKR 11,119,300 /- and LKR 4,142,809/- 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.



**JACEY & Company**  
Secretary



**E. D. P. Soosaipillai**  
Chairman



**R. S. Egodage**  
Director

28<sup>th</sup> July 2021  
Colombo

# Report of the Board Audit Committee

The Board audit Committee (BAC) supports the Board in discharging its responsibilities and exercises oversight over financial reporting, internal audit, internal controls and the external audit. The Charter of the BAC approved by the Board clearly defines the Terms of Reference of the Committee and regulates the composition, role and responsibilities of the BAC

The Committee is empowered by the Board to:

- Ensures that financial reporting systems in place are effective and well managed in order to provide accurate, appropriate and timely information to the Board, Regulatory Authorities, the Management and other stakeholders
- Monitor and review the adequacy and effectiveness of accounting policies, financial and other internal controls and financial reporting process
- Exercise independent oversight of the Company's external and internal audit functions and ensures the independence and effectiveness of both audit functions.
- Review Company compliance with relevant legal, regulatory and accounting standards in preparation and presentation of financial information and monitor the integrity of the Financial Statements and other reports issued by the Company in terms of disclosure requirements

## Composition of the Committee

The composition of the Board Audit Committee, is three (3) Independent Non-Executive Directors, Ms. T.M.L. Paktun - Chairperson, Mr. E D P Soosaipillai, and Mr. L.L. S. Wickramasinghe. Mr. Soosaipillai Chaired the Committee until 16<sup>th</sup> December 2020. Brief profiles of the Members are given on pages 21 to 25 of the Annual Report.

The Committee held fourteen meetings during the year ended 31 March 2021. The proceedings of these meetings are regularly reported to the Board.

The Head of Internal Audit and senior staff of the Internal Audit 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.

## Activities During the year

### Financial Reporting, risks and internal controls

- The Committee supported the Board in its oversight in the preparation of the financial statements by ensuring the statements were prepared in accordance with the Company's accounting records and in compliance with the provisions of Sri Lanka Accounting Standards and the Companies Act No 7 of 2007
- The Committee ensured that the accounting policies and practices are appropriate and adequate internal controls and procedures were in place to provide reasonable assurance that the financial reporting system is effective and provides reliable and timely information,
- The Committee reviewed the impact of adopting new accounting standards, the accounting treatment of significant risk and uncertainties and key estimates and judgments material to the

Company's financial reporting and whether disclosures made in the published financial statements were adequate and appropriate.

- During the year additional focus was placed on the assessment of the adequacy of the impairment provision to address the potential implication of the COVID 19 Pandemic and moratorium schemes introduced to support the recovery of the economy.
- The Committee reviewed and recommended to the Board for approval, the annual and quarterly financial statements prior to their release.
- The Committee continued to assess the adequacy and effectiveness of the Company's internal control systems. The Committee seeks and obtains the required assurance from the Management on the remedial action in respect of identified risks to maintain the effectiveness of the internal control procedures.

## Internal Audit

- Reviewed the independence, objectivity and performance of the internal audit function, the findings of internal audits completed and their evaluation on the Company's internal control system.
- Reviewed and approved the annual audit plan for the year and evaluated the adequacy and frequency of coverage.
- Reviewed the internal audit reports and significant findings with management responses and the status of implementation on a regular basis.
- Evaluated the Internal Audit function covering key areas such as scope, quality of internal audits, independence and resources.

## External Audit

- Assisted the Board in engaging External Auditors for audit services, in compliance with regulatory provisions.
- Monitored and assessed the independence, objectivity and effectiveness of the External Auditor and recommended their re-appointment and remuneration for shareholder approval.
- Discussed the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditor prior to commencement of the annual audit.
- Discussed all relevant matters arising from the interim and final audits, together with the Management Letter and management responses thereto.
- The Committee met the External Auditor in the absence of the KMP to ensure that the Auditors had the independence to discuss and express their opinion on any matter and that there was no limitation of scope in relation to the audit. It provided assurance to the Committee that there was no cause for concern.

## Committee effectiveness

The Committee completed the evaluation process with self-assessment in April 2021 and the review concluded that the Committee continues to operate effectively



**T.M.L. Paktun**  
Chairperson – Board Audit Committee

25<sup>th</sup> May 2021  
Colombo

# Report of the Remuneration Committee

The Remuneration Committee (“Committee”) was reconstituted by the Board on 20<sup>th</sup> June 2020, and is constituted of two Independent Non-Executive Directors, Mr. E.D.P. Soosaipillai (Chairman), Ms. T.M.L. Paktsun, Mr. B.B Zschorsch Non-Executive Director and Mr. R.S. Egodage Executive Director. Mr. B.B. Zschorsch resigned from the Board on 9<sup>th</sup> February 2021.

Brief profiles of the Members are given on pages 21 to 25 of the Annual Report.

The Committee is independent of the Management and free from any business, personnel or any other relationships that may interfere in making independent judgments.

During the year under review, two (2) Committee meetings were held and the attendance of the members at these meetings is given on page 65 of this Report.

The Committee is responsible to the Board for reviewing the remuneration of the Executive Director/Chief Executive Officer and to recommend appropriate remuneration benefits and other payments.

The Committee established a non-discriminatory remuneration policy for all members of the Board of Directors so far as their contributions on the Board and their participation and leadership of the Board Sub-Committees are concerned. This policy shall be reviewed once each year.

The Committee shall consider/evaluate the performance of the CEO against the targets and goals set and determine the basis for revising the remuneration, increments, bonuses and other performance based incentives of the CEO.

The Committee met each calendar quarter since reconstitution, and a signed statement by the Chair of the Committee on the matters highlighted at the meeting and included in the minutes are tabled at the Board meetings as appropriate. The recommendations made by the Committee are discussed at Board meetings and the final determination based on such recommendations if any is required, is made by the Board of Directors.



**E.D.P. Soosaipillai**

Chairman - Board Remuneration Committee

25<sup>th</sup> June 2021  
Colombo

# Board Nomination Committee Report

The Nomination Committee ("Committee") was reconstituted by the Board on 29<sup>th</sup> June 2020, and comprises of two Independent Non-Executive Directors, Mr. E.D.P. Soosaipillai (Chairman), Mr. L.L.L. Wickremasinghe and Mr. R.S. Egodage Executive Director and CEO and Mr. P.S.R.C Chitty Executive Director and COO.

Brief profiles of the Members are given on pages 21 to 25 of the Annual Report.

The Committee is independent of the Management and free from any business, personnel or any other relationships that may interfere in making independent judgments.

During the year under review, two (2) Committee meetings were held and the attendance of the members at these meetings is given on page 65 of this Report.

The Committee supports the Board in fulfilling its statutory and fiduciary responsibilities relating to the selection/appointment of new Directors, re-appointment of current Directors, selection and appointment of the CEO and the Executive Directors and to ensure the highest levels of Corporate Governance in the Company and among members of the Board of Directors.

Whilst exercising general oversight with respect to the corporate governance by the Board of Directors the Committee also considers and recommends succession arrangements from time to time for the retiring Directors, the MD/Chief Executive Officer and Executive Directors, taking into account the additional/new expertise required. The Committee regularly reviewed the structure, size, composition including gender representation and competencies (including the skills, knowledge and experience) of the Board members and made recommendations to the Board with regard to any changes;

The Committee Reviewed and recommended to the Board for approval the Board and Board Sub-Committee compositions in compliance with the listing rules of the CSE and the regulations of the CBSL, established a procedure for the conduct of Board and Board Sub-Committee meetings and reviewed the managements responses and actions to the CBSL findings and those of the External Auditors on matters of Corporate Governance.



**E. D. P. Soosaipillai**

Chairman- Board Nomination Committee

25<sup>th</sup> June 2021  
Colombo

# Report of the Related Party Transactions Review Committee

## Composition of The Committee

The Board Related Party Transactions Review Committee (the Committee) of the Company was established as a Board Sub-Committee on 22<sup>nd</sup> September 2015. Its scope is to conform to the requirements of the Code of Best Practices on Related Party Transactions issued by the SEC of Sri Lanka.

### The Committee at present is as follows:

Ms. T.M.L. Paktsun- Independent Non-Executive Director - Chairperson  
Mr. L.L.S. Wickremasinghe - Independent Non-Executive Director  
Mr. P.S.R.C. Chitty - Executive Director/Chief Operating Officer

Brief profiles of the Directors representing the Committee are given on pages 21 to 25

The Committee held four meetings during the year under review. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

## PURPOSE OF THE COMMITTEE

The Committee was formed to assist the Board in reviewing all related party transactions carried out by the Company and is governed by the Terms and References approved by the Board of Directors.

### The mandate of the Committee includes

- Developing, updating and recommending to the Board of Directors a Related Party Transactions Policy consistent with the Statutory and Regulatory responsibilities envisaged in the Code of Best Practices on Related Party Transactions published by the Securities and Exchange Commission of Sri Lanka ("the Code"), regulations promulgated by the CSE ("the CSE Rules") and Financial reporting under LKRS 24.
- Updating the Board of Directors on Related Party transactions on a quarterly basis.
- Advising the Board of Directors in making market disclosure as required by Section 9 of the Continuing Listing requirements of the CSE.
- Advising the Board of Directors in making appropriate disclosures on Related Party Transactions in the Annual Report as required by Section 9 of the Continuing Listing requirements of the CSE.

## Scope of The Committee Includes:

The primary function of the Committee is the verification and scrutiny of all Related Party Transactions with Directors, KMPs, Substantial Shareholders, subsidiaries, associate companies, joint venture partners and other Related Parties as defined by the Code, with a view to determining that they have not received any favourable nor preferential considerations vis-a-vis other Shareholders and Customers of the Company.

The monitoring of the system in place to capture information on Related Party Transactions and to ascertain that these transactions and dealings are in strict conformity with Statutory and Regulatory requirements the Company is obliged to adhere to.

The monitoring of the system in place to obtain a comprehensive list of Related Parties based on latest available declarations signed off by Directors and KMPs.

The monitoring of the quarterly Reports on Related Party Transactions reported by the Chief Compliance Officer of the Company by comparing Related Party Transactions with benchmarked criteria applicable for Non Related Party Transactions, to verify and determine that related Parties have not received more favourable or preferential consideration.

The Committee has the right to access as well as the right to call for clarifications and explanations from the Management and Auditors on any allied matter.

## COMMITTEE EFFECTIVENESS

The Committee completed the annual evaluation process with a self-assessment in April 2021 with the overall result of "satisfactory".

## Related Party Transactions During the Period

Details of Related Party Transactions are disclosed under Note No. 53 to the financial statements in this Annual Report.



T.M.L. Paktsun  
Chairperson-Related Party Transaction Review Committee

04<sup>th</sup> May 2021  
Colombo

# Report of the Integrated Risk Management Committee

The Board's Integrated Risk Management Committee (BIRMC) has been established by the Board of Directors in compliance with the corporate governance for Licensed NBFIs in Sri Lanka, issued by the Monetary Board of the CBSL. The composition and the scope of work of the Committee are in line with the same, as set out in the BIRMC charter, and clearly sets out the membership, authority, duties and responsibilities of the Committee.

The BIRMC assists the Board of Directors in fulfilling its responsibilities for overseeing the Company's risk management framework and activities, including the review of major risk exposures and the steps taken to monitor and control those exposures pertaining to the numerous of risks faced by the Company in its business operations. The Corporate Management is responsible for identifying relevant risks and notifying the BIRMC. Duties of the BIRMC include determining the adequacy and effectiveness of such measures, and to ensure that the actual overall risk profile of the Company conforms to the desirable risk appetite of the Company, as approved by the Board.

The BIRMC is made up of two Independent Non-Executive Directors, Chief Executive Officer, an Executive Director and Members of the Corporate Management supervising broad risk categories.

During the year under review the IRMC was made up of the following:

- **Mr. L.L.S. Wickremasinghe** - Independent Non-Executive Director - Chairman
- **Ms. T.M.L. Paktun** - Independent Non-Executive Director
- **Mr. R.S. Egodage** - Executive Director/Chief Executive officer
- **Mr. P.S.R.C. Chitty** - Executive Director / Chief Operating officer
- **Mr. M.A.D.J. Deshapriya** - Executive Management Member
- **Mr. K.L.A. Senevirathne** - Executive Management Member
- **Mr. M.L.D.N.Y. Madawala** - Executive Management Member
- **Mr. K.A. Buddhika** - Senior Management Member
- **Mr. O.M. Anura Sampath** - Senior Management Member

Twelve (12) Meetings of the BIRMC were held during the period under review and attendance of the Directors at these meetings is given in this Annual Report. All key risks such as credit, operational, market, liquidity, information technology, strategic, etc. are assessed by the BIRMC regularly through a set of defined risk indicators. The Committee works very closely with the KMPs and the Board in fulfilling its statutory, fiduciary, and regulatory responsibilities for risk management. The risk profile of the Company is communicated to the Board of Directors periodically through the Risk Assessment Report submitted to the Board following each BIRMC meeting.

## Activities in 2020/2021

In discharging the above duties and responsibilities vested on the BIRMC, the Committee reviewed significant risks during the

year. The activities carried out by the Committee are include below

- Main focus area for the year 2020/2021 was on the deteriorated credit quality level of the industry amidst socio-economic challenges that the country is facing due to the COVID-19 global pandemic situation. Deliberations on sectors affected and the factors that are within the control of the Company to mitigate the risks were given due understanding with a view to limiting the deterioration of credit quality.
- Excess liquidity arising out of mediocre credit growth, challenges stemming from decreasing interest rates attracted the attention of the Committee in most of the deliberations leading to formulation of strategies by the Management.
- Another focus area of the Committee under the prevailing conditions was the information and cybersecurity ramifications arising out of the rapid shift to the "Work-From-Home" environment and the enhancements required to ensure strong security for the remote access arrangements in terms of management, technical and physical controls. Amid the heightened cyber threats in the Pandemic environment, the BIRMC focused on the progress of the information security of the Company.
- Reviewed periodic reports from the Management on the metrics used to measure, monitor and manage risks, including acceptable and appropriate levels of risk exposures.
- Improvements were recommended to the Company's risk management framework and related policies and procedures as deemed suitable
- Reviewed and revised the Terms of Reference of all Management Committees dealing with specific risks or some aspects of risk, such as Asset and Liability Committee. Actions initiated by the Management were monitored periodically to verify the effectiveness of the measures taken by these respective Committee.
- 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.

## COMMITTEE EFFECTIVENESS

The Committee completed the annual evaluation process with a self-assessment in July 2021 with the overall result of "satisfactory".



**L.L.S. Wickremasinghe**

Chairman - Board Integrated Risk Management Committee

28<sup>th</sup> May 2021  
Colombo

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

The Financial Statements of the Commercial Credit and Finance PLC (Company) as at 31 March 2021 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 CBSL
- VI. Listing Rules of the CSE
- VII. The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the SEC of Sri Lanka (2017)

The Accounting Policies of the Company are in compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) issued by The Institute of Chartered Accountants of Sri Lanka and have been consistently applied by the Company.

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. 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 for the year ended 31 March 2021. We also confirm that the Company has adequate resources to continue its operations into the foreseeable future and accordingly adopt the going concern basis in preparing these Financial Statements.

We 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 is reasonably presented. To ensure this, the Company has 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 has conducted periodic audits to provide reasonable

assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal control and accounting.

The Financial Statements of the Company were audited by Messrs Ernst & Young, Chartered Accountants. The Report issued by them is available on page 102 to 106 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 CBSL or impair Messrs Ernst & Young's independence.

The Board Audit Committee meets periodically with the internal audit team and the External Auditor to review their audit plans and to discuss their reports on internal controls and financial reporting issues. 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. The Board Audit Committee Report is available on page 90.

We confirm to the best of our knowledge that

- The Company has complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the Company other than those disclosed in Note 51 of the Financial Statements section of this Annual Report;
- All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant provided for.



**M.A.D.J. Deshapriya**  
Chief Financial Officer



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

29<sup>th</sup> June 2021  
Colombo

# Statement of Directors responsibility for financial reporting

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

The responsibility of the External Auditor in relation to the financial statements is set out in the report of the auditors given on pages 102 to 106 of the Annual report.

In terms of sections 150 (1), (151 , 152) and 153(1) and (2)) 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 as at the end of each financial year and place them before a general meeting. The Financial Statements comprise the Statement of Financial Position as at 31 March 2021, the Statement of Profit or Loss and the Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow for the year then ended and notes thereto.

The Financial Statements of the Company gives a true and fair view of the

- Financial position of the Company as at 31 March 2021 and
- Financial performance of the Company for the financial year then ended

In preparing the Financial Statements, the Directors are required 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 as relevant have been complied with and material departures, if any, have been disclosed and explained.

The Directors are also required to ensure that the Company has 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 Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company. 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 CSE and the Code of Best Practices on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Board of 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 and is under regular review of the Board of Directors. The results of such reviews carried out during the year are given on pages 97 to 98 in the

Directors Statement on Internal Control over Financial Reporting. The External Auditors Assurance Report on the Directors Statement on Internal Control is given on page 99.

The Board of Directors have taken steps to ensure that the Company maintains proper books of accounts and review the financial reporting system at their regular meetings and also through the Board Audit Committee. The report of the Board Audit Committee is given on page 90.

The Board of Directors also approves the interim and annual 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 Company's External Auditors, Messer Ernst & Young were provided with every opportunity to carry out reviews and checks on the system of internal control they considered appropriate and necessary for expressing their independent audit opinion on the financial statements and the maintaining of financial records. They have examined the Financial statements made available to them by the Company together with the financial records, related data and minutes of Shareholders' and Directors meetings and expressed their opinion which appears as reported by them on page 99.

The Financial Statements of the Company have been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by section 150 (1) (b) and 152(1) (b) of the Companies Act and have been signed by two Directors of the Company as required by section 150 (1) (c) and 152(1) (c) of the Companies Act.

Further as required by Section 56(2) of the Companies Act No 7 of 2007 the Board of Directors have made an assessment of the solvency of the Company immediately after the distribution of the proposed dividend and confirms that the Company satisfies the Solvency test as required by Section 57 of the Companies Act No 7 of 2007 and has obtained a certificate from the External Auditors, prior to declaring the final dividend of LKR 1.50 for the year.

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 as at the reporting date have been paid or where relevant provided for.

Accordingly, 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

29<sup>th</sup> June 2021

# 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 presents 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 PLC. Such a system is designed, to manage the Company's key areas of risk within an acceptable risk profile and established risk appetite, rather than to eliminate the risk of failure in achieving 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 an ongoing 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 supports 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.

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

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

- Monitoring 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 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 appropriate sampling 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 The Board Audit Committee (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.

- The BAC reviews internal control issues identified by the Internal Audit Function, External Auditor, Regulatory authority and the management and evaluates the adequacy of specific rectifications, defective controls and preventive controls in ensuring the underlying systemic effectiveness of the risk management and internal control systems which 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 90.

- The Board Integrated Risk Management Committee (BIRMC) is established to support the Board to oversee the overall management of principal areas of risks of the Company. Management Level Committees which includes representatives from key business units of the Company support the Board with the implementation of policies advocated by the BIRMC.

- In assessing the internal control systems over 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, measurement, classification and disclosure are implemented. Financial reporting and management information processes will be further strengthened by continuous monitoring and steps are taken to make improvements to the process where required to enhance effectiveness and efficiency.

- During the year the Company further strengthened its internal control processes to ensure that the potential impact of the COVID-19 Pandemic and moratorium schemes introduced to support the recovery of the economy were accurately captured in the financial reporting. The Management also ensured that all critical reconciliations were performed without interruption during the lockdown periods.
- 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 CBSL.

### 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 99.

By order of the Board,



**E. D. P. Soosaipillai**  
Chairman



**R. S. Egodage**  
Executive Director / Chief Executive Officer



**T. M. L. Paktsun**  
Director / Chairperson of Board Audit Committee

29<sup>th</sup> June 2021



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## SPF/WDPL/DM

### 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 2021.

##### 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 ACA 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<sup>th</sup> June 2021  
Colombo



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# Financial Information

# Independent Auditor's Report



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O.Box 101  
Colombo 10  
Sri Lanka

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## INDEPENDENT AUDITORS' REPORT 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"), which comprise the statement of financial position as at 31 March 2021, 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 give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of

#### Key audit matters common to both Group and Company

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Impairment allowance on loans &amp; leases:</b></p> <p>As at 31 March 2021, loans &amp; advances and receivables from lease &amp; hire purchase (net of impairment) amounted to LKR. 18.6 Bn (Note 10) and LKR. 49.9 Bn (Note 11) respectively net of total allowance for impairment of LKR 6 Bn (Note 10.1 and 11.1). These collectively contributed 75% to the Company's total assets.</p> <p>As described in Note 5.5.3.1, impairment allowance on such financial assets carried at amortised cost is determined in accordance with Sri Lanka Accounting Standard - SLFRS 9 Financial Instruments (SLFRS 9).</p>	<p>We assessed the alignment of the company's impairment computations and underlying methodology with the requirements of SLFRS 9 with consideration of COVID-19 impacts and related industry responses based on the best available information up to the date of our report. Our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> <li>We evaluated the design, implementation and operating effectiveness of controls where relevant over estimation of impairment of loans and advances, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management.</li> </ul>

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 the audit of the financial statements of the current period. These matters were addressed in the context of the 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.

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

Key Audit Matter	How our audit addressed the KAM
<p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• materiality of the reported impairment allowance which involved complex spread sheets calculations; and</li> <li>• the degree of assumptions, judgements and estimation uncertainty associated with the calculations</li> </ul> <p>Key areas of significant judgements, estimates and assumptions used by management in the assessment of the impairment allowance included the following:</p> <ul style="list-style-type: none"> <li>• the probable impacts of COVID-19 and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the company); and</li> <li>• forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impacts from COVID-19 that may impact future expected credit losses.</li> </ul>	<p><b>How our audit addressed the KAM</b></p> <ul style="list-style-type: none"> <li>• We checked the completeness and accuracy of the underlying data used in the computations by agreeing significant details to source documents and accounting records of the company.</li> <li>• We test-checked the underlying calculations.</li> <li>• In addition to the above, following focused procedures were performed: For a sample of loans and advances individually assessed for impairment: <ul style="list-style-type: none"> <li>• Assessing the appropriateness of the criteria used by the management to determine whether there are any indicators of impairment; and</li> <li>• Evaluating the reasonableness of the provisions made with particular focus on the impact of COVID-19 on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows.</li> </ul> </li> <li>For loans and advances collectively assessed for impairment: <ul style="list-style-type: none"> <li>• Assessing the reasonableness of assumptions and estimates used by management including the reasonableness of forward-looking information and scenarios; and</li> <li>• As relevant, assessing the basis for and data used by management to determine overlays in consideration of the probable effects of the COVID-19 pandemic.</li> </ul> </li> <li>• We assessed the adequacy of the related financial statement disclosures as set out in Note(s) 10 and 11.</li> </ul>
<p><b>IT systems and controls relevant to financial reporting</b></p> <p>The Company uses multiple IT systems in its operations. We selected IT systems and controls relevant to financial reporting as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The Company's financial reporting process being heavily dependent on information derived from its IT systems and</li> <li>• Key financial statement disclosures involving the use of multiple system - generated reports and calculations there on</li> <li>• A changed working environment of increased remote access</li> </ul>	<p><b>Our audit procedures included the following;</b></p> <ul style="list-style-type: none"> <li>• Understanding the security monitoring procedures over IT systems relevant to financial reporting, given the increase in remote access</li> <li>• Understanding and evaluating the design and operating effectiveness of key automated, IT dependent and manual controls implemented by management over generation of multiple system reports and gathering of required information in calculating the significant information for financial statements disclosures</li> <li>• Checking the source data of the reports used to generate significant disclosures for accuracy and completeness</li> <li>• Assessing the reasonability of management's general ledger reconciliation procedures which includes cross checking to system reports and source data where relevant</li> </ul>

<p><b>Impact of moratoriums and other relief measures on recognition of interest income</b></p> <p>Moratoriums and other relief measures were granted by the Company to customers affected by the COVID - 19 Pandemic.</p> <p>Impact of moratoriums and other relief measures on the recognition of interest revenue on loans &amp; receivables and lease rentals receivable &amp; stock out on hire was a key audit matter due to:</p>	<p><b>Our audit procedures (among others) included the following;</b></p> <ul style="list-style-type: none"> <li>• We gained an understanding of the process adopted by the Company to grant, record and account for moratoriums and other relief measures provided to customers</li> </ul>
<ul style="list-style-type: none"> <li>• Significant judgments that were applied in determining whether such moratoriums and other relief measures have resulted in substantial modifications or not, to contracts with customers as set out in Note 5.5.5.11.1 to the financial statements</li> <li>• Use of spread sheet-based calculations by management to quantify the impacts of such moratoriums and other relief measures on the amount of revenue recognised for the period</li> </ul>	<ul style="list-style-type: none"> <li>• We assessed the reasonableness of judgements applied by management in determining whether moratoriums and other relief measures have resulted in substantial modifications or not, to customer contracts, on a sample basis. This included evaluating whether interest income on modified contracts have been recognised in line with its accounting policy for interest revenue recognition</li> <li>• We tested the accuracy of underlying spread sheet-based calculations. Our procedures included testing the completeness and accuracy of the data used in such spread sheet-based calculations, by agreeing to source documents and moratorium customer returns, on a sample basis</li> </ul>
<p><b>Valuation of Investment Properties</b></p> <p>As at 31 March 2021, land and buildings carried at fair value classified as Investment Property amounts to LKR 1,479 Mn. The fair value of such property was determined by external valuers engaged by the Company.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• materiality of reported fair value for such property</li> <li>• degree of assumptions and judgements associated with the valuation, amplified by the impact of COVID - 19 - pandemic. The valuation contained higher estimation uncertainties due to fewer comparable market transactions, which are generally considered a strong source of evidence regarding fair value</li> </ul> <p>Key areas of significant judgement and assumptions included estimate of price per perch of land and price per square foot of building as disclosed in note 19</p>	<p>Our audit procedures included (among others) the following procedures:</p> <ul style="list-style-type: none"> <li>• We evaluated the competence, capabilities and objectivity of the external valuer engaged by the Company</li> <li>• We read the valuation reports to obtain an understanding of the key estimates made and valuation techniques used by the external valuer in the valuation of land and buildings</li> <li>• We engaged our internal specialized resources to assist us in evaluating the appropriateness of the valuation techniques used by the external valuer and assessing the reasonableness of the significant judgements and assumptions, such as price per perch of land and price per square foot of building.</li> </ul> <p>In addition, we evaluated the adequacy of the related financial statement disclosures in notes 19.</p>



## Other information included in the 2021 Annual Report

Other information consists of the information included in the Company's 2021 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. 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.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.

29<sup>th</sup> June 2021  
Colombo

# Statement of Financial Position

As at 31<sup>st</sup> March 2021

	Notes	Company		Group
		2021 LKR Amalgamated	2020 LKR	2020 LKR
<b>Assets</b>				
Cash and bank balances	7	2,239,713,277	854,570,071	1,208,461,539
Reverse repurchase agreements		1,476,871,848	3,004,279,491	3,141,542,623
Placements with banks	8	4,487,753,541	3,812,279,883	3,826,996,141
Financial assets recognised through profit or loss - measured at fair value	9	5,494,633,483	2,072,291,864	2,228,854,997
<b>Financial assets at amortised cost</b>				
Loans and receivables	10	18,601,016,345	18,219,942,284	18,377,266,075
Lease rentals receivable and stocks out on hire	11	49,966,120,204	43,395,382,046	52,689,500,344
Debt & other instruments	12	253,257,877	114,822,765	114,822,765
<b>Financial assets at fair value through other comprehensive income</b>	13	2,554,019	4,310,479	67,223,703
Other financial assets	14	644,132,392	743,285,925	725,285,925
Inventories	15	71,610,208	65,910,298	65,910,298
Other assets	16	794,383,901	173,199,518	257,986,659
Investment in subsidiary	17	-	1,599,288,321	-
Investment in associate	18	340,823,054	390,000,000	364,203,089
Investment property	19	1,478,919,010	1,698,461,370	1,698,461,370
Property, plant and equipment	20	3,457,055,329	3,051,877,367	3,126,825,486
Right of use assets	21	412,836,384	649,825,707	672,158,910
Intangible assets & goodwill	22	940,837,669	199,319,998	959,881,318
Deferred tax asset	29	467,354,511	-	-
Current tax assets		-	311,261,563	336,796,145
<b>Total Assets</b>		<b>91,129,873,052</b>	<b>80,360,308,948</b>	<b>89,862,177,386</b>
<b>Liabilities</b>				
Due to banks	23	22,593,203,146	12,661,616,855	19,214,209,118
Due to customers	24	47,989,536,843	47,394,521,877	48,948,641,777
Debt instruments issued	25	1,295,844,686	3,349,894,465	3,349,894,465
Other financial liabilities	26	1,658,937,116	1,753,986,571	1,987,798,983
Other liabilities	27	1,518,373,695	1,319,578,081	1,462,995,410
Deferred tax liabilities	29	-	265,361,285	80,761,133
Post employment benefit obligations	28	395,651,701	298,691,827	321,699,082
Current tax liabilities		281,970,260	-	-
<b>Total Liabilities</b>		<b>75,733,517,448</b>	<b>67,043,650,962</b>	<b>75,365,999,968</b>
<b>Shareholders' Funds</b>				
Stated capital	30	2,150,640,315	2,150,640,315	2,150,640,315
Retained earnings	31	9,048,914,434	7,570,420,764	8,636,374,058
Reserves	32	4,196,800,855	3,595,596,907	3,701,973,390
Total equity attributable to equity holders of the company		15,396,355,604	13,316,657,986	14,488,987,763
Non controlling interests		-	-	7,189,655
<b>Total Equity</b>		<b>15,396,355,604</b>	<b>13,316,657,986</b>	<b>14,496,177,417</b>
<b>Total Liabilities and Shareholders' Funds</b>		<b>91,129,873,052</b>	<b>80,360,308,948</b>	<b>89,862,177,386</b>
<b>Commitments and Contingencies</b>	51	<b>476,629,299</b>	<b>297,435,063</b>	<b>297,435,063</b>

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 113 to 197 form an integral part of these Financial Statements.

29<sup>th</sup> June 2021  
Colombo

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# Statement of Profit Or Loss

Year ended 31<sup>st</sup> March 2021

	Notes	Company		Group
		2021 LKR Amalgamated	2020 LKR	2020 LKR
Gross Income	33	18,191,763,124	19,885,681,798	22,958,817,657
Interest income	33.1	16,086,955,727	17,966,128,159	20,835,015,309
Interest expenses	33.2	(7,051,867,805)	(8,593,146,453)	(9,922,872,530)
<b>Net Interest Income</b>		<b>9,035,087,922</b>	<b>9,372,981,706</b>	<b>10,912,142,781</b>
Fee and commission income	34	1,072,790,785	1,267,296,634	1,319,142,520
Net income from real estate sales	35	5,800,656	6,929,903	6,929,903
Net (loss)/gain from trading	36	28,156,396	(10,350,171)	(10,350,171)
Other operating income	37	780,743,520	600,849,246	753,252,065
Change in fair value of investment property	19	217,316,040	54,828,026	54,828,026
<b>Total Operating Income</b>		<b>11,139,895,319</b>	<b>11,292,535,344</b>	<b>13,035,945,124</b>
Impairment charges of financial assets	38	(1,690,340,884)	(2,713,980,810)	(3,404,582,020)
Net fair value gains/(losses) from financial instruments at Fair value through profit or loss		67,436,244	-	17,895,675
<b>Net Operating Income</b>		<b>9,516,990,679</b>	<b>8,578,554,534</b>	<b>9,649,258,779</b>
<b>Operating Expenses</b>				
Personnel expenses	39	(2,454,694,077)	(2,511,368,853)	(2,705,526,210)
Depreciation & amortization	19,20,21	(586,686,489)	(541,158,028)	(580,608,111)
Other operating expenses	40	(2,421,659,253)	(2,865,048,634)	(3,180,842,243)
<b>Operating Profit Before Tax on Financial Services</b>		<b>4,053,950,861</b>	<b>2,660,979,018</b>	<b>3,182,282,214</b>
Value added tax	41	(812,380,400)	(594,028,190)	(676,610,427)
Debt repayment levy	41	-	(269,463,668)	(304,892,097)
<b>Operating Profit After Value Added Tax on Financial Services</b>		<b>3,241,570,460</b>	<b>1,797,487,160</b>	<b>2,200,779,690</b>
Share of loss of associates	42	(49,176,946)	-	(15,711,053)
<b>Profit Before Taxation</b>		<b>3,192,393,515</b>	<b>1,797,487,160</b>	<b>2,185,068,637</b>
Income taxation	43	(857,637,307)	(133,588,086)	(178,452,933)
<b>Profit for the Year</b>		<b>2,334,756,207</b>	<b>1,663,899,075</b>	<b>2,006,615,704</b>
<b>Profit Attributable to:</b>				
equity holders of the company		2,334,756,207	1,663,899,075	2,005,362,993
Non - controlling interests		-	-	1,252,711
		<b>2,334,756,207</b>	<b>1,663,899,075</b>	<b>2,006,615,704</b>
Basic Earnings Per Share	44.1	7.34	5.23	6.30
Diluted Earnings Per Share	44.2	7.34	5.23	6.30
Dividend Per Share	45	-	1.00	

Accounting policies and notes from pages 113 to 197 form an integral part of these Financial Statements.

# Statement of Comprehensive Income

Year ended 31<sup>st</sup> March 2021

	Notes	Company		Group
		2021 LKR Amalgamated	2020 LKR	2020 LKR
<b>Profit for the Year</b>		<b>2,334,756,207</b>	<b>1,663,899,075</b>	<b>2,006,615,704</b>
Net gains/(losses) on remeasuring financials assets at fair value through other comprehensive income		(3,737,842)	-	119,340
<b>Total Other Comprehensive Income to be Reclassified to Statement of Profit or Loss</b>		<b>(3,737,842)</b>	<b>-</b>	<b>119,340</b>
Net gains on remeasuring financials assets at fair value through other comprehensive income		-	-	112,255
<b>Total Other Comprehensive Income to be Reclassified to Statement of Profit or Loss</b>		<b>-</b>	<b>-</b>	<b>112,255</b>
Revaluation gain on land and buildings		181,566,512	53,534,692	53,534,692
Deferred tax charge relating to revaluation gain on buildings	29	(43,575,963)	(14,989,714)	(14,989,714)
		<b>137,990,549</b>	<b>38,544,978</b>	<b>38,544,978</b>
Actuarial gains/(losses) on defined benefit plans	28	(6,842,736)	(75,984,355)	(79,040,628)
Deferred tax reversal relating to actuarial gain on defined benefit plans	29	1,642,257	21,275,619	22,131,376
		<b>(5,200,479)</b>	<b>(54,708,736)</b>	<b>(56,909,252)</b>
<b>Total Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss</b>		<b>132,790,069</b>	<b>(16,163,757)</b>	<b>(18,364,274)</b>
<b>Other Comprehensive Income for the Year, Net of Taxes</b>		<b>129,052,227</b>	<b>(16,163,757)</b>	<b>(18,132,679)</b>
<b>Total Comprehensive Income for the Year</b>		<b>2,463,808,435</b>	<b>1,647,735,317</b>	<b>1,988,483,025</b>
Total Comprehensive income attributable to:				
Equity holders of the company		2,463,808,435	1,647,735,317	1,987,237,197
Non- controlling interests		-	-	1,245,830
<b>Total Comprehensive Income for the Year</b>		<b>2,463,808,435</b>	<b>1,647,735,317</b>	<b>1,988,483,026</b>

Accounting policies and notes from pages 113 to 197 form an integral part of these Financial Statements.

# Statement of Changes in Equity

As at 31<sup>st</sup> March 2021

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	Non Controlling Interest LKR	Total LKR
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)	-	-	-	-	(16,163,758)
<b>Total Comprehensive Income</b>		-	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)
<b>Balance as at 31 March 2020</b>		2,150,640,315	220,517,452	58,751,125	7,570,420,764	3,322,590,488	-	(6,262,158)	-	13,316,657,986
Balance as at 1 April 2020		2,150,640,315	220,517,452	58,751,125	7,570,420,764	3,322,590,488	-	(6,262,158)	-	13,316,657,986
Net profit for the year	31	-	-	-	2,334,756,207	-	-	-	-	2,334,756,207
Other comprehensive income net of tax	31/32	-	137,990,549	-	(5,200,479)	-	-	(3,737,842)	-	129,052,227
<b>Total Comprehensive Income</b>		-	137,990,549	-	2,329,555,728	-	-	(3,737,842)	-	2,463,808,435
Transferred to statutory reserve	31/32	-	-	-	(466,951,241)	466,951,241	-	-	-	-
Impact of amalgamation ( Note No. 56)		-	-	-	(384,110,816)	-	-	-	-	(384,110,816)
Dividend paid	45	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2021 (Amalgamated)</b>		2,150,640,315	358,508,001	58,751,125	9,048,914,434	3,789,541,729	-	(10,000,000)	-	15,396,355,604

Accounting policies and notes from pages 113 to 197 form an integral part of these Financial Statements.

# Statement of Changes in Equity

As at 31<sup>st</sup> March 2021

Group	Notes	Stated Capital LKR	Revaluation Reserve LKR	General Reserve LKR	Retained Earnings LKR	Statutory Reserve LKR	Available for Sales Reserve LKR	FVOCI Reserve LKR	Non Controlling Interest LKR	Total LKR
Balance as at 1 April 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
Net profit for the year		-	-	-	2,005,362,994	-	-	-	1,252,711	2,006,615,705
Other comprehensive income net of tax		-	38,544,978	-	(56,901,561)	-	-	230,785	(6,881)	(18,132,679)
Dividend paid		-	-	-	(318,074,370)	-	-	-	(197,827)	(318,272,197)
Total Comprehensive Income		-	38,544,978	-	1,630,387,062	-	-	230,785	1,048,003	1,670,210,828
Transferred to statutory reserve		-	-	-	(350,701,199)	350,701,199	-	-	-	-
<b>Balance as at 31 March 2020</b>		<b>2,150,640,315</b>	<b>220,517,452</b>	<b>58,751,125</b>	<b>8,636,374,059</b>	<b>3,429,768,580</b>	<b>-</b>	<b>(7,063,772)</b>	<b>7,189,655</b>	<b>14,496,177,414</b>

Accounting policies and notes from pages 113 to 197 form an integral part of these Financial Statements.

# Statement of Cash Flow

Year ended 31<sup>st</sup> March 2021

	Notes	Company		Group
		2021 LKR Amalgamated	2020 LKR	2020 LKR
Cash flows from / (used in) operating activities				
Profit before Income Tax Expense		3,192,393,515	1,797,487,160	2,185,068,637
Adjustments for				
Depreciation and amortisation	19,20,21	335,845,452	363,049,427	1,252,767,021
Amortisation of right of use assets	21	250,841,037	249,488,768	259,350,410
Share of loss of associate	42	49,176,946	-	15,711,053
Impairment charge of loans and advances, lease, hire purchase	38	1,690,340,884	2,713,980,811	3,404,582,022
Net fair value adjustment of investment property	19	(217,316,040)	(54,828,026)	(54,828,026)
Disposal gain on investment property	19	(1,025,550)	(289,505)	(289,505)
Net fair value gains/(losses) from financial instruments	13	(67,436,244)	23,678,810	23,678,810
Amortisation of prepaid debenture issue cost	25	92,814,829	18,643,202	18,643,202
Provision for defined benefit plans	28	85,328,758	65,625,989	72,459,570
<b>Operating profit before working capital changes</b>		<b>5,410,963,587</b>	<b>5,176,836,636</b>	<b>7,177,143,195</b>
(increase)/decrease in inventories		(5,699,910)	11,223,026	11,223,026
(Increase)/decrease in loans and advances		(947,666,156)	4,730,513,182	4,878,223,155
Increase in lease rentals receivable & stock out on hire		(2,138,983,131)	(8,055,422,514)	(9,116,735,526)
Decrease right of use assets		-	649,825,707	-
(Increase)/decrease in other financial assets		99,153,533	(157,913,749)	(163,592,560)
(Increase)/decrease in debt & other instruments		(207,396,652)	72,421,757	72,421,757
(Increase)/decrease in other assets		(611,054,144)	104,723,924	86,947,047
(Increase)/decrease in placements and reverse repurchase agreements		1,160,131,423	(1,160,131,423)	(1,297,394,555)
Decrease in amounts due to customers		1,577,836,462	(4,513,845,460)	(4,987,677,391)
Increase/(decrease) in other financial liabilities		179,006,113	(408,262,142)	(558,287,248)
Increase/(decrease) in other liabilities		38,002,177	(715,444,717)	(742,737,478)
<b>Cash Generated from Operations</b>		<b>4,554,293,302</b>	<b>(4,915,301,481)</b>	<b>(4,640,466,577)</b>
Post employment benefit obligation	28	(23,591,375)	(18,527,375)	(18,893,773)
Taxes paid		(727,692,283)	(329,740,086)	(586,953,905)
<b>Net Cash Flows (used in)/from Operating Activities</b>		<b>3,803,009,644</b>	<b>(5,263,568,942)</b>	<b>(5,246,314,255)</b>
Cash flows from / (used in) Investing activities				
Acquisition of investment property	19	(20,700,000)	(229,784,208)	(229,784,208)
Disposal proceeds from investment property	19	87,132,850	34,502,183	34,502,183
Acquisition of property, plant and equipments	20	(184,724,128)	(332,724,988)	(1,226,205,418)
Net investment in placements with banks		(810,976,174)	(445,495,339)	(550,271,289)
Acquisition of intangible assets	22	-	(45,452,403)	(41,084,948)
Net investment in financial assets recognised through profit or loss - measured at fair value		(2,322,027,088)	39,865,376	(112,183,220)
Net investment in financial assets at fair value through other comprehensive income		(3,871,292)	(23,678,810)	(4,115,782)
<b>Net Cash Flows used in Investing Activities</b>		<b>(3,255,165,832)</b>	<b>(1,002,768,189)</b>	<b>(2,129,142,682)</b>
Cash flows from / (used in) Financing activities				
Net cash flow from/(used in) debt instruments issued	25.1	1,287,590,000	319,717,655	319,717,655
Repayment of debt instruments		(3,434,454,608)	-	-
Proceeds from loans obtained	23	19,796,557,166	11,124,762,433	14,915,570,800
Lease payments		(282,421,537)	(106,881,206)	(126,554,883)
Repayment of bank loans	23	(17,259,508,533)	(7,453,620,652)	(10,332,477,494)
Dividend paid	45	-	(315,444,932)	(316,163,593)
<b>Net Cash Flows from Financing Activities</b>		<b>107,762,488</b>	<b>3,568,533,298</b>	<b>4,460,092,485</b>
Net (increase)/decrease in cash and cash equivalents		655,606,300	(2,697,803,832)	(2,915,364,453)
Addition due to merger		177,903,328	-	-
Cash and cash equivalents at the beginning of the year		3,823,692,308	6,521,496,140	7,092,948,228
<b>Cash and Cash Equivalents at the end of the Year</b>		<b>4,657,201,936</b>	<b>3,823,692,308</b>	<b>4,177,583,775</b>
Cash and Cash Equivalents For the Purpose of Cash Flow Statement				
Cash in hand	7	2,239,713,277	854,570,071	1,208,461,539
Reverse repurchase agreements (less than three months)		1,476,871,847	1,844,148,068	1,844,148,068
Placements with banks (less than three months)		1,231,143,767	1,381,723,890	1,381,723,890
Bank overdrafts	23	(290,526,956)	(256,749,719)	(256,749,719)
<b>Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement</b>		<b>4,657,201,936</b>	<b>3,823,692,308</b>	<b>4,177,583,775</b>

Accounting policies and notes from pages 113 to 197 form an integral part of these Financial Statements.

# Notes to the Financial Statements

As at 31<sup>st</sup> March 2021

## 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, YatinuwaraVeediya, Kandy. The shares of the company have a primary listing on the Colombo Stock Exchange (CSE).

The Company amalgamated with Trade Finance and Investments PLC on 31st December 2020 and the amalgamation certificate was issued by the Register of the Companies on 9th February 2021. The financial position of Trade Finance and Investments PLC as at the amalgamation date has been disclosed in Note No. 56.

### 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.

#### Associate

##### TVS Lanka (Pvt) Ltd

The principle activity of TVS Lanka (Pvt) Ltd. during the year was the import and sale of two wheelers and spare parts. The registered office and principle place of business of the company is located at No.38, Old Negombo Road, Wattala. The Company holds 19.5% of the share of TVS Lanka (Pvt) Ltd. as at the balance Sheet Date. The Chief Operating Officer of the Company is a director of TVS Lanka (Pvt) Ltd and it is considered an associate since Commercial Credit and Finance PLC has a significant influence.

### 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 2021 was authorised for issue by the board of directors on 29 June 2021.

### 1.5 Responsibility for Financial Statements

The Board of Directors of the company is responsible for these Financial Statements of 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 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-(Amalgamated)
- A Statement of Financial Position providing the information on the financial position of the Company as at the year end-(Amalgamated)
- A Statement of Changes in Equity depicting all changes in shareholder’s equity during the year under review of the Company-(Amalgamated)
- A Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilise those cash flows.
- Notes to the Financial Statements comprising accounting policies & other explanatory information.
- The primary statements of the group are presented only for the year ended and at 31st March 2021 as no group existed as at 31st March 2021.
- The Company amalgamated with Trade Finance and Investments PLC on 31st December 2020 and please refer note No.56 for the Proforma financial highlights for the nine months period ended 31st December 2020.

### 2.2 Basis of Measurement

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

- Financial assets recognised through Profit or Loss (FVPL).
- Financial assets held at fair value through other comprehensive income (FVOCI).
- Investment Property.
- Freehold Land & Buildings classified as Property, Plant & Equipment.

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 2.3 Functional and presentation currency

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS

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

Accounting judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key significant accounting judgements, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in respective notes.

### 3.1 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. The Directors have considered the potential downsides that the COVID-19 pandemic could bring to the business operations of the Company, in making this assessment. 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 Sri Lanka Accounting Standards - SLFRS 9 (Financial Instruments) across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company reviews its individually significant 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's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The expected credit loss (ECL) calculation under SLFRS 9 requires management to make judgments and estimates with regard to the following.

- The Company's criteria for assessing if there has been a significant increase in credit risk and so impairment for financial assets should be measured on a lifetime ECL 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 Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The outbreak of COVID-19 has caused disruption to business and economic activities, and uncertainty in the global and local economy. Further the various quarantine measures adopted by different countries greatly affected global trade. The Company strictly followed the guidelines and instructions issued by the government health authorities and the Central Bank of Sri Lanka (CBSL) when conducting its commercial operations.

The Company de-recognises a financial asset, such as a loan to a customer, when the terms and conditions have been re-negotiated to the extent that, substantially, it becomes a new loan. However, the Company concluded that the COVID-19 moratorium did not give rise to a substantial modification to the original terms and conditions of the moratorium eligible loans. Since the debt moratorium process significantly impacted on the Company's portfolio resulting in a revision to the original average effective rate of the moratorium portfolio as well as a significant extension on the average maturity of the moratorium portfolio, the management is of the view that there is a substantial change of terms by this modification. Therefore, the Company adjusted the original effective rate for moratorium facilities and accounted accordingly.

The granting of the moratorium was due to the cash flow difficulties faced by the customer with the outbreak of the COVID-19 pandemic. The contracts in stage O1 which was granted moratorium, shall be transferred to stage O2 on the assumption that the moratorium resulted in a significant increase in credit risk.

### 3.3 Impairment of other financial assets

The Company 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.

Equity instruments classified as Fair Value through Other Comprehensive Income (FVOCI) are not subjective to impairment assessment.

### 3.4 Impairment of Goodwill

The Company 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).

### 3.5 Taxation including Deferred Tax Assets

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

### 3.6 Fair Value of Property Plant and Equipment

The freehold land and buildings of the Company are reflected at fair value at the date of revaluation less any accumulated depreciation and impairment losses. The Company engages independent valuation specialists to determine fair value of freehold land and buildings, including methods of valuation are given in note 20.6 to the financial statements.

### 3.7 Useful lifetime of Property Plant and Equipment

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

### 3.8 Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Company has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company assesses on an annual basis the accounting classification of its properties taking into consideration the current use of such properties. (Refer Note 19.3)

### 3.9 Fair value of Investment Properties

The Company carries its Investment Properties at fair value, with changes in fair values being recognised in the Statement of profit or loss. The Company engaged an independent valuer to determine the fair value as at 31 March 2021.

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

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

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 3.10 Principal assumptions for management's estimation of fair value

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

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

### 3.11 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 Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

### 3.12 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 Company.

### 3.13 Right-of-Use Assets and Operating Lease Liability

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

### 3.14 Commitments and Contingencies

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

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Unless the probability of occurrence is remote, contingent liabilities are not recognised in the statement of financial position but are disclosed in the statement of financial position. (Refer Note 51).

### 3.15 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.

#### 4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

There were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka during the year ended 31st March 2021. The amendments to the following existing Sri Lanka Accounting Standards which were effective from 1st January 2020 did not have a material impact on the Financial Statements of the Company.

- Sri Lanka Accounting Standard - SLFRS16 (Leases): COVID-19 Related Rent Concessions.
- Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements).
- Sri Lanka Accounting Standard - LKAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

#### 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, unless otherwise indicated. The accounting policies have been consistently applied by the Company where applicable.

##### 5.1 Basis of Consolidation

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

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

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

##### 5.3 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency which is Sri Lanka Rupees (LKR) at the spot exchange rate at the date of the transactions were affected. In this regard, the Company'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.

##### 5.4 Financial instruments - initial recognition and subsequent measurement

###### 5.4.1 Date of recognition

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

###### 5.4.2 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 Company accounts for the day 1 profit or loss. As described below,

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 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 Company recognises the difference between the transaction price and fair value (a day 1 profit or loss) in the statement of profit or loss over the tenor of the financial instrument using the Effective Interest Rate (EIR) method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the statement of profit or loss when the inputs become observable, or when the instrument is derecognised.

### 5.4.3 Measurement categories of Financial Assets and Liabilities

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

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

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

### 5.5.3.3 Equity instruments at FVOCI

Upon initial recognition, the Company 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 Company 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 Company 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 Company issues financial guarantees and loan commitments. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised 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 Company 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.

### 5.5.3.6 Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company may acquire, dispose of, or terminates a business line (change in business model). When the Company 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 measured 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 amortized cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of reclassification.

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

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

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

Covid-19 pandemic has resulted in significant volatility in the financial markets. However, the Company did not require to reclassify any of its financial assets as a result of the significant volatility created by the pandemic.

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 5.4.4 Derecognition of financial assets and liabilities

#### 5.5.4.1 Derecognition due to substantial modification of terms and conditions

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

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

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

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

#### 5.5.4.2 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 derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The Company 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 Company 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 Company 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 Company cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either,

- The Company has transferred substantially all the risks and rewards of the asset.

Or

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

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

As explained in Note 5.5.4.2, modifications to the original terms and conditions of the loans due to Covid-19 moratorium, did not result in a derecognition of the original loans as the company concluded that the modifications were not substantial. Since the debt moratorium process significantly impacted to the Company's portfolio resulting in a revision to the original average effective rate of the moratorium portfolio as well as a significant extension on the average maturity of the moratorium portfolio, the management of the view that there is a substantial change of terms by this modification. Therefore, the Company adjusted original effective rate for moratorium facilities and accounted accordingly.

#### (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.

## 5.4.5 Impairment allowance for financial assets

### 5.5.5.1 Overview of the ECL principles

The Company 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 Company's policies for determining if there has been a significant increase in credit risk are set out in note 5.5.5.1(a)

To support our clients through the COVID-19 pandemic, we have launched various relief programs. Utilisation of a payment deferral program does not, all else being equal, automatically trigger a significant increase in credit risk.

The Company has applied expert credit judgement (Management Overlays), including consideration of the significant government assistance programs, in the assessment of underlying credit deterioration and migration of balances to progressive stages. The Company considered both quantitative and qualitative information in the assessment of significant increase in credit risk. Utilisation of a payment deferral program was not necessarily considered an immediate trigger, in keeping with CA Sri Lanka and regulatory guidance, for an account to migrate to a progressive stage. Early observations of payment behavior of expiries for this year were considered in the assessment of the changes in the risk of default occurring over the expected life of a financial instrument when determining staging and is a key input in determining migration.

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period, subsequently reverting to long-run averages. Macroeconomic variables used in our expected credit loss models include, but are not limited to, unemployment rates, gross domestic product growth rates, Interest rates and Inflation.

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 Company 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 Company categorize its loans into 'Stage 1', 'Stage 2', 'Stage 3' and 'originated credit impaired', as described below:

#### • Stage 1

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

#### • Stage 2

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

#### • Stage 3

Loans considered credit impaired (as outlined in Note 5.5.5). The Company records an impairment for the LTECLs. The Company is focused on supporting customers who are experiencing financial difficulties because of the Covid-19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL).

#### • Originated credit impaired

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

For financial assets for which the Company 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.

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 5.4.5.1 (a) Definition of default and cure

The Company 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.
- A material decrease in the borrower's turnover or the loss of a major customer.
- A covenant breach not waived by the Company.
- 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 Company'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 Company'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 Company 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 Company assesses whether there has been a significant increase in credit risk. Since initial recognition. The Company considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Company 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 Company 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 Company calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR.

Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

#### • Probability of Default (PD)

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 5.5.5.4(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 drawdowns 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 Company has the legal right to call it earlier.

### 5.5.5.3 Calculation of Expected Credit Losses for Individually significant loans

The Company first assess ECLs individually for financial assets that are individually significant. In the event the Company determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 5.5.5.1(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 recognised through the unwinding of the discount.

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

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

#### 5.5.5.4 Grouping of financial assets measured on a collective basis

The Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company 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 Company calculates ECL on a collective basis. The Company 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 Company 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 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 Company 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 Company 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 Company's models.

#### 5.5.5.4 (c) Loss Given Default

LGD values are assessed at least annually for each material collateral type. The Company 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

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

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

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 Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company 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 Company calculates ECL on a collective basis. The Company 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 Company 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 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 Company 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 Company 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 Company's models.

### 5.5.5.4 (c) Loss Given Default

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

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

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

### 5.5.5.5 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 Company 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 Company 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 Company 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 Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to the relevant asset category.

#### 5.5.5.9 Write-offs

Financial assets are written off either partly or in their entirety only when the Company 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 Company 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. Rescheduling / 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. not required

As Per the SLFRS 09 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.

#### (a) COVID-19 Moratorium (First Wave): Circular No. 4 of 2020 - Relief Measures to Assist COVID-19 Affected Businesses and Individuals

CBSL issued Circular No. 4 of 2020 on 24th March 2020 instructing Finance Companies to offer a debt moratorium to COVID-19 affected segments of the economy. According to the above circular, Finance Companies were required to offer moratoriums of 3 months & 6 months for eligible borrowers under different qualifying criteria. Instalments (both capital and interest) falling due during the moratorium period have been converted to a new loan account which can be repaid by the borrowers after the moratorium period. Repayment period of the new loan varies based on the repayment capacity of each borrower and the terms and conditions of the loan agreement with the Company. When initially recognised, the new loans were recorded at their nominal value as the Company considers that it is representative of the fair value. As per the Circular No. 4 of 2020 and the subsequent communications issued by the CBSL in this regard, finance companies were required to charge interest at a reduced rate of 11.5% per annum during the moratorium period for equated monthly instalments (EMI) loans. Non - EMI loans were not eligible for any interest rate concession during the moratorium period.

As explained in Note 5.5.4.2 the Company recognises 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. However, the Company concluded that the COVID-19 moratorium did not give rise to a substantial modification to the original terms and conditions of the moratorium eligible loans. Therefore, the Company adjusted original effective rate for moratorium facilities and accounted accordingly.

#### (b) COVID-19 Moratorium (Second Wave): CBSL Circular No. 11 of 2020 No. 10 of 2020- Debt Moratorium for COVID-19 Affected Businesses and Individuals

Second wave of the COVID-19 outbreak in the country resulted in reimposing the travel restrictions, leading to disruption of economic activities. Giving due consideration on the requests received from affected individuals and businesses, CBSL advised licensed Finance Companies to extend the debt moratorium for a further period of six months commencing from 1st October 2020 to 31st March 2021. Licensed Finance Companies shall convert the capital and interest falling due during the moratorium period commencing from 1st October 2020 to 31st March 2021

#### 5.5.5.11.1. COVID-19 Moratorium

March 2021 in to a term loan of which repayment shall commence from 1st April 2021. Repayment period of the new loan shall be two years in general, however may vary based on the terms and conditions agreed with the borrower.

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 5.5 Lease

#### 5.6.1 Identification of a Lease

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

On transition, the Company 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 Company 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 Company is the lessor.

#### 5.6.3 As a Lessee

As a lessee, the Company 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 Company. Under SLFRS 16, the Company recognises right of the use of assets and lease liabilities for most leases except for short term leases to which the Company 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 Company 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 recognise 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 Company 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 Company 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 Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of profit or loss.

#### 5.8 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of profit or loss net of any reimbursement.

#### 5.9.2 VAT on Financial Services

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

#### 5.10 Recognition of Income and Expense

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

##### i) Interest Income and Interest Expense

For all financial instruments measured at 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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### **(ii) Fee and commission income**

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

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

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

##### **b) Fee income from providing transaction services**

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

##### **c) Dividend Income**

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

##### **d) Real Estate Sales**

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

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

The following new Sri Lanka Accounting Standards/amendments which have been issued by the Institute of Chartered Accountants of Sri Lanka is effective for annual periods beginning on or after 1st January 2021.

##### **• Sri Lanka Accounting Standard – SLFRS 17 (Insurance Contracts)**

Consolidated/Separate Financial Statements of the Company is not expected to have a material impact from SLFRS -17 (Insurance Contracts).

##### **• Interest Rate Benchmark Reform - Amendments to SLFRS 9, LKAS 39, SLFRS 4 & SLFRS 16**

The Company is in the process of evaluating the impact of this amendment on Financial Statements of the Company.

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 7. CASH AND BANK BALANCES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Cash in hand	455,470,574	151,807,501	161,734,254
Balances with banks	1,784,242,704	702,762,570	1,046,727,284
	<b>2,239,713,277</b>	<b>854,570,071</b>	<b>1,208,461,539</b>

### 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
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Time deposits	3,753,298,201	3,782,330,697	3,797,046,955
Savings deposits	734,455,340	29,949,186	29,949,186
	<b>4,487,753,541</b>	<b>3,812,279,883</b>	<b>3,826,996,141</b>

### 9. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS - MEASURED AT FAIR VALUE

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Government of Sri Lanka Treasury bills	3,821,888,863	2,034,739,361	2,034,739,361
Quoted equity investments (Note 9.1)	39,740,452	37,552,503	39,202,052
Investments in unit trusts (Note 9.2)	1,633,004,168	-	154,913,584
	<b>5,494,633,483</b>	<b>2,072,291,864</b>	<b>2,228,854,997</b>

## 9.1 Quoted Equity Investments

	2021 Amalgamated			2020		
	No of Shares	Cost of Investment LKR	Market Value LKR	No of Shares	Cost of Investment LKR	Market Value LKR
Access Engineering PLC	300,000	6,288,506	6,630,000	464,790	9,742,783	6,135,228
ACL Cables PLC	36,000	1,619,855	1,292,400	36,000	1,619,855	1,119,600
Browns Beach Hotels PLC	9,000	292,500	91,800	9,000	292,500	68,400
Browns Investment PLC	-	-	-	107,500	491,500	204,250
Central Finance Company PLC	25,451	2,282,816	2,053,896	25,000	2,282,816	2,061,531
Chevron Lubricants Lanka PLC	55,440	7,695,374	4,989,600	55,440	7,695,374	2,966,040
Dipped Products PLC	5,926	560,110	274,966	5,926	518,180	337,782
Entrust Securities PLC	10,000	240,000	240,000	10,000	240,000	240,000
Hatton National Bank PLC	10,224	1,405,241	1,288,224	10,224	2,500,000	1,025,467
Hayleys Fabric PLC	-	-	-	912,525	15,119,199	7,938,968
Janashakthi Insurance Company PLC	152,251	5,143,602	4,552,305	152,251	5,204,103	3,456,098
John Keells Holdings PLC	3,917	598,787	581,675	3,917	598,787	452,022
Lanka Walltile PLC	24,888	2,460,594	4,691,388	24,888	2,460,594	1,022,897
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	463,691	8,385	593,600	628,875
NDB Bank PLC	22,658	2,999,284	1,830,766	22,658	2,999,284	1,499,960
Orient Finance PLC	330,000	4,290,000	4,587,000	330,000	4,290,000	2,013,000
People's Leasing & Finance PLC	47,619	788,783	561,904	61,816	1,023,948	754,155
Serandib Hotels PLC	20,602	360,535	298,729	20,602	360,535	226,622
Three Acre Farms PLC	-	-	-	17,520	2,135,000	1,401,600
Tokyo Cement Company (Lanka) PLC	5,000	1,415,115	333,500	80,028	4,984,942	1,600,560
Union Bank of Colombo PLC	55,000	913,000	572,000	55,000	913,000	445,850
Seylan Bank PLC	50,568	2,508,173	2,452,548	-	-	-
<b>Total for Company</b>		<b>48,199,933</b>	<b>39,740,452</b>		<b>71,810,059</b>	<b>37,552,503</b>
Trade Finance Investment PLC						
Seylan Bank PLC				48,353	4,545,062	1,649,549
<b>Total for Group</b>				-	<b>76,355,121</b>	<b>39,202,052</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 9.2 Investment in unit trusts

	Company 2021		Company 2020	Group 2020
	No. of Units Amalgamated	Market Value LKR	Market Value LKR	Market Value LKR
National Equity Fund	5,052,472	126,210,743	-	1,534,248
First Capital Money Market Fund	382,472	739,099,807	-	153,379,336
NDB Weath Money Plus Fund	17,021,868	404,985,980	-	-
JB Vantage Money Market Fund	12,981,569	362,707,638	-	-
		<b>1,633,004,168</b>	-	<b>154,913,584</b>

### 10. LOANS AND RECEIVABLE

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Short term loans	1,411,383,272	1,873,833,832	1,885,063,212
Cash loans	1,022,431,969	1,403,552,072	1,403,552,072
Microfinance loans	2,531,985,875	3,087,992,242	3,124,596,894
Abhivurdhi SME loans	149,256,400	464,935,439	464,935,439
Business loans	376,094,188	533,163,461	537,021,294
Gold loans	10,120,429,906	6,060,074,457	6,060,074,457
Gold loan advances	11,449,250	55,689,875	186,593,685
Factoring receivables	49,664,391	68,739,503	68,739,503
Term draft loans	1,005,783,860	1,822,322,093	1,822,322,093
Auto loans	2,399,396,463	3,319,857,190	3,323,067,183
Staff loans	297,443,851	398,171,866	405,731,875
Education loans	293,134,271	474,438,801	474,438,801
Other loans	627,766,808	974,778,107	979,162,754
	<b>20,296,220,503</b>	<b>20,537,548,938</b>	<b>20,735,299,264</b>
Less : Allowance for impairment losses (Note 10.1)	(1,695,204,159)	(2,317,606,656)	(2,358,033,189)
<b>Net loans and advances</b>	<b>18,601,016,345</b>	<b>18,219,942,284</b>	<b>18,377,266,075</b>

#### 10.1 Allowance for impairment Losses

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Balance as at 1st April	2,317,606,655	3,328,396,080	3,379,800,584
Additional due to the merger	5,337,698	-	-
Charge / (Reversal) for the year	566,592,095	782,722,709	771,744,738
Amounts written off	(1,194,332,289)	(1,793,512,134)	(1,793,512,133)
<b>As at 31 March</b>	<b>1,695,204,159</b>	<b>2,317,606,655</b>	<b>2,358,033,189</b>

The Company's allowance for impairment losses consists of collective impairment amounted to LKR 1,514,676,284/- (2020 - LKR 2,150,213,027/-) and individual impairment amounted to LKR 180,527,875/- (2020 - LKR 167,393,628/-)

## 10.2 Gross Loans and Receivables

### Company 2021 - Amalgamated - LKR

	Stage 1	Stage 2	Stage 3	Total
Short term loans	894,003,748	260,851,408	256,528,117	1,411,383,272
Cash loans	198,167,709	323,497,606	500,766,654	1,022,431,969
Microfinance loans	2,306,503,133	39,727,822	185,754,921	2,531,985,875
Abhivurdhi SME loans	58,959,532	5,190,919	85,105,949	149,256,400
Business loans	240,288,384	2,956,922	132,848,881	376,094,188
Gold loans / Gold loan advances	7,791,011,963	1,422,276,495	918,590,699	10,131,879,156
Factoring receivables	19,648,213	1,783	30,014,394	49,664,391
Term draft loans	543,818,303	293,685,185	168,280,372	1,005,783,860
Auto loans	721,988,010	1,215,001,048	462,407,405	2,399,396,463
Staff loans	223,584,528	16,757,987	57,101,335	297,443,851
Education loans	146,242,238	77,064,755	69,827,277	293,134,271
Other loans	333,939,680	47,572,775	246,254,353	627,766,808
	<b>13,478,155,441</b>	<b>3,704,584,705</b>	<b>3,113,480,356</b>	<b>20,296,220,503</b>

### Less: Impairment allowance

Short term loans	-	-	1,286,462	1,286,462
Cash loans	26,193,472	76,538,520	295,762,186	398,494,178
Microfinance loans	58,447,359	11,297,136	108,824,190	178,568,684
Abhivurdhi SME loans	6,432,341	1,107,008	40,913,196	48,452,544
Business loans	33,053,816	456,996	59,940,067	93,450,880
Gold loans / Gold loan advances	110,933,370	92,352,025	91,859,070	295,144,466
Factoring receivables	-	-	38,542,920	38,542,920
Term draft loans	13,063,488	13,657,508	135,738,933	162,459,929
Auto loans	4,704,503	28,760,236	64,896,709	98,361,448
Staff loans	11,724,522	6,516,474	36,559,659	54,800,655
Education loans	4,573,268	9,292,236	17,046,731	30,912,236
Other loans	149,527,610	18,788,772	126,413,376	294,729,757
	<b>418,653,749</b>	<b>258,766,913</b>	<b>1,017,783,498</b>	<b>1,695,204,159</b>
<b>Net Loans and Receivables</b>	<b>13,059,501,692</b>	<b>3,445,817,793</b>	<b>2,095,696,859</b>	<b>18,601,016,344</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 10.3 Gross Loans and Receivables

Company 2020 - LKR	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 / Gold Loan 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	474,438,802
Other Loans	225,319,784	196,217,746	553,240,577	974,778,107
	<b>10,891,021,534</b>	<b>4,035,000,609</b>	<b>5,611,526,794</b>	<b>20,537,548,938</b>

#### 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 loans / Gold loan 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
	<b>309,277,052</b>	<b>295,519,510</b>	<b>1,712,810,094</b>	<b>2,317,606,655</b>
<b>Net Loan and Receivable</b>	<b>10,581,744,482</b>	<b>3,739,481,100</b>	<b>3,898,716,701</b>	<b>18,219,942,284</b>

## Group 2020 - LKR

	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 / Gold Loan 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
	<b>11,088,056,583</b>	<b>4,035,000,609</b>	<b>5,612,242,070</b>	<b>20,735,299,263</b>

## 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 / Gold Loan 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
	<b>339,133,841</b>	<b>295,519,510</b>	<b>1,723,379,839</b>	<b>2,358,033,189</b>
<b>Net Loan and Receivable</b>	<b>10,748,922,742</b>	<b>3,739,481,100</b>	<b>3,888,862,232</b>	<b>18,377,266,075</b>

## 11. LEASE RENTALS RECEIVABLE AND STOCKS OUT ON HIRE

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Gross rentals receivable			
- Lease rentals	59,465,800,226	51,842,699,758	64,436,711,680
- Amounts receivable from hirers	15,463,699,091	11,221,195,864	11,221,410,413
	74,929,499,317	63,063,895,622	75,658,122,093
Less: Unearned income	(20,592,606,216)	(17,115,122,635)	(19,639,240,283)
<b>Net rentals receivable</b>	<b>54,336,893,101</b>	<b>45,948,772,987</b>	<b>56,018,881,810</b>
Less : Allowance for impairment losses (Note 11.1)	(4,370,772,897)	(2,553,390,942)	(3,329,381,466)
<b>Total net rentals receivable (Note 11.2 &amp; 11.3)</b>	<b>49,966,120,204</b>	<b>43,395,382,046</b>	<b>52,689,500,344</b>

# Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

## 11.1 Allowance for impairment losses

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Balance as at 1st April	2,553,390,942	1,615,190,155	1,967,945,330
Charge / (Reversal) for the year	1,054,787,250	1,886,472,724	2,588,051,906
Additions Due to the Merge	1,201,287,223	-	-
Amounts written off	(438,692,517)	(948,271,938)	(1,226,615,770)
As at 31 March	<b>4,370,772,897</b>	<b>2,553,390,942</b>	<b>3,329,381,466</b>

The Company's allowance for impairment losses consists of collective impairment amounted to LKR 4,342,293,042/- (2020 collective impairment -LKR 2,540,042,040/-) and individual impairment amounted LKR.28,479,855/- (2020 - LKR 13,348,901/-)

## 11.2 Gross rentals receivable

### Company 2021 - Amalgamated-LKR

	Stage 1	Stage 2	Stage 3	Unearned Income	Total
Lease	25,100,278,564	26,006,723,374	8,358,798,288	(16,335,222,324)	43,130,577,901
Amounts receivable from hirers	10,231,999,887	3,839,261,143	1,392,438,061	(4,257,383,892)	11,206,315,199
	<b>35,332,278,451</b>	<b>29,845,984,516</b>	<b>9,751,236,350</b>	<b>(20,592,606,216)</b>	<b>54,336,893,101</b>
Less: Impairment allowance					
Lease	479,365,444	1,324,950,527	1,963,854,011	-	3,768,169,928
Amounts receivable from hirers	251,894,311	140,028,902	210,679,702	-	602,602,915
	<b>731,259,755</b>	<b>1,464,979,429</b>	<b>2,174,533,713</b>	-	<b>4,370,772,897</b>
Net Loans and Receivables	<b>34,601,018,696</b>	<b>28,381,005,087</b>	<b>7,576,702,637</b>	<b>(20,592,606,216)</b>	<b>49,966,120,204</b>

### Company 2020 - LKR

	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
	<b>34,562,997,965</b>	<b>16,561,286,200</b>	<b>11,939,611,457</b>	<b>(17,115,122,635)</b>	<b>45,948,772,987</b>
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
	<b>618,754,363</b>	<b>526,269,095</b>	<b>1,408,367,483</b>	-	<b>2,553,390,942</b>
Net Loans and Receivables	<b>33,944,243,602</b>	<b>16,035,017,105</b>	<b>10,531,243,974</b>	<b>(17,115,122,635)</b>	<b>43,395,382,046</b>

### Group 2020 - LKR

	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
	<b>41,458,439,229</b>	<b>18,873,543,740</b>	<b>15,326,139,123</b>	<b>(19,639,240,283)</b>	<b>56,018,881,810</b>
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
	<b>732,656,716</b>	<b>793,663,026</b>	<b>1,803,061,724</b>	-	<b>3,329,381,466</b>
Net Loans and Receivables	<b>40,725,782,513</b>	<b>18,079,880,714</b>	<b>13,523,077,399</b>	<b>(19,639,240,283)</b>	<b>52,689,500,344</b>

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

As at 31 March 2021 - Amalgamated	Within One year LKR	1-5 Years LKR	Over 5 Years LKR	Total LKR
Gross rentals receivable				
- Lease rentals	31,485,259,950	27,974,765,118	5,775,158	59,465,800,226
- Amounts receivable from hirers	10,096,075,835	5,367,623,257	-	15,463,699,091
	41,581,335,784	33,342,388,375	5,775,158	74,929,499,317
Less: Unearned income	(11,615,129,799)	(8,977,023,358)	(453,059)	(20,592,606,216)
<b>Net rentals receivable</b>	<b>29,966,205,985</b>	<b>24,365,365,017</b>	<b>5,322,099</b>	<b>54,336,893,101</b>
Less : Allowance for impairment losses				(4,370,772,897)
<b>Total net rentals receivable</b>				<b>49,966,120,204</b>

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
	30,874,899,549	32,172,741,195	16,254,878	63,063,895,622
Less: Unearned income	(8,709,317,696)	(8,405,131,082)	(673,856)	(17,115,122,634)
<b>Net rentals receivable</b>	<b>22,165,581,853</b>	<b>23,767,610,113</b>	<b>15,581,022</b>	<b>45,948,772,988</b>
Less : Allowance for impairment Losses				(2,553,390,942)
<b>Total net rentals receivable</b>				<b>43,395,382,046</b>

### 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)
<b>Net rentals receivable</b>	<b>31,896,568,370</b>	<b>24,106,732,416</b>	<b>15,581,022</b>	<b>56,018,881,809</b>
Less : Allowance for impairment losses				(3,329,381,466)
<b>Total net rentals receivable</b>				<b>52,689,500,344</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 12. DEBT AND OTHER INSTRUMENTS

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Investment in Commercial Paper	253,257,877	104,822,765	104,822,765
Investment in debentures	-	10,000,000	10,000,000
	<b>253,257,877</b>	<b>114,822,765</b>	<b>114,822,765</b>

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Financial assets at fair value through other comprehensive income			
Government of Sri Lanka Treasury Bills	-	-	60,931,842
Unquoted equity investments (Note 13.1)	2,554,019	4,310,479	6,291,861
	<b>2,554,019</b>	<b>4,310,479</b>	<b>67,223,703</b>

#### 13.1 Unquoted Equity Investments

Company	2021 Amalgamated			2020		
	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	100	372,637	372,637
Finance House Consortium (Pvt) Ltd	40,000	400,000	200,000	20,000	200,000	200,000
Ceylon Asset Management Company Limited	555,556	10,000,000	-	555,556	10,000,000	3,737,842
<b>Total</b>		<b>11,100,504</b>	<b>2,554,019</b>		<b>10,572,637</b>	<b>4,310,479</b>

	2021 LKR Amalgamated	2020 LKR
Ceylon Asset Management Company Limited		
Cost of Investment	10,000,000	10,000,000
Gain/(losses) from market value as at 31 March	(10,000,000)	(6,262,158)
<b>Market Value</b>	<b>-</b>	<b>3,737,842</b>

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

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

## 14 OTHER FINANCIAL ASSETS

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Refundable deposits	42,393,699	64,360,392	64,360,392
Other receivables	390,185,254	367,956,719	349,956,719
Compensation receivable from Government over acquisition of investment property ( Note 14.1)	172,696,835	167,296,620	167,296,620
Debt Relief Obligation receivable from Government	38,856,604	143,672,195	143,672,195
	<b>644,132,392</b>	<b>743,285,925</b>	<b>725,285,926</b>

### 14.1 Compensation receivable from government

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Government Compensation receivable (Note 19.2)	237,351,075	214,654,240	214,654,240
Less : Allowance for impairment losses (Note 14.2)	(64,654,240)	(47,357,620)	(47,357,620)
	<b>172,696,835</b>	<b>167,296,620</b>	<b>167,296,620</b>

### 14.2 Allowance for impairment losses

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Balance as at 01st April	47,357,620	23,678,810	23,678,810
Charge during the year	17,296,620	23,678,810	23,678,810
As at 31 March	<b>64,654,240</b>	<b>47,357,620</b>	<b>47,357,620</b>

## 15. INVENTORIES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Real estate stocks	71,610,208	65,910,298	65,910,298
	<b>71,610,208</b>	<b>65,910,298</b>	<b>65,910,298</b>

As of 31 March 2021 , provision for inventories amounting to LKR.7,876,165/- ( 2020-LKR.10,344,697/-) was recognised and the inventory balances are carried at net realisable value.

### ACCOUNTING POLICY

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
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Pre-paid expenses	449,425,587	34,977,106	52,582,519
Sundry assets	344,958,314	138,222,412	205,404,140
	<b>794,383,901</b>	<b>173,199,518</b>	<b>257,986,659</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 17. INVESTMENT IN SUBSIDIARY

	Company		Effective Holding %
	2021 LKR Amalgamated	2020 LKR	2020
Trade Finance and Investments PLC (Note 17.1)	-	1,599,288,321	99.65%
<b>Total</b>	<b>-</b>	<b>1,599,288,321</b>	

17.1 - As explained in Note 1 and Note 56, the subsidiary was amalgamated with the Company on 31st December 2020.

### 18. INVESTMENT IN ASSOCIATES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
TVS Lanka (Private) Ltd (Note 18.1)	340,823,054	390,000,000	364,203,089
	<b>340,823,054</b>	<b>390,000,000</b>	<b>364,203,089</b>

#### 18.1 TVS Lanka (Private) Limited

As at 1 April	390,000,000	390,000,000	379,914,143
Share of profit/(loss) for the year	(49,176,946)	-	(15,711,053)
As at 31 March	<b>340,823,054</b>	<b>390,000,000</b>	<b>364,203,089</b>

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

	TVS Lanka (Private) Limited	TVS Lanka (Private) Limited
	2021 LKR	2020 LKR
For the year /period ended 31 March		
Revenue	6,313,085,824	11,986,848,957
Expenses	6,303,812,370	12,067,418,462
Net Profit/(Loss) after tax for the year/period	<b>9,273,454</b>	<b>(80,569,505)</b>
As at 31 March		
Non Current Assets	311,565,699	334,153,965
Current Assets	2,199,786,864	6,938,367,525
<b>Total assets</b>	<b>2,511,352,563</b>	<b>7,272,521,490</b>
Current Liabilities	763,542,029	5,499,488,948
<b>Total liabilities</b>	<b>763,542,029</b>	<b>5,499,488,948</b>
<b>Net Assets - As at 31 March</b>	<b>1,747,810,534</b>	<b>1,773,032,542</b>

## 19. INVESTMENT PROPERTY

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Balance at 1 April	1,698,461,370	1,448,351,320	1,448,351,320
Acquired during the year	20,700,000	229,784,208	229,784,208
Disposal During the year	(87,132,850)	(18,902,183)	(18,902,183)
Transferred to Other financial assets( Note 19.1)	-	(15,600,000)	(15,600,000)
Transferred to Property Plant & Equipments	(370,425,550)	-	-
Fair Value Gain	217,316,040	54,828,026	54,828,026
<b>Balance at 31 March</b>	<b>1,478,919,010</b>	<b>1,698,461,370</b>	<b>1,698,461,370</b>

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Rental income derived from investment properties	4,946,003	1,017,472	1,017,472
<b>Profit arising from investment properties carried at fair value</b>	<b>4,946,003</b>	<b>1,017,472</b>	<b>1,017,472</b>

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

By a letter dated 9th August 2019 by "Divisional Secretariat of Matara Four Gravets", it has been informed that the initiatives are in progress to pay the compensation. 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 calim 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

**19.2** 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 Standrads 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 31<sup>st</sup> March 2021

**19.3** 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 2021.

- |                             |   |
|-----------------------------|---|
| 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 2021 (LKR) Amalgamated	Value 2020 (LKR)
Lot 4A in Survey Plan No.519,Thurstan Road,Colombo 03.	Comparison Method of valuation	19-Mar-21	Estimated price per perch 2021 - LKR 17,500,000/- ( 2020 LKR 16,000,000)/- (Land Extent -22.5perches)	-	Positively correlated sensitivity	393,750,000	360,000,000
Lot No. 1,2 & 3 in Plan No.9327/2014 at Main Street, Negombo	Comparison Method of valuation	18-Mar-21	Estimated price per perch 2021 LKR 4,000,000/- (2020 LKR 3,500,000)/-(Land Extent - 29.34 perches)	-	Positively correlated sensitivity	117,300,000	102,700,000
Lot No. 1 in Plan No.0082 at Magamma, Dehiowita	Comparison Method of valuation	31-Mar-21	Estimated price per perch LKR 250,000/- (2020 LKR 225,000)(Land Extent - 45 perches) Estimated price per perch Estimated current cost of construction per sqr ft LKR 3,250/- ( 8,2254/- sqr ft)	1	Positively correlated sensitivity	38,100,000	36,950,000
Lot No 283 in Plan No 520004 at Moragahahena Road,Homagama	Comparison Method of valuation	19-Mar-21	"Estimated price per perch LKR 750,000/- (2020-LKR 475,000) (Land Extent - 383.45 perches)" Estimated price per perch	-	Positively correlated sensitivity	287,600,000	182,100,000
Lot no 01 Plan no 7011, Delgahawattha, Hunupitiya New road, Kelaniya	Comparison Method of valuation	31-Mar-21	Estimated current cost of construction per square foot 2021- LKR 4,000/- (2018 - LKR 3,500)/- ( 3400 sqr ft) "Estimated price per perch LKR 1,400,000/- (Land Extent - 9.27 perches)"	1	Positively correlated sensitivity	26,500,000	30,400,000

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 2021 (LKR) Amalgamated	Value 2020 (LKR)
Lot No.1 in Plan No.802 at Nawagamuwa	Comparison Method of valuation	19-Mar-21	"Estimated price per perch 2021-LKR 250,000/- (2020 LKR 230,000/-) (Land Extent - 171.5 perches)"	-	Positively correlated sensitivity	23,000,000	21,100,000
Lot no 01 Plan no 8002 at Nupe Anagarika Dharmapala Mawatha	Comparison Method of valuation	31-Mar-21	"Estimated price per perch 2021-LKR 5,300,000/- ( 2020- LKR5,100,000/-)(Land Extent - 16.83 perches)" Estimated current cost of construction per square foot LKR 3,000/- ( 1025 sqft )	1	Positively correlated sensitivity	91,000,000	-
Lot no A in Plan no 5431,Malabe-Kottawa Road, Kottawa	Comparison Method of valuation	17-Mar-21	"Estimated price per perch 2021- LKR 1,1,000/- (2020 -LKR 850,000/-) (Land Extent - 145 perches)"	-	Positively correlated sensitivity	159,000,000	123,250,000
Lot No.A2, in Plan No. 280A, Meegahawatta, Biyagama	Comparison Method of valuation	31-Mar-21	"Estimated price per perch 2021 -LKR 150,000/- (2018 -LKR 150,000 ) (Land Extent - 32.2 perches)"	-	Positively correlated sensitivity	34,000,000	20,162,430
Lot No. 3 in Plan No.1143 at Kuda-Payagala, Payagala	Comparison Method of valuation	31-Mar-21	"Estimated price per perch 2021 -LKR 775,000/- (2020 -LKR 775,000/-) (Land Extent - 13.5 perches)" Estimated current cost of construction per square foot LKR 3,500/- ( 2832 sqr ft)	1	Positively correlated sensitivity	19,300,000	18,900,000
Lot No. 2B in Plan No.477 at Bangalawatta Road, Kottawa	Comparison Method of valuation	31-Mar-21	"Estimated price p.prch 2021 -LKR 1,600,000/- (2020 -LKR 1,500,000/-) (Land Extent - 15.70 perches)" Estimated current cost of construction per square foot LKR 3,000/- ( 809 sqr ft)	1	Positively correlated sensitivity	27,500,000	26,000,000
Lot no.A3,B,C1,D1 & E, Plan no. 1105, Dalaviyagodawatta, Kalawila Village, Beruwala	Comparison Method of valuation	31-Mar-20	"Estimated price per perch 2021 -LKR 150,000/- (2020 -LKR 150,000/-) (Land Extent - 21.5 perches)"	-	Positively correlated sensitivity	10,332,740	10,332,740
Lot No. 32 in Plan No.3180 Kottagoda Road, Maswila, Bandaragama	Comparison Method of valuation	30-Jan-20	"Estimated price per perch 2021-LKR 155,000/- (2020-LKR 155,000/-) (Land Extent - 10 perches)"	-	Positively correlated sensitivity	3,800,000	3,800,000
Lot No.01, Plan No.5093, Pallanchena Estste, Kochchikade	Comparison Method of valuation	16-Jan-20	"Estimated price per perch 2021-LKR 350,000/- (2020-LKR 350,000/-) (Land Extent - 10 perches)" Estimated current cost of construction per square foot LKR 4,500/- ( 2688 sqr ft)	-	Positively correlated sensitivity	10,500,000	10,500,000
Lot no X Plan no 4069,Maradana Ward no 2, Mattakkuliya, Colombo	Comparison Method of valuation	15-May-20	"Estimated price per perch 2020-LKR 3,400,000/- (Land Extent - 18.15 perches)" Estimated current cost of construction per square foot LKR 4,500/- ( 4956 sqr ft)	1	Positively correlated sensitivity	84,000,000	80,400,000
Lot No.2 in Plan No.3047 Bunnehepola, Udubaddawa, Kurunegala	Comparison Method of valuation	23-Jul-18	"Estimated price per perch 2018 -LKR 80,000/- (Land Extent - 1A )"		Positively correlated sensitivity	2,500,000	2,500,000

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

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 2021 (LKR) Amalgamated	Value 2020 (LKR)
Lot No. 01 Plan No.1801 Demataluwa, Kurunegala	Comparison Method of valuation	27-Jan-18	"Estimated price per perch 2018-LKR 45,000/- (Land Extent - 1R-10P)"	-	Positively correlated sensitivity	1,090,240	1,016,640
Lot no.1 in Plan no.08/2007 Wickramarachchi Mawatah ,Yakkala	Comparison Method of valuation	26-Sep-18	"Estimated price per perch 2018-LKR 325,0000/- (Land Extent - 40 perches)"		Positively correlated sensitivity	8,813,000	8,813,000
Lot no 01 Plan no 20,Hakamuna village, Pelmadulla, Rathnapura	Comparison Method of valuation	12-Nov-18	"Estimated price per perch 2018-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 2018-LKR 600,000/- (Land Extent - 10.6 perches)"		Positively correlated sensitivity	3,639,000	3,639,000
Lot no 5594 plan no 126/2010, Apothecarayawata, Wndsor Avaneu, Dehiwala	Comparison Method of valuation	7-Mar-19	"Estimated price per perch 2019-LKR 3,500,000/- (Land Extent - 9.3 perches)"		Positively correlated sensitivity	10,087,000	10,087,000
Lot No. 2A In Plan No.1280A/2008 at Gonnagahawatta	Comparison Method of valuation	31-Mar-18	"Estimated price per perch 2018-LKR 150,000/- (Land Extent - 32.2 perches)" Estimated current cost of construction per square foot LKR 3,000/- ( 1000 sqr ft)	1	Positively correlated sensitivity	8,050,000	8,050,000
Lot no 99 Plan no 520022, Kahatagahaovitapilla-wa, Siyambalagoda, Homagama	Comparison Method of valuation	27-Feb-19	"Estimated price per perch 2019 -LKR 700,000/- (Land Extent - 11.7 perches)"		Positively correlated sensitivity	4,900,000	4,900,000
Lot no X2 Plan no 7739, Gonapolakumbura Kattiya, Palannaruwa,Horana	Comparison Method of valuation	28-Mar-19	"Estimated price per perch 2019 -LKR 600,000/- (Land Extent - 10.8 perches)"		Positively correlated sensitivity	10,399,000	10,399,000
Lot No.3896 Plan No.195 , Buddhagaya Mawatha, Anuradhapura	Comparison Method of valuation	28-Mar-18	"Estimated price per perch 2018 -LKR 400,000/- (Land Extent - 24.94 perches)" Estimated current cost of construction per square foot LKR 3,000/- ( 3986 sqr ft)	1	Positively correlated sensitivity	13,639,161	13,639,161
Lot E Plan no.147 Kirineliya, urugamuwa	Comparison Method of valuation	28-Oct-18	"Estimated price per perch 2018 -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 2018-LKR 175,000/- (Land Extent - 19 perches)"		Positively correlated sensitivity	2,935,000	2,935,000

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 2021 (LKR) Amalgamated	Value 2020 (LKR)
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 2018-LKR 125,000/- (Land Extent - 15 perches)"		Positively correlated sensitivity	3,794,000	3,794,000
Lot No. 11 in Plan No.225, Gorakamulla Kumbura	Comparison Method of valuation	30-Apr-19	"Estimated price per perch 2019-LKR 147,558/- (Land Extent - 11.5 perches)"	-	Positively correlated sensitivity	1,696,926	1,696,926
Lot No.02 in Plan No.1032,Attalawattha, Rathnapura	Comparison Method of valuation	13-Jun-19	"Estimated price per perch 2019-LKR 115,000/- (Land Extent -00A-01R- 10.25 perches)"	-	Positively correlated sensitivity	1,087,000	1,087,000
Lot No.01 Plan No.6894 Mawela South, Kaluthara	Comparison Method of valuation	3-Aug-18	"Estimated price per perch 2018 -LKR 325,000/- (Land Extent - 4 perches)"	-	Positively correlated sensitivity	1,247,000	1,247,000

**19.4** 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 2021.

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 2021.

2021 Amalgamated			2020		
Value of the land	Cost of construction per square feet	Fair value gain/(loss) on Investment property LKR	Value of the land	Cost of construction per square feet	Fair value gain/(loss) on Investment property LKR
5%	5%	68,670,161	5%	5%	83,911,267
-5%	-5%	(68,670,161)	-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.

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 20. PROPERTY, PLANT AND EQUIPMENT

#### 20.1 Gross carrying amounts

Company	Balance As at 01 <sup>st</sup> April 2020 LKR	Additions/ Transfers LKR	Valuation LKR	Disposals LKR	Balance As at 31 <sup>st</sup> March 2021 LKR Amalgamated
<b>At Cost</b>					
<b>Freehold assets</b>					
Furniture & fittings	354,182,157	19,680,775	-	-	373,862,932
Leasehold improvements	518,134,677	(46,927,348)	-	-	471,207,329
Office equipment	162,622,491	21,646,739	-	(194,500)	184,074,731
Motor vehicles	40,391,670	70,143,000	-	(15,706,000)	94,828,670
Computer equipments	1,171,253,095	84,955,155	-	-	1,256,208,250
Air conditioning system	112,536,803	16,385,440	-	-	128,922,243
Generators	22,345,964	6,250,904	-	-	28,596,868
	<b>2,381,466,857</b>	<b>172,134,665</b>	-	<b>(15,900,500)</b>	<b>2,537,701,022</b>
<b>At valuation</b>					
Freehold Land	1,783,278,484	293,792,601	154,575,400	(22,400,000)	2,209,246,485
Building and building integrals	437,014,241	135,680,995	26,991,112	-	599,686,348
	2,220,292,725	429,473,596	181,566,512	(22,400,000)	2,808,932,833
<b>Total value of depreciable assets</b>	<b>4,601,759,582</b>	<b>601,608,261</b>	<b>181,566,512</b>	<b>(38,300,500)</b>	<b>5,346,633,855</b>

#### 20.2 Depreciation

Company	Balance As at 01 <sup>st</sup> April 2020 LKR	Additions/ Charge for the Year LKR	Transfers LKR	Disposals LKR	Balance As at 31 <sup>st</sup> March 2021 LKR Amalgamated
<b>At Cost</b>					
<b>Freehold assets</b>					
Furniture & fittings	234,829,857	41,385,011	35,938	-	276,250,805
Leasehold improvements	262,082,654	26,735,613	17,826,317	-	306,644,585
Office equipments	103,360,002	25,124,680	-	-	128,484,682
Motor vehicles	35,393,305	23,798,546	-	(15,706,000)	43,485,851
Computer equipments	822,960,446	195,927,015	2,693,684	-	1,021,581,144
Air conditioning system	67,239,173	15,164,476	-	-	82,403,649
Generators	8,382,084	2,459,573	-	-	10,841,657
	<b>1,534,247,521</b>	<b>330,594,913</b>	<b>20,555,938</b>	<b>(15,706,000)</b>	<b>1,869,692,372</b>
<b>At valuation</b>					
Building and building integrals	15,634,695	4,251,458	-	-	19,886,153
	15,634,695	4,251,458	-	-	19,886,153
<b>Total Depreciation</b>	<b>1,549,882,216</b>	<b>334,846,371</b>	<b>20,555,938</b>	<b>(15,706,000)</b>	<b>1,889,578,526</b>

#### 20.3 Additions include both Acquisition of assets and additions due to the merge

Total value of depreciable assets	<b>126,654,837</b>
Total Depreciation	<b>80,196,253</b>

## 20.4 Net book values

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
<b>At Cost</b>			
Furniture & fittings	97,612,127	119,352,300	123,791,680
Leasehold improvements	164,562,744	256,052,023	256,052,023
Office equipment	55,590,049	59,262,489	78,627,425
Motor vehicles	51,342,819	4,998,365	29,617,630
Computer equipments	234,627,106	348,292,649	374,817,188
Air conditioning system	46,518,594	45,297,630	45,297,630
Generators	17,755,211	13,963,880	13,963,880
Freehold Land	2,209,246,485	1,783,278,484	1,783,278,484
Building & building integrals	579,800,195	421,379,546	421,379,546
<b>Total net book value of property, plant &amp; equipment</b>	<b>3,457,055,329</b>	<b>3,051,877,367</b>	<b>3,126,825,486</b>

**20.5** During the financial year, the Company acquired property, plant & equipment to the aggregate value of LKR 601,608,261 /- (2020 - LKR 281,621,510/-). Cash payments amounting to LKR 456,453,424/- (2020- LKR 281,621,510 /-) was paid during the year for purchases of Property, Plant & Equipment.

**20.6** 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 2021. 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.

Location	Extent	Valuer	Valuation Date	Valuation Details	No. of buildings	Significant unobservable input: price per perch/ acre/range	Fair Value 2021 LKR	Fair Value 2020 LKR
Plan 548, Lot 1, Maithripala Senanayake Mawatta, New Town, Anuradhapura	P 12.2	Sunil Fernando & Associates	31/03/2021	Comparison Method	-	LKR. 2,750,000/- per perch	33,000,000	33,055,000
No 106, Yatinuware Veediya, Kandy	P 13.4	Associates	31/03/2021	Comparison Method	-	LKR.7,400,000/- per perch	136,680,000	99,160,000
Plan 3256, Lot CIA & CIB, Yaggapitiya, Kurunegala	P 738.9	(Private) Limited	31/03/2021	Residual Method of valuation	-	LKR.350,000/- per perch	143,300,000	134,400,000
Plan 806, Lot 2, Assessment No. 136, Kurunegala Road, Puttalam	P 13.64	Sunil Fernando & Associates	31/03/2021	Comparison Method	-	LKR. 800,000/- per perch	13,640,000	10,912,000
Lot No.01 in Plan No.5258 at Athurugiriya Road, Homagama	P 23.39	(Private) Limited	31/03/2021	Comparison Method	-	LKR. 800,000/- per perch	210,700,000	-
Lot no.01 in Plan No.1351 at Kandy Road, Nuwaraeliya	P 18.50	Sunil Fernando & Associates	31/03/2021	Comparison Method	-	LKR. 5,700,000/- per perch	80,550,000	-
Lot No. 275,277,283,285,287,289 High Level Road, Nugegoda	P 29.85	(Private) Limited	31/03/2021	Comparison Method	-	LKR. 450,000/- per perch	207,800,000	202,667,600
113/11, Green road, Negombo	P 26.5	(Private) Limited	31/03/2021	Comparison Method	-	LKR.1,700,000/- per perch	45,000,000	41,107,399
Plan 3333A, No 165,Kynsey Road, Colombo 08	P 66	Sunil Fernando & Associates	31/03/2021	Comparison Method	-	LKR. 15,500,000/- per perch	1,122,000,000	1,023,000,000
Lot No.01 to 07 in Plan No.2762, Dampe Road, Bolgoda	P 458.12	P Associates	31/03/2019	Comparison Method	-	LKR. 276,697/- per perch	216,576,485	216,576,485
Lot 1,2 , Plan 390, Kumbukkanna, Monaragala	A 23 R 2 28:95 P	(Private) Limited	31/03/2020	Comparison Method	-	LKR. 950,000/- per acre	22,400,000	22,400,000
							<b>2,209,246,485</b>	<b>1,783,278,484</b>

Fair Value of Buildings

Location	Extent	Valuer	Valuation Date	Valuation Details	No. of built-ings	Significant unobservable input: price per perch/ acre/range	Fair Value 2021 LKR	Fair Value 2020 LKR
Plan 806, Lot 2, Assessment No. 136, Kurunegala Road, Puttalam	1640 square feet	Sunil Fernando & Associates	31/03/2021	Depreciated Replacement Cost	1	LKR. 3,500/- / sqft	4,890,000	4,784,851
Plan 548, Lot 1, Maithripala Senanayake Mawatta, New Town, Anuradhapura	3975 square feet	(Private) Limited	31/03/2021	Depreciated Replacement Cost	1	LKR. 4,750/- / sqft	13,000,000	19,189,918
No 106, Yatinuware Veediya, Kandy	12850 square feet	Sunil Fernando & Associates	31/03/2021	Depreciated Replacement Cost	1	LKR. 6,500/- / sqft	59,671,038	86,456,972
113/11, Green road, Negombo	2700 square feet	Associates	31/03/2021	Depreciated Replacement Cost	1	LKR. 2750/- / sqft	90,000,000	4,582,500
Plan 3333A, No 165,Kynsey Road, Colombo 08	29,305 square feet	(Private) Limited	31/03/2021	DPR & Inv't or Income based valuation	1	LKR. 11,000/- / sqft	323,208,000	322,000,000
Lot no.01 in Plan No.1351 at Kandy Road, Nuwaraeliya	12,267 square feet	Sunil Fernando & Associates	31/03/2021	DPR & Inv't or Income based valuation	1	LKR. 6,650/- / sqft	105,450,000	-
Lot No.01 in Plan No.5258 at Athurugiriya Road, Homagama		(Private) Limited		DPR & Inv't or Income based valuation	1		3,467,310	-
							<b>599,686,348</b>	<b>437,014,241</b>

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

	Company				Group	
	2021-Amalgamated		2020		2020	
	Land LKR	Buildin & building integrals LKR	Land LKR	Building & building integrals LKR	Land LKR	Building & building integrals LKR
Cost	2,054,671,085	572,695,236	1,019,111,351	201,855,541	1,019,111,351	201,855,541
Less: Accumulated depreciation	-	(19,886,153)	-	(15,634,695)	-	(15,634,695)
<b>Net carrying amount</b>	<b>2,054,671,085</b>	<b>552,809,083</b>	<b>1,019,111,351</b>	<b>186,220,847</b>	<b>1,019,111,351</b>	<b>186,220,846</b>

**20.8.** Property, Plant and equipment included fully depreciated assets having a gross amount of LKR 1,012,330,504/- (2020 - LKR 374,087,257/-)

**20.9. Title Restriction on Property, Plant and Equipment - Company**

There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.

**20.10. Property, Plant and Equipment Pledged as Security for Liabilities - Company**

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.

**20.11. Temporarily Idle Property, Plant and Equipment - Company**

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 31<sup>st</sup> March 2021

### 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	4 years
Air Conditioning System	8 years

### De-recognition

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

## 21. RIGHT OF USE ASSETS

SLFRS 16 "Leases" requires lessee to recognise all significant leases in the statement of Financial Position as "Right of Use 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		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Balance as at 1st April	827,934,308	-	-
Day 1 impact from the application of SLFRS 16	-	576,226,098	606,260,943
Restated Balance as at 1st April	<b>827,934,308</b>	<b>576,226,098</b>	<b>606,260,943</b>
Additions / renewal operating lease during the year	41,162,094	251,708,210	253,868,210
Additions due to merge	32,257,354	-	-
Expiration of operating lease agreements during the year	(101,528,920)	-	-
Balance as at 31st March	<b>799,824,836</b>	<b>827,934,308</b>	<b>860,129,153</b>
<b>Accumulated amortization</b>			
Balance as at 1st April	178,108,601	-	-
Amortisation for the year	292,003,138	(178,108,601)	(187,970,243)
Additions due to merge	18,405,633	-	-
Expiration of Amortisation for the year	(101,528,920)	-	-
Balance as at 31st March	<b>386,988,452</b>	<b>(178,108,601)</b>	<b>(187,970,243)</b>
Net Book Value at 31st March	<b>412,836,384</b>	<b>649,825,707</b>	<b>672,158,910</b>

## 21.2 Movement in operating lease liabilities

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Balance as at 1st April	507,106,662	-	-
Day 1 impact from the application of SLFRS 16	-	403,860,506	419,709,008
Restated Balance as at 31st March	<b>507,106,662</b>	<b>403,860,506</b>	<b>419,709,008</b>
Additions/renewal of operating lease agreements during the year	41,162,094	252,832,429	252,832,429
Additions due to merge	18,405,633	-	-
Accretion of interest	53,306,457	71,380,167	73,220,998
Payments to lease creditors	(282,421,537)	(220,966,439)	(227,975,435)
As at 31st March	<b>337,559,309</b>	<b>507,106,662</b>	<b>517,787,000</b>

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 2021 by 1% would have (decreased)/increased the lease liability by approximately Rs (11,001,400) and Rs 11,416,785 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 3,060,877 and Rs (3,185,817) Mn respectively

### ACCOUNTING POLICY

#### Basis of Recognition

The Company 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 31<sup>st</sup> March 2021

### 22. INTANGIBLE ASSETS & GOODWILL

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Goodwill	741,712,566	-	741,712,566
Computer software (22.1)	199,125,103	199,319,998	218,168,752
	<b>940,837,669</b>	<b>199,319,998</b>	<b>959,881,318</b>

#### Goodwill

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 2021 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 Company carried out 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 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 segment of merged from 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 31 <sup>st</sup> March 2021 LKR Amalgamated
	Balance As At 01 <sup>st</sup> April 2020 LKR	Additions/ Incurred LKR	Transfers LKR	
Cost				
Computer software	236,689,717	36,666,830	45,407,742	318,764,289
Capital work in progress - Computer software	45,407,742	-	(45,407,742)	-
<b>Written down value</b>	<b>282,097,459</b>	<b>36,666,830</b>	<b>-</b>	<b>318,764,289</b>
	Balance As At 01 <sup>st</sup> April 2020 LKR	Charged LKR	Transfers LKR	Balance As At 31 <sup>st</sup> March 2021 LKR Amalgamated
Amortisation				
Computer software	82,597,122	37,042,064	-	119,639,186
	<b>82,597,122</b>	<b>37,042,064</b>	<b>-</b>	<b>119,639,186</b>
<b>Net Book Value</b>	<b>199,319,998</b>			<b>199,125,103</b>

### 23. DUE TO BANKS

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Bank Overdrafts	290,526,956	256,749,719	267,312,411
Securitized Borrowings, Syndicated Loans and Other Bank Facilities (Note 23.1)	22,302,676,190	12,404,867,135	18,946,896,706
<b>Total</b>	<b>22,593,203,146</b>	<b>12,661,616,855</b>	<b>19,214,209,118</b>

### 23.1 Securitised Borrowings and Direct Bank Facilities

Commercial Credit and Finance PLC	Company						Period	Security
	Company As at 1 <sup>st</sup> April 2020 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments LKR	As at 31 <sup>st</sup> March 2021 LKR Amalgamated			
<b>Securitised Borrowings</b>								
Hatton National Bank PLC - Securitisation Loan 14	62,500,000	-	2,000,813	64,500,813	-	36 Months	Lease & HP receivables	
Hatton National Bank PLC - Securitisation Loan 15	41,820,186	-	1,289,451	43,109,637	-	36 Months	Lease & HP receivables	
National Saving Bank - Securitization Loan	125,000,000	-	8,892,618	133,892,618	-	24 Months	Lease & HP receivables	
Cargills Bank Ltd - Securitization Loan	20,832,864	-	512,734	21,345,598	-	48 Months	Lease & HP receivables	
People's Bank - Securitization Loan 11	91,753,341	500,000,000	14,423,625	106,176,966	500,000,000	48 Months	Lease & HP receivables	
Hatton National Bank PLC - Trust 3	147,083,936	-	2,921,464	150,005,400	-	24 Months	Micro Finance Receivables	
Hatton National Bank PLC - Trust 4 -2	19,382,967	-	372,250	19,755,217	-	24 Months	Micro Finance Receivables	
Hatton National Bank PLC - Trust 5	178,136,160	-	17,370,831	151,718,419	43,788,572	36 Months	Micro Finance Receivables	
Peoples Bank Trust Loan - 1 - 1	38,031,529	-	673,580	38,705,109	-	24 Months	Lease Receivables	
Peoples Bank Trust Loan - 1 - 2	207,600,380	-	29,113,538	236,713,918	-	24 Months	Lease & HP receivables	
Peoples Bank Trust Loan - 2 - 1	746,115,542	-	52,658,838	798,774,381	-	48 Months	Lease Receivables	
Peoples Bank Trust Loan - 3	446,945,147	-	36,079,730	392,849,188	90,175,689	15 Months	Lease & HP receivables	
Peoples Bank Trust Loan - 2 - 2	324,396,294	-	30,549,143	328,788,458	26,156,978	24 Months	Lease & HP receivables	
Hatton National Bank PLC - Trust 8	194,941,603	-	19,090,618	145,514,783	68,517,439	24 Months	Lease & HP receivables	
Hatton National Bank PLC - Trust 9	534,758,756	-	71,602,687	462,235,012	144,126,430	24 Months	Gold Loan	
Hatton National Bank PLC - Trust 10	276,263,235	-	26,778,956	208,765,455	94,276,737	24 Months	HP & Lease Receivables	
Hatton National Bank PLC - Trust 11	503,259,342	-	60,533,775	413,791,244	150,001,874	24 Months	Gold Loan	
Hatton National Bank PLC - Trust 12	841,183,136	-	97,630,488	466,188,945	472,624,679	48 Months	Gold Loan	
Hatton National Bank PLC - Syndicaion 2	900,000,000	-	121,500,000	301,500,000	720,000,000	18 Months	Lease & HP receivables	
Hatton National Bank PLC - Trust 13	-	567,500,000	69,725,128	219,762,260	417,462,868	19 Months	Gold Loan	
Hatton National Bank PLC - Trust 14	-	1,553,046,440	123,510,196	53,993,151	1,622,563,485	22 Months	Lease & HP receivables	

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### Company

	Company As at 1 <sup>st</sup> April 2020 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments LKR	As at 31 <sup>st</sup> March 2021 LKR Amalgamated	Period	Security
Hatton National Bank PLC - Syndicaion 3	-	500,000,000	41,167,678	107,807,678	433,360,000	48 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 15	-	300,000,000	21,442,655	53,263,014	268,179,641	18 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 16	-	821,000,000	77,713,925	124,631,198	774,082,727	36 Months	Gold Loan
Hatton National Bank PLC - Trust 17	-	1,000,000,000	40,973,699	40,973,699	1,000,000,000	36 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 18	-	750,000,000	30,924,083	-	780,924,083	24 Months	Gold Loan
Hatton National Bank PLC - Trust 19	-	800,000,000	17,325,725	-	817,325,725	26 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 20	-	1,000,000,000	7,017,995	-	1,007,017,995	30 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 21	-	750,000,000	3,372,945	-	753,372,945	24 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 4	-	1,000,000,000	6,734,961	-	1,006,734,961	60 Months	Lease & HP receivables
Seylan Bank - Trust 1	-	500,000,000	47,763,810	147,970,915	399,792,895	24 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 01 (TF)	42,366,062	-	4,883,020	47,249,081	-	37 Months	Lease & HP receivables
Seylan Bank Loan - Trust (TF)	193,328,764	-	5,192,910	75,259,315	123,262,359	38 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 05 (TF)	58,352,461	-	2,233,517	16,041,012	44,544,966	35 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 04 (TF)	190,388,124	-	-	67,733,471	122,654,653	36 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 07 (TF)	453,106,248	-	12,362,448	182,354,932	283,113,764	36 Months	Lease & HP receivables
Hatton National Bank PLC - Syndicaion 5 (TF)	101,391,812	-	2,202,016	22,444,784	81,149,044	36 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 08 (TF)	481,436,476	-	19,066,988	195,940,591	304,562,872	37 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 09 (TF)	155,663,994	-	6,207,956	16,684,715	145,187,235	37 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 10 (TF)	848,079,565	-	26,232,012	170,041,646	704,269,930	37 Months	Lease & HP receivables
National Saving Bank - Trust 01 (TF)	263,602,194	-	8,382,377	79,827,687	192,156,883	18 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 11 (TF)	418,538,801	-	14,577,722	83,105,952	350,010,571	24 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 12 (TF)	657,204,426	-	23,671,701	23,001,041	657,875,087	36 Months	Lease & HP receivables
Hatton National Bank PLC - Trust 13 (TF)	604,569,266	-	12,547,789	108,000	617,009,055	36 Months	Lease & HP receivables
	<b>10,168,032,611</b>	<b>10,041,546,439</b>	<b>1,219,228,393</b>	<b>6,212,525,304</b>	<b>15,216,282,139</b>		

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

#### Commercial Credit and Finance PLC ( Contd...)

	Company					Period	Security
	As at 1 <sup>st</sup> April 2020 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments 31 <sup>st</sup> March 2021 LKR	As at 31 <sup>st</sup> March 2021 LKR Amalgamated		
<b>Direct Bank Borrowings</b>							
Merchant Bank of Sri Lanka - Term Loan	42,905,323	200,000,000	17,080,317	111,094,087	148,891,552	24 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	251,807,735	750,000,000	23,215,068	1,025,022,804	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	201,446,189	400,000,000	20,222,752	419,985,753	201,683,187	12 Months	Land & Buliding Mortgage
National Development Bank PLC - Term Loan	201,446,189	400,000,000	20,146,307	420,024,110	201,568,386	12 Months	Land & Buliding Mortgage
National Development Bank PLC - Term Loan	100,723,094	100,000,000	4,226,027	204,949,121	-	3 Months	Land & Buliding Mortgage
National Development Bank PLC - Term Loan	100,723,094	200,000,000	5,161,644	305,884,738	-	3 Months	Land & Buliding Mortgage
National Development Bank PLC - Term Loan	201,446,189	200,000,000	10,575,342	412,021,531	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	4,431,508	-	-	4,431,508	-	3 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	180,000,000	6,148,110	186,148,110	-	4 Months	Lease & HP receivables
National Development Bank PLC - Term Loan	-	500,000,000	12,500,000	260,716,438	251,783,562	12 Months	Land & Buliding Mortgage
National Development Bank PLC - Term Loan	-	150,000,000	8,378,630	7,308,493	151,070,137	12 Months	Land & Buliding Mortgage
National Development Bank PLC - Term Loan	-	500,000,000	11,095,890	132,273,973	378,821,918	12 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 03	300,000,000	-	6,461,683	306,461,683	-	6 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 04	125,000,001	-	10,246,264	110,246,264	25,000,001	60 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan 06	156,249,982	-	13,126,533	138,126,534	31,249,981	48 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan	124,970,002	-	6,279,860	131,249,861	-	21 Months	Lease & HP receivables
Seylan Bank PLC - Term Loan	124,296,000	-	1,329,713	125,625,713	-	3 Months	Fixed deposit
Seylan Bank PLC - Term Loan	-	500,000,000	24,511,790	87,013,790	437,498,000	48 Months	HP & Lease receivables

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

	Company						
	As at 01 <sup>st</sup> April 2020 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments LKR	As at 31 <sup>st</sup> March 2021 LKR Amalgamated	Period	Security
Cargills Bank Ltd - Term Loan	252,811,030	750,000,000	29,076,287	777,348,726	254,538,592	3 Months	Lease & HP receivables
Cargills Bank Ltd - Term Loan	166,883,562	-	14,660,360	146,543,923	35,000,000	18 Months	Lease & HP receivables
Hatton National Bank PLC -Term Loan 1	102,100,000	-	3,684,478	105,784,478	-	48 Months	Fixed deposit
Hatton National Bank PLC -Term Loan 3	1,312,500,016	-	116,459,055	616,459,055	812,500,016	12 Months	Lease & HP receivables
Sampath Bank - Term Loan (TF)	165,407,490	-	3,506,408	34,473,000	134,440,898	50 Months	Lease & HP receivables
Seylan Bank - Term Loan (TF)	54,926,986	-	453,014	15,625,000	39,754,999	48 Months	Lease & HP receivables
HDFC Bank - Term Loan (TF)	102,296,203	-	3,599,137	16,183,920	89,711,420	48 Months	Lease & HP receivables
Hatton National Bank PLC -Term Loan (TF)	416,968,000	-	10,159,141	83,584,943	343,542,199	36 Months	Lease & HP receivables
National Development Bank PLC - (TF)	278,045,091	-	2,379,566	280,424,658	-	3 Months	Lease & HP receivables
	<b>4,787,383,683</b>	<b>4,830,000,000</b>	<b>384,683,378</b>	<b>6,465,012,213</b>	<b>3,537,054,848</b>		

	Company						
	As at 01 <sup>st</sup> April 2020 LKR	Loans Obtained LKR	Interest Recognised LKR	Repayments LKR	As at 31 <sup>st</sup> March 2021 LKR Amalgamated	Period	Security
Sampath Bank PLC - Short Term Loan	24,962,000	-	511,652	25,473,652	-	60 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	300,000,000	300,000,000	27,494,200	327,494,200	300,000,000	6 Months	Lease & HP receivables
Sampath Bank PLC - Short Term Loan	300,000,000	375,000,000	14,172,623	689,172,623	-	6 Months	Lease & HP receivables
Hatton National Bank PLC - Short Term Loan	500,000,000	-	39,832,460	439,832,460	100,000,000	3 Months	Lease & HP receivables
Hatton National Bank PLC - Short Term Loan	500,000,000	500,000,000	18,290,478	518,290,478	500,000,000	6 Months	Fixed deposit
Hatton National Bank PLC - Term Loan	-	2,500,000,000	96,213,975	1,262,853,975	1,333,360,000	36 Months	Fixed deposit
Bank of Ceylon -Term Loan	132,621,200	-	8,463,010	130,983,010	10,101,200	48 Months	Lease & HP receivables
Bank of Ceylon -Term Loan	159,164,233	-	12,867,738	95,242,765	76,789,206	48 Months	Lease & HP receivables
Bank of Ceylon -Term Loan	93,333,333	-	8,826,749	28,826,749	73,333,333	60 Months	Land Mortgage
Bank of Ceylon -Term Loan	93,333,333	-	8,827,562	28,827,562	73,333,333	60 Months	Land Mortgage
DFCC Bank - Term Loan	206,250,000	-	16,641,025	119,635,559	103,255,466	48 Months	Promissory Note
DFCC Bank - Term Loan	-	500,000,000	6,391,599	27,224,932	479,166,667	48 Months	HP & Lease Receivables
Nation Trust Bank - Tram Loan	-	500,000,000	-	-	500,000,000	36 Months	Land Mortgage & HP & Lease Receivables
First Capital	263,534,278	-	2,878,150	266,412,428	-	6 Months	Lease & HP receivables
First Capital	266,121,031	-	3,078,767	269,199,798	-	6 Months	Lease & HP receivables
First Capital - Short Term Loan	-	250,010,727	5,481,133	255,491,860	-	-	-
Acuity securities limited - Short Term Loan	95,803,395	-	1,205,572	97,008,967	-	1 Months	Repo Investment
	2,935,122,803	4,925,010,727	271,176,690	4,581,971,016	3,549,339,204		
<b>Total for Company</b>	<b>17,890,539,096</b>	<b>19,796,557,166</b>	<b>1,875,088,461</b>	<b>17,259,508,533</b>	<b>22,302,676,190</b>		

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

	Opening 01 <sup>st</sup> April 2020 LKR	Cash Flows		Non Cash Flows		Closing 31 <sup>st</sup> March 2021 LKR Amalgamated
		Loans Obtained LKR	Capital Repaid and Interest Net Movement LKR	Prepaid expense amortisation LKR		
<b>Company</b>						
Securitised Borrowings, Syndicated Loans and Other Bank Facilities	<b>17,890,539,096</b>	19,046,557,166	1,875,088,461	17,259,508,533		<b>22,302,676,190</b>

## 24. DUE TO CUSTOMERS

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Fixed Deposits - Monthly	25,462,856,526	27,935,782,517	27,935,782,517
Fixed Deposits - Maturity	21,230,452,824	18,193,561,884	19,747,681,784
Savings Deposits	1,296,227,493	1,265,177,476	1,265,177,476
	<b>47,989,536,843</b>	<b>47,394,521,877</b>	<b>48,948,641,777</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 25. DEBT INSTRUMENTS ISSUED

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Debentures (Note 25.1)	1,295,844,686	3,030,176,811	3,030,176,811
Commercial Papers (Note 25.3)	-	319,717,655	319,717,655
	<b>1,295,844,686</b>	<b>3,349,894,465</b>	<b>3,349,894,465</b>

#### 25.1 Debentures

Type of debenture	Face value (LKR)	Interest rate	Frequency of interest payment	Issued date	Maturity date	Amortised Cost 2021 LKR Amalgamated	Amortised Security 2020 LKR
Senior Rated, Subordinated, Guaranteed, Redeemable Debentures	1,287,590,000	9%	Yearly	5 March 2021	4 March 2026	1,295,844,686	-
Rated, Subordinated, Guaranteed, Redeemable Debentures	-	-	-	-	-	-	999,918,547
Rated, Guaranteed, Subordinated, Redeemable Debentures (Type A)	-	-	-	-	-	-	2,030,258,264
Rated, Guaranteed, Subordinated, Redeemable Debentures (Type B)	-	-	-	-	-	-	-
						<b>1,295,844,686</b>	<b>3,030,176,811</b>

#### 25.2 Changes in liabilities arising from financing activities (Debentures)

	Cash Flows			Non Cash Flows		As at 31 <sup>st</sup> March 2021 LKR Amalgamated
	As at 01 <sup>st</sup> April 2020 LKR	Debentures Capital Repaid LKR	Debenture Interest Net Movement LKR	Debenture Interest Net Movement LKR	prepaid expense amortisation LKR	
Debts Instruments Issued	<b>3,030,176,810</b>	(3,000,000,000)	1,194,775,171	(21,922,124)	92,814,829	<b>1,295,844,686</b>

#### 25.3 Commercial Papers

Tenure	Interest rate	Issued Amount LKR	Repayments LKR	Amortised Cost As at 31 <sup>st</sup> March 2021 LKR Amalgamated	Company	Group
					Amortised Cost As at 31 <sup>st</sup> March 2020 LKR	Amortised Cost As at 31 <sup>st</sup> March 2020 LKR
Less than 90 days	0.00%	-	-	-	-	-
	0.00%	-	-	-	101,246,092	101,246,092
90 days to 182 days	0.00%	-	-	-	155,002,000	155,002,000
	0.00%	-	-	-	31,855,900	31,855,900
Above 182 days	0.00%	-	-	-	31,613,663	31,613,663
<b>Total</b>		-	-	-	<b>319,717,655</b>	<b>319,717,655</b>

## 26. OTHER FINANCIAL LIABILITIES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Trade Payables	1,658,937,115	1,753,986,570	1,987,798,982
	<b>1,658,937,116</b>	<b>1,753,986,571</b>	<b>1,987,798,983</b>

## 27. OTHER LIABILITIES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
VAT Payables	972,995,280	600,885,712	606,766,346
Advances received against Real Estate stock	4,003,742	2,287,501	2,287,501
Dividend Payable	2,914,434	2,629,438	2,629,438
Other Liabilities	199,701,618	202,449,148	329,305,504
Lease Liabilities	337,599,309	507,106,662	517,787,000
Deferred Revenue on Land sale income	1,159,312	4,219,621	4,219,621
	<b>1,518,373,695</b>	<b>1,319,578,081</b>	<b>1,462,995,410</b>

### 27.1 Undiscounted Cash flow of Lease Liability - Amalgamated

	Within 3 Months LKR	Within 12 months LKR	Over 12 LKR	Total LKR
Lease Liability	32,455,408	82,681,338	222,422,563	337,599,309
	<b>32,455,408</b>	<b>82,681,338</b>	<b>222,422,563</b>	<b>337,599,309</b>

## 28. POST EMPLOYMENT BENEFIT OBLIGATIONS

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
As at the 1 April	298,691,827	175,608,858	189,283,759
Amount Charged for the year (Note 28.1)	85,328,758	65,625,989	72,459,570
Payments made during the year	(23,591,375)	(18,527,375)	(18,893,773)
Actuarial Gains for the year	6,842,736	75,984,355	78,849,526
Additions due to merge	28,379,755	-	-
As at 31 March	<b>395,651,701</b>	<b>298,691,827</b>	<b>321,699,082</b>

### 28.1 Expenses on Defined Benefit Plan

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Current Service Cost for the year	56,086,829	45,606,580	45,606,580
Interest cost for the year	29,241,929	20,019,409	20,019,409
	<b>85,328,758</b>	<b>65,625,989</b>	<b>65,625,989</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 28.2 Assumptions

	Company	
	2021 Amalgamated	2020
Discount Rate	8.20%	9.79%
Salary scale	9.00%	9.00%
Staff Turnover		
20 - 30 years	10.00%	10.00%
35 years	7.50%	7.50%
40 years	5.00%	5.00%
45 years	2.50%	2.50%
50 years	1.00%	1.00%
Mortality	GA 1983 Mortality Table	GA 1983 Mortality Table
Retirement age	55 years	55 years

An actuarial valuation of the gratuity of the Company was carried out as at 31 March 2021 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 2021

Increase/ (Decrease) in Salary Scale	Increase/ (Decrease) in Discount Rate	Company Increase/(Decrease) in PVDBO		Group Increase/(Decrease) in PVDBO
		2021 LKR Amalgamated	2020 LKR	2020 LKR
	(-1%)	41,478,685	28,518,948	30,397,286
	1%	(35,229,111)	(24,394,042)	(25,975,299)
(-1%)		(34,635,266)	(24,323,567)	(25,904,824)
1%		39,898,079	27,890,268	29,700,763

### 28.4 Expected Benefit payout in the future years for retirement gratuity

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Within next 12 months	30,381,631	18,088,137	18,088,137
Between 1 to 5 years	200,470,101	142,260,413	142,260,413
Beyond 5 years	320,498,569	257,217,887	257,217,887

## ACCOUNTING POLICY

The Company 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 2021, carried out by Messers Piyal S Goonetilleke and Associates, a firm of professional actuaries.

All the employees of the Company 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 Company 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	
	2021 LKR Amalgamated	2020 LKR	2021 LKR Amalgamated	2020 LKR	2021 LKR Amalgamated	2020 LKR
Deferred Tax Liabilities						
Capital Allowances for tax purposes	91,091,296	125,807,593	(34,716,297)	58,901,816	-	-
Revaluation of Building	84,487,530	47,730,162	(6,818,595)	165,779	43,575,963	14,989,714
Investment Property	34,127,999	12,988,983	21,139,016	6,199,103	-	-
Profit from associates	433,998		433,998		-	-
Lease Rental Receivable	250,426,457	204,170,313	46,256,144	(123,288,048)	-	-
	<b>460,567,280</b>	<b>390,697,052</b>	<b>26,294,266</b>	<b>(58,021,349)</b>	<b>43,575,963</b>	<b>14,989,714</b>
Deferred Tax Assets						
Post Employment Benefit Obligations	(94,956,408)	(83,633,712)	(9,680,440)	(13,187,613)	(1,642,257)	(21,275,619)
Temporary difference on provisions	(750,289,284)	-	(750,289,284)	-	-	-
Tax Losses	(82,676,099)	(41,702,055)	(40,974,043)	(41,684,732)	-	-
	<b>(927,921,791)</b>	<b>(125,335,767)</b>	<b>(800,943,767)</b>	<b>(54,872,345)</b>	<b>(1,642,257)</b>	<b>(21,275,619)</b>
Deferred income tax charge/ (reversal)						
Deferred tax transfer from TFI			285,828,126			
Statement of Profit or Loss						
Statement of Other Comprehensive Income			<b>(488,821,376)</b>	<b>(112,893,694)</b>		
Net Deferred Tax (Asset)/Liability	<b>(467,354,511)</b>	<b>265,361,285</b>			<b>41,933,706</b>	<b>(6,285,905)</b>

Net Deferred asset will be increase by LKR 77,892,419/- , if the company apply 28% income tax rate.

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 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	2020 LKR	2020 LKR
<b>Deferred Tax Liabilities</b>			
Capital Allowances for tax purposes	128,838,012	58,670,582	-
Fair Value through other Comprehensive Income Reserve	431,495	64,846	-
Revaluation of Building	47,730,162	15,155,493	14,989,714
Investment Property	12,988,983	6,199,103	-
Lease rental receivables	205,282,695	2,785,854	-
	<b>395,271,348</b>	<b>82,875,879</b>	<b>14,989,714</b>
<b>Deferred Tax Assets</b>			
Post Employment Benefit Obligations	(90,075,743)	(15,800,671)	(21,275,619)
Temporary difference on provisions	-	(989,066,564)	-
Lease Rental Receivables	(98,917,594)	(1,140,319,884)	-
Tax Losses	(125,516,878)	(125,516,878)	-
Temporary difference on Fair value reserve	-	-	-
	<b>(314,510,215)</b>	<b>(2,270,703,997)</b>	<b>(21,275,619)</b>
Deferred income tax charge		<b>(2,187,828,118)</b>	
Statement of Profit or Loss			<b>(6,285,905)</b>
Statement of Other Comprehensive Income			
<b>Net Deferred tax (asset)/Liability</b>	<b>80,761,133</b>		

### 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

### 30. STATED CAPITAL

#### 30.1 Issued and Fully Paid-Ordinary shares

	Company 2021 Amalgamated		Company 2020	
	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	<b>318,074,365</b>	<b>2,150,640,315</b>	<b>318,074,365</b>	<b>2,150,640,315</b>

## 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
	2021 LKR Amalgamated	2020 LKR	2020 LKR
As at 01 April	7,570,420,764	6,612,084,610	7,356,688,195
Impact of adopting SLFRS -9	-	-	-
Profit for the Year	2,334,756,207	1,663,899,075	2,005,362,994
Other Comprehensive Income net of tax	(5,200,479)	(54,708,736)	(56,901,561)
Dividend Paid (Note 45)	-	(318,074,370)	(318,074,370)
Impact of Amalgamation	(384,110,816)	-	-
Transfers to Statutory Reserve Fund (Note 32)	(466,951,241)	(332,779,815)	(350,701,199)
As at 31 March	<b>9,048,914,434</b>	<b>7,570,420,764</b>	<b>8,636,374,058</b>

## 32. RESERVES

	Company 2021 - Amalgamated				
	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 2020	220,517,452	58,751,125	3,322,590,488	(6,262,158)	3,595,596,907
Other Comprehensive Income for the year net of tax	137,990,549	-	-	(3,737,842)	134,252,707
Transfers to/(from) during the year	-	-	466,951,241	-	466,951,241
As at 31 March 2021	<b>358,508,001</b>	<b>58,751,125</b>	<b>3,789,541,729</b>	<b>(10,000,000)</b>	<b>4,196,800,855</b>

	Group 2020				
	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	3,079,067,382	(7,294,556)	3,312,496,425
Other Comprehensive Income for the year net of tax	38,544,978	-	-	230,785	38,775,763
Transfers to/(from) during the year	-	-	350,701,199	-	350,701,199
As at 31 March 2020	<b>220,517,452</b>	<b>58,751,125</b>	<b>3,429,768,580</b>	<b>(7,063,772)</b>	<b>3,701,973,387</b>

**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. The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

**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.

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 33. GROSS INCOME

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Interest income (Note 33.1)	16,086,955,727	17,966,128,159	20,835,015,311
Fee and Commission Income (Note 34)	1,072,790,785	1,267,296,634	1,319,142,520
Net income from Real estate sales (Note 35)	5,800,656	6,929,903	6,929,903
Net gain/(loss) from trading (Note 36)	28,156,396	(10,350,171)	(10,350,171)
Other operating income (Note 37)	780,743,520	600,849,246	753,252,067
Change in fair value of Investment property	217,316,040	54,828,026	54,828,026
	<b>18,191,763,124</b>	<b>19,885,681,798</b>	<b>22,958,817,657</b>

#### 33.1 Interest Income

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Reverse repurchase agreements	128,122,526	261,063,254	278,559,488
Placement with Banks and other Financial Institutions	322,882,320	478,552,449	501,716,413
Loans and Advances	3,971,189,884	5,120,633,748	5,467,601,595
Lease rentals receivable & Stock out on hire	11,550,161,430	11,928,880,907	14,377,999,508
Financial assets - fair value through profit or loss	114,599,567	176,997,801	209,138,307
<b>Total Interest Income</b>	<b>16,086,955,727</b>	<b>17,966,128,159</b>	<b>20,835,015,310</b>

#### 33.2 Interest Expenses

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Due to Banks	1,942,363,789	1,587,660,631	2,644,727,607
Due to Customers	4,840,170,530	6,619,446,143	6,890,264,413
Debt instruments issued	216,027,028	314,659,512	314,659,512
Interest Expense on Lease Liabilities	53,306,457	71,380,167	73,220,998
<b>Total Interest Expenses</b>	<b>7,051,867,805</b>	<b>8,593,146,453</b>	<b>9,922,872,530</b>

### 34. FEE AND COMMISSION INCOME/EXPENSE

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
<b>Fee and Commission Income</b>			
Credit Related Fees and Commissions	274,732,053	266,703,133	318,549,019
Service Charges	798,058,732	1,000,593,501	1,000,593,501
<b>Total Fee and Commission Income</b>	<b>1,072,790,785</b>	<b>1,267,296,634</b>	<b>1,319,142,520</b>

### 35.NET INCOME FROM REAL ESTATE SALES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Proceeds from Real Estate sales	24,032,060	24,032,060	24,032,060
Cost of sales	(18,231,404)	(17,102,156)	(17,102,156)
	<b>5,800,656</b>	<b>6,929,903</b>	<b>6,929,903</b>

### 36.NET GAIN/(LOSS) FROM TRADING

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Financial assets recognised through profit or loss - measured at fair value	28,156,396	(10,350,171)	(10,350,171)
	<b>28,156,396</b>	<b>(10,350,171)</b>	<b>(10,350,171)</b>

### 37.OTHER OPERATING INCOME

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Profit on disposal of property & equipment	-	-	2,161,995
Sundry Income from Real estate	1,969,350	797,974	797,974
Bad debt recoveries	685,944,763	459,394,587	497,970,630
Rent income	4,946,003	1,017,472	1,017,472
Dividend Income	1,202,871	2,942,109	3,236,135
Other sundry income	85,654,983	136,407,599	247,778,358
Gain from disposal of investment property	1,025,550	289,505	289,505
<b>Total Other Operating Income</b>	<b>780,743,520</b>	<b>600,849,246</b>	<b>753,252,066</b>

### 38.IMPAIRMENT CHARGES OF FINANCIAL ASSETS

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Loans and Receivables	566,592,095	782,722,709	771,744,919
Lease rentals receivable & Stock out on hire	1,054,787,250	1,886,472,724	2,588,051,906
Other Financial Assets	68,961,540	44,785,377	44,785,377
	<b>1,690,340,885</b>	<b>2,713,980,810</b>	<b>3,404,582,022</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 39. PERSONNEL EXPENSES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Salaries and bonus	1,921,784,364	1,774,135,511	1,937,484,148
Contribution to Defined Contribution Plan			-
Contribution to EPF	168,689,387	179,890,181	203,865,322
Contribution to ETF	42,172,347	44,972,545	44,972,545
Contribution to defined benefit plan (Note 28.1)	85,328,758	65,625,989	72,459,570
Travelling & Subsistence	194,990,988	242,519,760	242,519,760
Other allowances & staff related expenses	41,728,232	204,224,866	204,224,866
	<b>2,454,694,077</b>	<b>2,511,368,853</b>	<b>2,705,526,210</b>

### 40. OTHER OPERATING EXPENSES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Directors' Fees and Expense	7,341,680	10,589,832	36,925,714
Auditors' remuneration			
- Audit	11,119,300	9,818,288	10,290,084
- Non-audit	4,142,809	3,197,002	4,085,249
Professional and Legal Expenses	204,698,633	175,407,816	181,060,533
Office Administration and Establishment Expenses	1,751,516,712	2,192,068,560	2,406,105,587
Advertising and Business Promotion Expenses	442,840,119	473,967,137	542,375,077
	<b>2,421,659,253</b>	<b>2,865,048,634</b>	<b>3,180,842,243</b>

### 41. TAX ON FINANCIAL SERVICES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Value added tax	812,380,400	594,028,190	676,610,427
Debt repayment levy	-	269,463,668	304,892,097
	<b>812,380,400</b>	<b>863,491,858</b>	<b>981,502,524</b>

### 42. SHARE OF LOSS OF ASSOCIATE

	Company	Group
	2021 LKR Amalgamated	2020 LKR
Share of Loss of associates before income tax	49,176,946	15,711,053
Share of Loss of associates net of income tax	<b>49,176,946</b>	<b>15,711,053</b>

## 43. INCOME TAX

43.1 The major components of income tax expense for the years ended 31 March are as follows:

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
<b>Statement of Profit or Loss</b>			
<b>Current Income Tax</b>			
Income Tax for the year	1,346,458,683	246,499,102	337,483,962
(Over)/under Provision of Current Taxes in respect of Previous Years	-	-	(38,051,778)
<b>Deferred Tax</b>			
Deferred Taxation Charge/(Reversal) (Note 29)	(488,821,376)	(112,911,016)	(120,979,250)
	<b>857,637,307</b>	<b>133,588,086</b>	<b>178,452,933</b>
<b>Statement of Other Comprehensive Income</b>			
Deferred tax related to other comprehensive income (Note 29)	41,933,706	(6,285,905)	(6,285,905)
Income tax charged directly Statement of Other Comprehensive Income	<b>41,933,706</b>	<b>(6,285,905)</b>	<b>(6,285,905)</b>

### 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 2021 and 2020 is as follows:

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Accounting profit before tax	3,192,393,515	1,797,487,160	2,200,779,691
Non deductible Expenses and Capital portion of lease rentals	4,611,661,726	8,456,774,692	10,229,932,638
Exempt Income	(350,293,354)	(87,953,377)	(87,953,377)
Allowable Expenses including depreciation allowances on leased hold assets	(1,173,862,032)	(7,326,897,914)	(9,176,218,394)
Total profit from businesses (leasing and non-leasing)	6,279,899,854	2,839,410,562	3,166,540,559
Loss on leasing business	(669,655,340)	(1,920,565,859)	(1,920,565,859)
Total Statutory Income	5,610,244,513	918,844,703	1,245,974,700
Taxable Income	5,610,244,513	918,844,703	1,245,974,700
Income Tax Expense	<b>1,346,458,683</b>	<b>246,499,102</b>	<b>337,483,962</b>
Effective tax rate	<b>26.87%</b>	<b>7.43%</b>	<b>9.84%</b>

### 43.3 Impact on Income Tax Rate Change

If the company applies income tax rate of 28%, the impact to income tax and deferred tax expenses as follows.

	Expense/ (Reversal) LKR	Impact to the Profit (Increase/ (Decrease)) LKR
<b>Current Income Tax</b>		
Income Tax for the year	1,570,868,464	(224,409,781)
<b>Deferred Tax</b>		
Deferred Taxation Charge/(Reversal)	(570,291,605)	81,470,229
	<b>1,000,576,859</b>	<b>(142,939,551)</b>
<b>Statement of Other Comprehensive Income</b>		
Deferred tax related to other comprehensive income	48,922,657	(6,988,951)
Income tax charged directly Statement of Other Comprehensive Income	<b>48,922,657</b>	<b>(6,988,951)</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

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

Impact of corporate Income Tax rate change, effective from January 01, 2020 - As per the amendments made to the Inland Revenue Act No. 24 of 2017 (the Act), Income Tax rates of corporates was changed from 28% to 24%, effective from January 01, 2020. The bill was published on March 18, 2021. However, revisions as per the Bill were not enacted via an amendment to the Act as of the Reporting Date. As per Sri Lanka Accounting Standard No. 12 on "Income Taxes", current tax and deferred tax shall be measured based on tax rates (and tax laws) that have been "enacted" or "substantively enacted" by the end of the reporting period. However, as per guidelines issued by the CA Sri Lanka, revision to the Income Tax rate as mentioned above has been determined as "substantively enacted". Hence, the Income Tax rate of 24% was applied with retrospective effect, for current and deferred tax computations and necessary adjustments were made during the reporting period.

### 44. EARNINGS PER ORDINARY SHARE

#### 44.1. BASIC EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

For the year ended 31 March	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Amounts Used as the Numerators:			
Profit attributable to Ordinary Shareholders for Basic Earnings Per Share	2,334,756,207	1,663,899,075	2,005,362,994
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
Basic Earnings per ordinary share (LKR.)	<b>7.34</b>	<b>5.23</b>	<b>6.30</b>

#### 44.2 DILUTED EARNINGS PER ORDINARY SHARE

Diluted EPS is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares in to ordinary shares.

#### Number of Ordinary Shares Used as Denominators for Diluted Earnings per share

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Amounts Used as the Numerators:			
Profit attributable to Ordinary Shareholders for Basic Earnings Per Share	2,334,756,207	1,663,899,075	2,005,362,994
Weighted Average Number of Ordinary Shares	318,074,365	318,074,365	318,074,365
Diluted Earnings per ordinary share (LKR.)	<b>7.34</b>	<b>5.23</b>	<b>6.30</b>

45. DIVIDEND PAID

45.1 Declared and Paid During the Year

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR Amalgamated
Dividends on Ordinary Shares:			
Final Dividend for 2018/19 LKR.1/- per share (Final Dividend for 2017/18 LKR.0.75/- per share.)	-	318,074,365	318,074,365
	-	<b>318,074,365</b>	<b>318,074,365</b>

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.

- Highlights
- Board of Directors & Executive Management
- Company at a Glance
- Management Discussion & Analysis
- Sustainability Report
- Risk Management & Corporate Governance
- Financial Information

## 46. OPERATING SEGMENTS

For management purposes, the Company 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 Company's operating segments.

## Company 2021 - Amalgamated

	Finance Lease		Hire Purchase		Microfinance and SME Loans		Gold Loan		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	9,130,159,126	2,881,372,248	578,533,767	1,744,913,979	810,685,035	79,795,267	565,604,412	295,891,893	16,086,955,727										
Fee Based Income	608,862,904	192,150,065	38,580,680	116,363,075	54,062,151	5,321,307	37,718,460	19,732,142	1,072,790,785										
Net income from Real estate sales																			
Net gain from trading																			
Other operating income	443,111,344	139,840,797	28,077,810	84,685,400	39,344,740	3,872,680	27,450,314	14,360,435	780,743,520										
Change in fair value of Investment property																			
<b>Total Revenue</b>	<b>10,182,133,374</b>	<b>3,213,363,111</b>	<b>645,192,257</b>	<b>1,945,962,454</b>	<b>904,091,926</b>	<b>88,989,254</b>	<b>658,929,582</b>	<b>553,101,166</b>	<b>18,191,763,124</b>										
Segmental Result Before depreciation and amortisation	2,597,416,650	819,714,547	164,585,657	496,406,312	230,629,804	98,183,241	168,089,987	141,093,632	4,640,637,350										
Depreciation and Amortisation																			
Segments Results																			
VAT on Financial Services																			
Debt repayment levy																			
Share of loss of associates																			
Profit before Taxation																			
Income Tax Expenses																			
<b>Net profit for the Year</b>																			
Segment Asset	37,064,600,846	11,206,315,200	2,681,242,275	10,131,879,156	5,838,995,563	376,094,188	16,490,268,709	7,340,477,115	91,129,873,052										
<b>Total Assets</b>									<b>91,129,873,052</b>										
Segment Liabilities	30,802,551,357	9,313,012,729	2,228,247,465	8,420,102,225	4,852,499,598	312,553,225	13,704,244,406	6,100,306,442	75,733,517,448										
<b>Total Liabilities</b>									<b>75,733,517,448</b>										

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.

#### Group - 2020

	Finance Lease		Hire Purchase		Microfinance and SME Loans		Gold Loan		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		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	760,492,355																	
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																		
<b>Total Revenue</b>	<b>13,206,238,014</b>	<b>2,983,376,340</b>	<b>1,375,375,590</b>	<b>1,767,959,276</b>	<b>1,681,888,587</b>	<b>67,323,578</b>	<b>1,077,478,010</b>	<b>799,178,261</b>	<b>22,958,817,656</b>									
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																		
<b>Net profit for the Year</b>																		
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									
<b>Total Assets</b>									<b>89,862,177,386</b>									
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									
<b>Total Liabilities</b>									<b>75,365,999,968</b>									

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Senior Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Company has identified four operating segments based on products and services, as follows:

- Finance Lease
- Hire purchase
- Microfinance & SME loans
- Gold loan
- Term loans
- Revolving loan
- Investments
- Unallocated

Income taxes are managed on a Company 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 2021 or 2020

#### 47. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Company As at 31 March 2021 - Amalgamated	At Fair Value		Cost		Total LKR
	Fair value through profit or Loss LKR	Fair value through Other Comprehensive Income LKR	Financial assets measured at amortised cost LKR		
<b>Assets</b>					
Cash and Bank Balances	-	-	2,239,713,277	2,239,713,277	
Reverse repurchase agreements	-	-	1,476,871,848	1,476,871,848	
Placements with banks	-	-	4,487,753,541	4,487,753,541	
Financial assets recognised through profit or loss - measured at fair value	5,494,633,483	-	-	5,494,633,483	
<b>Financial assets at amortised cost</b>					
Loans and Receivables	-	-	18,601,016,345	18,601,016,345	
Lease rentals receivable & Stock out on hire	-	-	49,966,120,204	49,966,120,204	
Debt & other instruments	-	-	253,257,877	253,257,877	
Financial assets at fair value through other comprehensive income	-	2,554,019	-	2,554,019	
Other financial assets	-	-	644,132,392	644,132,392	
<b>Total Financial Assets</b>	<b>5,494,633,483</b>	<b>2,554,019</b>	<b>77,668,865,484</b>	<b>83,166,052,986</b>	

Company As at 31 March 2021 - Amalgamated	At Amortised Cost	
	Other Financial Liabilities LKR	Total LKR
<b>Liabilities</b>		
Due to Banks	22,593,203,146	22,593,203,146
Due to Customers	47,989,536,843	47,989,536,843
Debt Instruments Issued and Other borrowed funds	1,295,844,686	1,295,844,686
Other Financial Liabilities	1,658,937,116	1,658,937,116
<b>Total Financial Liabilities</b>	<b>73,537,521,791</b>	<b>73,537,521,791</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 47.ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31 March 2020 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
<b>Assets</b>				
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
<b>Total Financial Assets</b>	<b>2,072,291,864</b>	<b>4,310,479</b>	<b>70,144,562,465</b>	<b>72,221,164,808</b>

As at 31 March 2020 Company	At Amortised Cost	
	Other Financial Liabilities LKR	Total LKR
<b>Liabilities</b>		
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
<b>Total Financial Liabilities</b>	<b>65,160,019,768</b>	<b>65,160,019,768</b>

Group As at 31 March 2020	At Fair Value		Cost	
	Fair value through profit or Loss	Fair value through Other Comprehensive Income	Financial assets measured at amortised cost	Total
	LKR	LKR	LKR	LKR
<b>Assets</b>				
Cash and Bank balances	-	-	1,208,461,539	1,208,461,539
Reverse repurchase agreements	-	-	3,141,542,623	3,141,542,623
Placement 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
<b>Total Financial Assets</b>	<b>2,228,854,997</b>	<b>67,223,703</b>	<b>80,083,875,411</b>	<b>82,379,954,110</b>

Group As at 31 March 2020	At Amortised Cost	
	Other Financial Liabilities	Total
	LKR	LKR
<b>Liabilities</b>		
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
<b>Total Financial Liabilities</b>	<b>73,500,544,343</b>	<b>73,500,544,343</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 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

#### 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.

As at 31 March 2021 - Amalgamated

	Company			
	Level 1	Level 2	Level 3	Total
	LKR	LKR	LKR	LKR
<b>Financial Assets</b>				
Financial assets - Recognised through profit or loss				
Government of Sri Lanka Treasury Bills	3,821,888,863	-	-	3,821,888,863
Quoted equities	39,740,452	-	-	39,740,452
Investments in Unit Trusts		1,633,004,168	-	1,633,004,168
Financial assets - fire value through other comprehensive income				
Government of Sri Lanka Treasury Bonds	-	-	-	-
Government of Sri Lanka Treasury Bills	-	-	-	-
Unquoted equities		-	2,554,019	2,554,019
Unit Trusts	-	-	-	-
<b>Total Financial Assets</b>	<b>3,861,629,315</b>	<b>1,633,004,168</b>	<b>2,554,019</b>	<b>5497,187,502</b>
Non financial assets measured at fair value				
Freehold land	-	-	2,209,246,485	2,209,246,485
Building & Building integrals	-	-	579,800,195	579,800,195
Investment property	-	-	1,478,919,010	1,478,919,010
<b>Total</b>	-	-	<b>4,267,965,689</b>	<b>4,267,965,689</b>

#### 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 valuetthrough other comprehensive income								
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
Investments in Unit Trusts	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>2,072,291,864</b>	-	<b>4,310,479</b>	<b>2,076,602,343</b>	<b>2,134,873,253</b>	<b>154,913,584</b>	<b>6,291,861</b>	<b>2,296,078,699</b>
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
	-	-	<b>3,903,119,400</b>	<b>3,903,119,400</b>	-	-	<b>3,903,119,400</b>	<b>3,903,119,400</b>

#### 48.2 Movements in level 3 financial instruments measured at fair value

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Equity Securities			
As at 1 April	4,310,479	4,310,479	4,310,479
Sold during the financial year			-
Addition due to Merger	1,981,382	-	112,255
Reclassified from Investments in Associates	-	-	-
As at 31 March	<b>6,291,861</b>	<b>4,310,479</b>	<b>4,422,734</b>

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

	Company / Group		
	Free hold Land LKR	Building & building integrals LKR	Investment Property LKR
Balance as at 1 April 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	(22,400,000)	27,608,092	54,827,525
Disposals/Transfers	-	-	(15,600,000)
Depreciation	-	(15,634,695)	-
<b>Balance as at 31 March 2020</b>	<b>1,783,278,484</b>	<b>421,379,546</b>	<b>1,698,461,370</b>
Disposals	(22,400,000)	-	(87,132,850)
Acquired during the year	293,792,601	135,680,995	20,700,000
Fair Value Recognised During the year	154,575,400	26,991,112	217,316,040
Disposals/Transfers	-	-	(370,425,550)
Depreciation	-	(4,251,458)	-
<b>Balance as at 31 March 2021 - Amalgamated</b>	<b>2,209,246,485</b>	<b>579,800,195</b>	<b>1,478,919,010</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 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	Level	2021		2020	
		Amalgamated Carrying Amount LKR	Fair Value LKR	Carrying Amount LKR	Fair Value LKR
<b>Financial Assets</b>					
Cash and Bank Balances		2,239,713,277	2,239,713,277	854,570,071	854,570,071
Reverse Repurchase Agreements		1,476,871,848	1,476,871,848	3,004,279,491	3,004,279,491
Placement with Banks		4,487,753,541	4,487,753,541	3,812,279,883	3,812,279,883
Loans and Receivables	Level 2	18,601,016,345	20,725,570,517	18,219,942,284	20,171,750,023
Lease rentals receivable & Stock out on hire	Level 2	49,966,120,204	50,645,574,466	43,395,382,046	43,660,007,655
Debt & other instruments	Level 2	253,257,877	253,257,877	114,822,765	114,822,765
Other financial assets		644,132,392	644,132,392	743,285,925	743,285,925
<b>Total Financial Assets</b>		<b>77,668,865,484</b>	<b>80,472,873,918</b>	<b>70,144,562,465</b>	<b>72,360,995,813</b>
<b>Financial Liabilities</b>					
Due to Banks	Level 2	22,593,203,146	21,883,338,500	12,661,616,855	12,728,933,957
Due to Customers	Level 2	47,989,536,843	46,360,940,124	47,394,521,877	47,310,530,555
Debt Instruments Issued	Level 2	1,295,844,686	1,295,844,686	3,349,894,465	3,056,622,160
Other Financial Liabilities		1,658,937,116	1,658,937,116	1,753,986,571	1,753,986,571
<b>Total Financial Liabilities</b>		<b>73,537,521,791</b>	<b>71,199,060,426</b>	<b>65,160,019,768</b>	<b>64,850,073,243</b>

## Fair Value of Financial Assets and Liabilities not Carried at Fair Value

Group	2020		
	Level	Carrying Amount LKR	Fair Value LKR
<b>Financial Assets</b>			
Cash and Bank Balances		1,208,461,539	1,208,461,539
Reverse Repurchase Agreements		3,141,542,623	3,141,542,623
Placement with Banks		3,826,996,141	3,826,996,141
Loans and Receivables	Level 2	18,377,266,075	20,171,750,023
Lease rentals receivable & Stock out on hire	Level 2	52,689,500,344	43,660,007,655
Debt & other instruments	Level 2	114,822,765	114,822,765
Other financial assets		725,285,925	725,285,925
<b>Total Financial Assets</b>		<b>80,083,875,411</b>	<b>72,848,866,670</b>
<b>Financial Liabilities</b>			
Due to Banks	Level 2	19,214,209,115	12,728,933,957
Due to Customers	Level 2	48,948,641,777	47,310,530,555
Debt Instruments Issued	Level 2	3,349,894,465	3,056,622,160
Other Financial Liabilities		1,987,798,983	1,987,798,983
<b>Total Financial Liabilities</b>		<b>73,500,544,340</b>	<b>65,083,885,655</b>

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.

# Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

## 49 RISK MANAGEMENT

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### 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.

### 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.

#### 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 organisation 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 LKR. 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)

### Gold Loans

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 31<sup>st</sup> March 2021

### 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 2021 - Amalgamated - LKR	Note	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	10.1	418,653,749	258,766,913	1,017,783,498	1,695,204,160
Lease Rentals Receivable & Stocks out on hire	11.1	796,399,141	1,464,979,429	2,109,394,327	4,370,772,897
Other Financial assets	14.1	64,654,240	-	-	64,654,240
		<b>1,279,707,130</b>	<b>1,723,746,342</b>	<b>3,127,177,825</b>	<b>6,130,631,297</b>

As at 31 March 2020 - LKR	Note	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	10.1	322,974,421	295,519,510	1,699,112,717	2,317,606,647
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
		<b>986,514,161</b>	<b>821,788,605</b>	<b>3,107,480,199</b>	<b>4,915,782,965</b>

#### Group

As at 31 March 2020 - LKR	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
		<b>1,435,992,897</b>	<b>968,653,168</b>	<b>2,609,925,149</b>	<b>5,014,571,215</b>

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

Change Criteria	Change Factor	Sensitivity Effect on impairment allowance increase 2021 Amalgamated	Sensitivity Effect on impairment allowance increase 2020
Probability of Default	Increase by 5%	110,705,590	77,421,170
Loss Given Default	Increase by 5%	220,436,682	205,609,737
Realisation of Cash Flows - Individually Significant Loans	Delayed by 1 year	37,600,169	5,808,643

#### 49.2.2 CREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

Company

As at 31 March 2021 - Amalgamated	Neither Past Due Nor Impaired Individually LKR	Past Due But Not Impaired Individually LKR	Individually Impaired LKR	Total LKR
<b>Assets</b>				
Cash and Bank Balances	2,239,713,277	-	-	2,239,713,277
Reverse Repurchase Agreements	1,476,871,848	-	-	1,476,871,848
Placements with Banks	4,487,753,541	-	-	4,487,753,541
Financial assets recognised through profit or loss - measured at fair value	5,494,633,483	-	-	5,494,633,483
<b>Financial assets at amortised cost</b>				
Loans and Receivables (Gross)	11,813,480,085	8,129,705,949	353,034,469	20,296,220,503
Lease rentals receivable & Stock out on hire (Gross)	19,312,128,653	35,005,754,499	19,009,949	54,336,893,101
Debt & other instruments	253,257,877			253,257,877
Financial assets at fair value through other comprehensive income	-	-	6,291,861	6,291,861
Other financial assets	644,132,392			644,132,392
<b>Total Financial Assets</b>	<b>45,721,971,155</b>	<b>43,135,460,448</b>	<b>378,336,279</b>	<b>89,235,767,883</b>

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
<b>Assets</b>				
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	-	-	2,072,291,865
<b>Financial assets at amortised cost</b>				
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
<b>Total Financial Assets</b>	<b>23,269,235,702</b>	<b>48,403,846,530</b>	<b>548,082,573</b>	<b>72,221,164,809</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 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
<b>Assets</b>				
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
<b>Financial assets at amortised cost</b>	-	-	-	-
Loans and Receivables (gross)	5,290,240,883	13,055,894,998	31,130,194	18,377,266,076
Lease rentals receivable & Stock out on hire (gross)	16,996,203,530	35,347,951,532	345,345,281	52,689,500,343
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
<b>Total Financial Assets</b>	<b>33,365,111,782</b>	<b>48,403,846,530</b>	<b>610,995,598</b>	<b>82,379,954,111</b>

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 2021 - Amalgamated	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	2,448,684,953	1,695,080,514	1,311,411,866	2,674,528,617	8,129,705,949
Lease rentals receivable & Stock out on hire	10,325,592,978	8,805,514,566	7,460,226,821	8,414,420,134	35,005,754,499
	<b>12,774,277,931</b>	<b>10,500,595,080</b>	<b>8,771,638,687</b>	<b>11,088,948,750</b>	<b>43,135,460,448</b>

### 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
	<b>18,625,344,777</b>	<b>9,321,368,264</b>	<b>7,020,687,757</b>	<b>13,436,445,731</b>	<b>48,403,846,530</b>

### 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
	<b>18,625,344,777</b>	<b>9,321,368,265</b>	<b>7,020,687,757</b>	<b>13,436,445,729</b>	<b>48,403,846,530</b>

### 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 2021		As at 31 March 2020	
	Amalgamated Maximum Exposure to Credit Risk LKR	Net Exposure LKR	Maximum Exposure to Credit Risk LKR	Net Exposure LKR
<b>Assets</b>				
Cash and Bank Balances	2,239,713,277	2,239,713,277	854,570,071	857,417,013
Reverse Repurchase Agreements	1,476,871,848	-	3,004,279,491	-
Placements with Banks	4,487,753,541	4,487,753,541	3,812,279,883	3,812,279,883
Financial assets recognised through profit or loss - measured at fair value	5,494,633,483	5,494,633,483	2,072,291,865	2,072,291,865
Financial assets at amortised cost				
Loans and Receivables	20,296,220,503	4,327,117,596	20,537,548,938	7,765,477,222
Lease rentals receivable & Stock out on hire	54,336,893,101	329,765,890	45,948,772,987	759,508,868
Debt & other instruments	253,257,877	253,257,877	114,822,765	114,822,765
Financial assets recognised through profit or loss - measured at fair value	2,554,019	2,554,019	4,310,479	4,310,479
Other financial assets	644,132,392	644,132,392	743,285,925	743,285,925
<b>Total Financial Assets</b>	<b>89,232,030,043</b>	<b>17,778,928,076</b>	<b>77,092,162,403</b>	<b>16,129,394,019</b>

#### Group

	As at 31 March 2020	
	Maximum Exposure to Credit Risk LKR	Net Exposure LKR
<b>Assets</b>		
Cash and Bank Balances	1,208,461,539	1,208,461,539
Reverse Repurchase Agreements	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	20,485,443,700	13,445,201,329
Lease rentals receivable & Stock out on hire	45,686,059,451	759,508,868
Debt & other instruments	114,822,765	114,822,765
Financial assets recognised through profit or loss - measured at fair value	67,223,703	67,223,703
Other financial assets	725,285,925	725,285,925
<b>Total Financial Assets</b>	<b>77,484,690,843</b>	<b>22,315,949,529</b>

### 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.

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 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 Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Company regularly monitors liquidity position and maintain an adequate buffer of liquid assets. Company 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 Company 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 Company 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;

- 10% of the outstanding value of time deposits received by the company and accrued interest payable at close of business on such day; and
- 15% of the outstanding value of savings deposits accepted by the company and accrued interest payable at close of business on such day; and
- 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 2021.

Company - Amalgamated	"On Demand" LKR	"Less than 03 Months" LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
<b>Financial Assets</b>						
Cash and Bank Balances	2,239,713,277	-	-	-	-	2,239,713,277
Reverse repurchase agreements	-	1,478,422,727	-	-	-	1,478,422,727
Placement with Banks	734,455,340	1,231,143,767	2,600,845,994	-	-	4,566,445,101
Financial assets recognised through profit or loss - measured at fair value	1,633,004,168	506,000,000	3,439,401,318	-	-	5,578,405,486
<b>Financial assets at amortised cost</b>						
Loans and Advances	1,021,720,852	11,991,988,143	5,576,591,710	3,908,011,025	72,529,917	22,570,841,647
Lease rentals receivable & Stock out on hire	5,422,889,175	9,357,730,100	23,661,759,546	33,342,388,375	5,775,158	71,790,542,354
Debt & other instruments	-	-	253,257,877	-	-	253,257,877
Financial assets at fair value through other comprehensive income	-	-	-	-	6,291,861	6,291,861
Other financial assets		644,132,392				644,132,392
<b>Total Financial Assets</b>	<b>11,051,782,812</b>	<b>25,209,417,129</b>	<b>35,531,856,445</b>	<b>37,250,399,400</b>	<b>84,596,936</b>	<b>109,128,052,721</b>
<b>Financial Liabilities</b>						
Due to Banks	290,526,956	4,331,087,565	11,126,279,684	10,036,632,510	-	25,784,526,715
Due to Customers	1,338,108,224	11,490,371,506	26,986,135,949	12,242,835,681	-	52,057,451,360
Debt Instruments Issued and Other borrowed funds		1,658,937,116	116,626,022	1,762,348,773		1,878,974,795
Other Financial Liabilities			-	-		1,658,937,116
<b>Total Financial Liabilities</b>	<b>1,628,635,180</b>	<b>17,480,396,188</b>	<b>38,229,041,655</b>	<b>24,041,816,964</b>	<b>-</b>	<b>81,379,889,987</b>
<b>Total Net Financial Assets/(Liabilities)</b>	<b>9,423,147,632</b>	<b>7,729,020,943</b>	<b>(2,697,185,210)</b>	<b>13,208,582,436</b>	<b>84,596,936</b>	<b>27,748,162,734</b>

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 Months" LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
<b>Financial Assets</b>						
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	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	-	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
<b>Total Financial Assets</b>	<b>9,696,183,947</b>	<b>12,663,380,926</b>	<b>30,267,073,162</b>	<b>37,201,053,936</b>	<b>157,681,711</b>	<b>89,985,373,683</b>
<b>Financial Liabilities</b>						
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
<b>Total Financial Liabilities</b>	<b>3,835,663,793</b>	<b>20,217,980,041</b>	<b>30,607,769,770</b>	<b>17,216,451,448</b>	<b>-</b>	<b>71,877,865,054</b>
<b>Total Net Financial Assets/(Liabilities)</b>	<b>5,860,520,153</b>	<b>(7,554,599,116)</b>	<b>(340,696,609)</b>	<b>19,984,602,488</b>	<b>157,681,711</b>	<b>18,107,508,629</b>

The table below summarises the maturity profile of the undiscounted cash flows of the Group'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
<b>Financial Assets</b>						
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	2,496,523,248	-	-	3,966,138,181
Financial assets recognised through profit or loss - measured at fair value	-	918,054,791	1,177,977,180	-	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	12,101,404	-	-	117,164,178
Financial assets at fair value through other comprehensive income	-	-	-	-	4,310,479	4,310,479
Other financial assets	-	585,136,006	116,140,797	-	-	630,157,554
<b>Total Financial Assets</b>	<b>9,700,134,376</b>	<b>12,834,371,953</b>	<b>30,185,130,062</b>	<b>36,997,892,637</b>	<b>195,204,215</b>	<b>89,912,733,244</b>
<b>Financial Liabilities</b>						
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 Financial Liabilities	-	1,704,058,114	-	-	-	1,704,058,114
<b>Total Financial Liabilities</b>	<b>259,596,661</b>	<b>13,636,271,302</b>	<b>23,126,593,997</b>	<b>38,986,808,892</b>	<b>-</b>	<b>76,009,270,853</b>
<b>Total Net Financial Assets/(Liabilities)</b>	<b>9,440,537,714</b>	<b>(801,899,351)</b>	<b>7,058,536,064</b>	<b>(1,988,916,255)</b>	<b>195,204,215</b>	<b>13,903,462,390</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 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 As at 31 March 2021 - Amalgamated

	"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	179,891,299	-	-	-	-	179,891,299
Financial guarantee contracts	-	18,700,000	67,888,000	210,150,000	-	296,738,000
<b>Total Commitments</b>	<b>179,891,299</b>	<b>18,700,000</b>	<b>67,888,000</b>	<b>210,150,000</b>	<b>-</b>	<b>476,629,299</b>

Company/group

As at 31 March 2020

	"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	216,590,063	-	-	-	-	216,590,063
Financial guarantee contracts	80,845,000	-	-	-	-	80,845,000
<b>Total Commitments</b>	<b>297,435,063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>297,435,063</b>

### 49.4 MARKET RISK

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

#### Mitigation:

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

#### 49.4.1 Equity price risk

Equity price risk is the risk that the fair value of equities decreasing as a result of changes in the level of equity indices and individual stocks. The market value of the Company's equity portfolio as of 31 March 2021 is LKR 39,740,452/- (2020 - LKR 37,552,504/-).

The table below shows the impact on the profit or loss due to a reasonably possible change in the price of the Company's investment in trading securities with all other variables held constant:

	Impact on profit/loss		
	Company 2021 LKR Amalgamated	2020 LKR	2020 LKR
+10%	3,974,045	3,755,250	3,755,250
-10%	(3,974,045)	(3,755,250)	(3,755,250)

#### 49.4.2 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

#### 49.4.3 INTEREST RATE SENSITIVITY

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit or loss statements and equity, arising from interest bearing loans and borrowings.

Company

Financial Instrument	Increase/ (Decrease) in basis points	Sensitivity of Profit/(Loss)		Sensitivity of Equity	
		2021 LKR Mn Amalgamated	2020 LKR Mn	2021 LKR Mn Amalgamated	2020 LKR Mn
Long Term Loans linked to AWPLR*	+100/ (-100)	(77.07)/ 77.07	(5.87)/5.87	(77.07)/ 77.07	(5.87)/5.87

Group

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

#### 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 2021 Amalgamated	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 2021 LKR
<b>Assets</b>						
Cash and Bank Balances	1,784,242,704				455,470,574	2,239,713,277
Reverse repurchase agreements	1,476,871,847					1,476,871,847
Placement with Banks	1,956,203,996	2,531,549,544				4,487,753,541
Financial assets recognised through profit or loss - measured at fair value	2,134,313,095	3,320,579,936			39,740,452	5,494,633,482
Loans and receivables	11,301,532,342	4,388,246,394	2,855,754,636	55,482,973		18,601,016,345
Lease rentals receivable & Stock out on hire	7,130,903,806	16,158,338,919	26,671,051,752	5,825,728		49,966,120,204
Debt & other Instruments		253,257,877				253,257,877
Financial assets at fair value through other comprehensive income					6,291,861	6,291,861
Other financial assets					644,132,392	644,132,392
<b>Total Financial Assets</b>	<b>25,784,067,790</b>	<b>26,651,972,669</b>	<b>29,526,806,388</b>	<b>61,308,700</b>	<b>1,145,635,278</b>	<b>83,169,790,826</b>
<b>Financial Liabilities</b>						
Due to banks	10,296,808,114	6,646,244,575	5,650,150,457	-	-	22,593,203,146
Due to Customers	12,245,318,114	25,064,762,484	10,679,456,245	-	-	47,989,536,843
Debt Instruments Issued and Other borrowed funds			1,295,844,686			1,295,844,686
Other Financial Liabilities					1,658,937,116	1,658,937,116
<b>Total Financial Liabilities</b>	<b>22,542,126,228</b>	<b>31,711,007,059</b>	<b>17,625,451,388</b>	<b>-</b>	<b>1,658,937,116</b>	<b>73,537,521,791</b>
<b>Interest Sensitivity Gap</b>	<b>3,241,941,562</b>	<b>(5,059,034,389)</b>	<b>11,901,355,000</b>	<b>61,308,700</b>	<b>(513,301,838)</b>	<b>9,632,269,035</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

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 2020 LKR
<b>Assets</b>						
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 Investments measured at amortised cost						
Loans and receivables	907,204,856	1,127,534,506	-	-	37,552,504	2,072,291,866
Lease rentals receivable & Stock out on hire	10,384,766,816	4,022,107,432	3,695,641,316	117,426,719	-	18,219,942,283
Debt & other Instruments	6,496,245,830	13,115,945,080	23,767,610,113	15,581,022	-	43,395,382,046
Financial Investments - Available for Sale	104,822,765	10,000,000	-	-	-	114,822,765
Other financial assets	-	-	-	-	4,310,479	4,310,479
<b>Total Financial Assets</b>	<b>21,346,429,006</b>	<b>21,790,565,156</b>	<b>27,463,251,429</b>	<b>133,007,741</b>	<b>1,487,911,478</b>	<b>72,221,164,809</b>
<b>Financial Liabilities</b>						
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
<b>Total Financial Liabilities</b>	<b>25,832,451,571</b>	<b>22,154,577,431</b>	<b>15,379,109,730</b>	<b>-</b>	<b>1,793,881,036</b>	<b>65,160,019,769</b>
<b>INTEREST SENSITIVITY GAP</b>	<b>(4,486,022,565)</b>	<b>(364,012,276)</b>	<b>12,084,141,699</b>	<b>133,007,741</b>	<b>(305,969,559)</b>	<b>7,061,145,040</b>
<b>Group</b>						
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 2020 LKR
<b>Assets</b>						
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						
Loans and receivables	1,039,054,806	1,020,396,735	-	-	37,552,504	2,097,004,045
Lease rentals receivable & Stock out on hire	11,585,857,750	10,921,544,404	3,695,641,316	117,426,719	-	26,320,470,189
Debt & other Instruments	14,113,250,618	13,878,029,750	20,056,082,382	15,581,022	-	48,062,943,772
Financial Investments - Available for Sale	176,417,686	-	10,000,000	-	-	-
Other financial assets	-	58,797,442	-	-	4,310,479	63,107,921
<b>Total Financial Assets</b>	<b>32,407,947,466</b>	<b>28,994,576,062</b>	<b>23,761,723,697</b>	<b>133,007,741</b>	<b>2,430,086,441</b>	<b>87,540,923,721</b>
<b>Financial Liabilities</b>						
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
<b>Total Financial Liabilities</b>	<b>17,184,604,756</b>	<b>8,268,049,566</b>	<b>45,449,257,143</b>	<b>-</b>	<b>3,822,797,314</b>	<b>74,724,708,779</b>
<b>INTEREST SENSITIVITY GAP</b>	<b>15,223,342,710</b>	<b>20,726,526,496</b>	<b>(21,687,533,446)</b>	<b>133,007,741</b>	<b>(1,392,710,874)</b>	<b>12,816,214,942</b>

## 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					
	2021			2020		
	With in 12 Months LKR	Amalgamated After 12 Months LKR	Total as at 31 March 2021 LKR	With in 12 Months LKR	After 12 Months LKR	Total as at 31 March 2020 LKR
<b>Assets</b>						
Cash and Bank Balances	2,239,713,277	-	2,239,713,277	854,570,071	-	854,570,071
Reverse Repurchase Agreements	1,476,871,848	-	1,476,871,848	3,004,279,491	-	3,004,279,491
Placement with Banks	4,487,753,541	-	4,487,753,541	3,812,279,883	-	3,812,279,883
Financial assets recognised through profit or loss - measured at fair value	3,821,888,863	1,672,744,619	5,494,633,483	2,034,739,361	37,552,503	2,072,291,864
Loans and Receivables	15,689,778,736	2,911,237,609	18,601,016,345	14,406,874,248	3,813,068,035	18,219,942,284
Lease rentals receivable & Stock out on hire	23,289,242,725	26,676,877,479	49,966,120,204	19,612,190,910	23,783,191,136	43,395,382,046
Debt & other instruments	253,257,877	-	253,257,877	114,822,765	-	114,822,765
Financial assets at fair value through other comprehensive income	-	2,554,019	2,554,019	-	4,310,479	4,310,479
Other financial assets	429,041,860	215,090,534	644,132,392	560,287,055	182,998,870	743,285,925
Inventories	-	71,610,208	71,610,208	-	65,910,298	65,910,298
Other assets	344,958,314	449,425,587	794,383,901	138,222,412	34,977,106	173,199,518
Investments in Subsidiaries	-	-	-	-	1,599,288,321	1,599,288,321
Investments in associates	-	340,823,054	340,823,054	-	390,000,000	390,000,000
Investment property	-	1,478,919,010	1,478,919,010	-	1,698,461,370	1,698,461,370
Property, plant and equipment	-	3,457,055,329	3,457,055,329	-	3,051,877,367	3,051,877,367
Intangible assets & goodwill	-	940,837,669	940,837,669	-	649,825,707	649,825,707
Right of use assets	-	412,836,384	412,836,384	-	199,319,998	199,319,998
Current tax assets	-	-	-	311,261,563	-	311,261,563
Deferred tax assets	-	467,354,511	467,354,511	-	-	-
<b>Total Assets</b>	<b>52,032,507,040</b>	<b>39,097,366,013</b>	<b>91,129,873,052</b>	<b>44,849,527,759</b>	<b>35,510,781,189</b>	<b>80,360,308,948</b>
<b>Liabilities</b>						
Due to Banks	15,747,894,206	6,845,308,940	22,593,203,146	6,984,271,494	5,677,345,361	12,661,616,855
Due to Customers	37,310,325,592	10,679,211,251	47,989,536,843	35,450,790,134	11,943,731,743	47,394,521,877
Debt instruments issued	-	1,295,844,686	1,295,844,686	3,349,894,465	-	3,349,894,465
Other Financial Liabilities	1,658,937,116	-	1,658,937,116	1,753,986,571	-	1,753,986,571
Other liabilities	1,295,951,132	222,422,563	1,518,373,695	903,010,682	416,567,400	1,319,578,082
Deferred tax liabilities	-	-	-	265,361,284	-	265,361,284
Post employment benefit obligations	-	395,651,701	395,651,701	-	298,691,827	298,691,827
Current tax liabilities	281,970,260	-	281,970,260	-	-	-
<b>Total liabilities</b>	<b>56,295,078,306</b>	<b>19,438,439,142</b>	<b>75,733,517,448</b>	<b>48,707,314,630</b>	<b>18,336,336,332</b>	<b>67,043,650,962</b>

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Group	2020		
	With in 12 Months LKR	After 12 Months LKR	Total as at 31 March 2020 LKR
<b>Assets</b>			
Cash and Bank Balances	1,208,461,539	-	1,208,461,539
Reverse Repurchase Agreements	3,141,542,623	-	3,141,542,623
Placement with Banks	3,826,996,141	-	3,826,996,141
Financial assets recognised through profit or loss - measured at fair value	2,039,253,898	189,601,099	2,228,854,997
Loans and Advances	14,406,874,248	3,970,391,826	18,377,266,075
Lease rentals receivable & Stock out on hire	19,612,190,910	33,077,309,434	52,689,500,344
Debt & other instruments	114,822,765	-	114,822,765
Financial assets at fair value through other comprehensive income	58,797,442	8,426,261	67,223,703
Other financial assets	560,287,055	164,998,870	725,285,925
Inventories	-	65,910,298	65,910,298
Other assets	138,222,412	119,764,248	257,986,659
Investments in subsidiary	-	-	-
Investments in associates	-	364,203,089	364,203,089
Investment property	-	1,698,461,370	1,698,461,370
Property, plant and equipment	-	3,126,825,486	3,126,825,486
Intangible assets & Goodwill	-	672,158,910	672,158,910
Right of use assets	-	-	959,881,318
Current tax assets	-	-	-
Deferred tax assets	-	336,796,145	336,796,145
<b>Total Assets</b>	<b>45,107,449,032</b>	<b>43,794,847,035</b>	<b>89,862,177,386</b>
<b>Liabilities</b>			
Due to Banks	10,514,920,043	8,699,289,075	19,214,209,118
Due to Customers	36,801,170,379	12,147,471,398	48,948,641,777
Debt Instruments Issued and Other borrowed funds	3,349,894,465	-	3,349,894,465
Other Financial Liabilities	1,753,986,571	233,812,412	1,987,798,983
Other liabilities	1,462,995,410	-	1,462,995,410
Deferred tax liabilities	80,761,132	-	80,761,132
Post employment benefit obligations	-	321,699,082	321,699,082
<b>Total liabilities</b>	<b>53,963,728,000</b>	<b>21,402,271,968</b>	<b>75,365,999,968</b>

## 51. COMMITMENTS AND CONTINGENCIES

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

### 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 eight unresolved legal claims amounting to LKR 20,400,000/- (2020-LKR 40,600,000/-) against the Company.

Although there can be no assurance, the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect of the results of operations, financial position of liquidity. Accordingly, no provision for any liabilities has been made in these Financial Statements.

### 51.1. Commitments

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Commitment for unutilised facilities	179,891,299	216,590,063	216,590,063
Guarantees issued	296,738,000	80,845,000	80,845,000
<b>Total commitments and contingencies</b>	<b>476,629,299</b>	<b>297,435,063</b>	<b>297,435,063</b>

## 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	
		2021 LKR Amalgamated	2020 LKR	2020 LKR	
Lease Rentals Receivable & Stock out on Hire	Loans	16,130,274,230	7,483,218,183	7,483,218,183	Lease Rentals Receivable & Stock out on Hire
Microfinance Loans	Loans	2,783,011,233	-	-	Loans & Receivables
Land & Building	Overdraft	1,452,771,938	156,375,750	156,375,750	Property, Plant and Equipment
Balance held in foreign currency account	Loans	103,255,466	447,616,717	447,616,717	Cash & Bank Balances
Placement with banks	Loans	1,833,360,000	1,812,531,108	1,812,531,108	Placement with banks
		<b>22,302,672,867</b>	<b>9,899,741,757</b>	<b>9,899,741,757</b>	

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 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'.

Details of significant related party transactions which the company had during the year are as follows,

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per LKAS 24 - "Related Party Disclosures" under the supervision of Related Party Transactions Review Committee.

#### 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 include the Board of Directors of the Company.

##### 53.1.1 Key Management Personnel Compensation

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Short Term Employment Benefits	97,860,407	121,679,850	121,679,850
Post Employment Benefits	18,568,000	9,403,550	9,403,550
Directors Fees & Expenses	11,089,500	8,255,000	8,255,000
	<b>127,517,907</b>	<b>139,338,400</b>	<b>139,338,400</b>

##### 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
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Deposits held at the end of the year	50,663,225	18,568,115	18,568,115
Interest on Fixed Deposits	1,965,775	1,630,933	1,630,933
Dividend Paid	-	471,808	471,808

## 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 above

#### 53.2.2 Transactions with Ultimate Parent Entity BG Capital (Pvt) Ltd

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 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 2021	9,529,167	21,625,000	21,625,000

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

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Dividends Paid (Gross)	-	159,832,175	159,832,175
Investment in Fixed Deposit at Commercial Credit and Finance PLC	-	267,000,000	267,000,000
Fixed deposit Interest paid for the period ended	9,887,900	68,316,531	68,316,531

#### 53.2.4 Transactions with Significant Investor - Group Lease Holdings (Pvt) Ltd

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
Dividend Paid (Gross)	-	95,390,500	95,390,500

#### 53.2.5 Transactions with Subsidiary Trade Finance and Investments PLC

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
- Investment in Fixed Deposits at Trade Finance and Investments PLC	-	50,000,000	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 Investment PLC	-	1,886,426	1,886,426

#### 53.2.6 TRANSACTIONS WITH ASSOCIATES

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
TVS Lanka (Pvt) Ltd Payment for lease contracts	1,223,943,593	2,227,740,552	2,227,740,552

## Notes to the Financial Statements [Cont.]

As at 31<sup>st</sup> March 2021

### 53.2.7 Transactions with other group entities

	Company		Group
	2021 LKR Amalgamated	2020 LKR	2020 LKR
(a)APIIT Lanka (Pvt) Ltd			
Investment in Fixed Deposits at Commercial Creditand Finance PLC	40,000,000	300,000,000	300,000,000
Interst paid on Fixed Deposits	16,492,264	21,000,000	21,000,000
MBA Fees Payments	131,250	-	-
(b)Creation Investments Lanka LLC			
Dividend Paid	-	30,360,125	30,360,125

### 54. EVENTS AFTER THE REPORTING DATE

#### Covid 19 - 3<sup>rd</sup> wave

The outbreak of COVID-19 has caused disruption to business and economic activities, and uncertainty in the global and local economy. Subsequent to the outbreak of COVID-19 in Sri Lanka, the company has strictly adhered to the guidelines and directions issued by both the Government and the Central Bank of Sri Lanka (CBSL) when conducting its business operations. Further, the Company has provided relief for the affected businesses and individuals in line with the directions issued by the CBSL in addition to its own relief schemes. These relief measures include deferment of repayment terms of credit facilities and offering concessionary rates of interest to eligible loan products (debt moratorium) and waiving off certain fees and charges. The closing date for the customer request is 15 July 2021.

There are no other 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 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.

## 56. AMALGAMATION OF TRADE FINANCE AND INVESTMENTS PLC AND COMMERCIAL CREDIT AND FINANCE PLC.

On 4th August 2014 Commercial Credit and Finance PLC acquired Trade Finance and Investments PLC and thus Trade Finance and Investments PLC become a subsidiary with 96.89% share ownership by Commercial Credit and Finance PLC under the CBSL finance sector consolidation program as of that date. At the date of amalgamation on 31st December 2020 Commercial Credit and Finance PLC's share ownership had increased to 99.67%.

Trade Finance and Investments PLC was amalgamated with Commercial Credit and Finance PLC with effect from 31st December 2020 and Commercial Credit and Finance PLC continues as the surviving entity. Given that the Business combination was within entities which were under the common control the result of amalgamation was recognised in the statement of changes in equity of the Company as at the amalgamation date. The goodwill which was recognised as at the date of amalgamation, will continue to be recognised in the Statement of Financial Position of Commercial Credit and Finance PLC's and will be subject to assessment for impairment.

Summary of the Assets and Liability as at acquisition date and amalgamation date are as follows:

	As At Acquisition Date 04th August 2014	As At Amalgamation Date 31st December 2020
	LKR	LKR
<b>Assets</b>		
Cash & Short Term Funds	124,632,589	223,598,168
Loans and Receivable	1,165,521,888	6,181,675,287
Other Financial Assets	442,843,049	1,049,845,804
Right to Use Assets	-	13,851,721
Property, Plant and Equipments	16,194,168	46,458,583
Intangible Assets	11,766,380	-
Current Tax Assets	-	25,534,582
Deferred Tax Assets	-	248,377,104
Other Assets	50,765,034	10,130,239
<b>Total Assets</b>	<b>1,811,723,109</b>	<b>7,799,471,488</b>
<b>Liabilities</b>		
Due to Banks	30,588,594	5,536,855,147
Due to Customers	873,418,193	1,577,836,462
Retirement Benefit Obligation	8,138,394	28,379,755
Deferred Tax Liability	7,936,772	4,355,195
Income Tax Payable	26,581,331	-
Other Liabilities	30,482,590	169,159,404
<b>Total Liabilities</b>	<b>977,145,874</b>	<b>7,316,585,963</b>
<b>Net Assets</b>	<b>834,577,236</b>	<b>482,885,525</b>

Accordingly the following have been presented ;

### I. Statement of Financial Position -

- Company - 31 March 2021 ( Amalgamated entity) and 31 March 2020 ( only the Company as previously reported )
- Group - as at 31 March 2021 - No Group as the group structure ceased to exist since 31 December 2020,

### II. Statement of Profit or loss

- Company - 31 March 2021 ( Amalgamated entity) and 31 March 2020 ( only the Company as previously reported )
- Group -31 March 2021 - Key information relating to Consolidated up to 31 December 2020 and amalgamated for the 3 months ended 31 March 2021 are given below.
  - Net Interest Income - **LKR. 9,672,314,368**
  - Profite Before Income Tax - **LKR. 1,560,140,465**
  - Profit After Tax - **LKR. 761,932,914**

# Ten Year Summary

Operating Results	Company 2011/12 LKR '000	Company 2012/13 LKR '000	Company 2013/14 LKR '000	Group 2014/15 LKR '000	Group 2015/16 LKR '000	Group 2016/17 LKR '000	Group 2017/18 LKR '000	Group 2018/19 LKR '000	Group 2019/20 LKR '000	Amalgamated 2020/21 LKR '000
Interest Income	2,442,086	3,963,168	6,913,772	11,471,859	16,418,292	19,927,371	21,724,832	22,125,266	20,835,015	16,086,956
Net Interest Income	1,741,800	2,408,012	4,037,642	7,255,332	10,212,068	11,930,703	11,951,694	12,465,523	10,912,143	9,035,088
Interest Expenses	700,285	1,555,156	2,876,129	4,216,528	6,206,224	7,996,668	9,773,137	9,659,743	9,922,873	7,051,868
Operating Expenses	881,341	1,620,520	2,555,196	3,850,499	5,114,541	5,756,181	5,901,096	6,959,003	6,466,977	5,463,040
Profit/(Loss) before Tax	960,421	865,704	1,194,504	2,635,103	3,027,203	4,234,076	3,869,285	3,562,858	2,185,069	3,192,394
Income Tax & VAT on Financial Services	388,139	288,670	353,109	813,580	1,196,160	1,948,894	2,338,224	2,103,227	1,159,955	1,670,018
Net Profit/(Loss)	655,609	679,401	1,007,836	2,193,562	2,322,228	3,116,513	2,542,058	2,635,586	2,006,616	2,334,756
Dividend Paid	-	238,074	119,037	143,037	318,074	477,112	318,078	238,556	318,074	-
<b>ASSETS</b>										
Cash & Bank Balance	140,961	395,655	1,123,108	2,513,573	1,155,204	1,947,457	1,746,911	2,340,080	1,208,462	2,239,713
Treasury Bills & Bonds	83,558	257,673	811,343	744,207	1,234,681	1,805,037	2,490,000	2,054,937	2,034,739	3,821,889
Placements with Banks & Other Finance Companies	378,394	572,721	624,132	1,070,748	1,300,959	1,518,067	2,014,315	3,513,125	3,826,996	4,487,754
Investment in Dealing Securities	45,320	46,705	46,858	227,040	306,710	201,357	132,066	60,257	39,740	39,740
Lease, Hire Purchase, Loans and Advances	8,413,092	14,485,926	25,931,647	48,130,085	60,967,186	71,680,227	74,030,750	70,082,305	71,066,766	68,567,137
Property, Plant and Equipment	290,505	557,661	607,580	1,212,183	1,421,201	1,574,347	1,812,095	3,131,139	3,126,825	3,457,055
Total Assets	10,244,294	18,285,191	31,643,210	59,026,607	72,494,365	85,721,370	90,119,003	89,142,633	89,862,177	91,129,873
<b>LIABILITIES</b>										
Deposits	6,925,890	13,155,609	22,855,779	43,231,212	50,381,350	54,637,126	55,858,727	53,936,319	48,948,642	47,989,537
Borrowings	1,517,721	2,796,157	4,251,989	5,071,069	5,709,210	11,271,748	11,250,383	14,374,366	18,946,897	22,302,676
Total Liabilities	9,259,724	16,831,846	28,340,201	53,056,876	64,480,168	75,025,477	77,215,198	76,316,667	75,366,000	75,733,517
<b>SHARE HOLDERS' FUNDS</b>										
Stated Capital	170,640	470,640	1,478,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640	2,150,640
Reserves	813,931	982,705	1,824,369	3,803,738	5,843,647	8,541,073	10,747,757	10,669,185	12,338,347	13,245,715
Total Share Holders' Funds	984,571	1,453,345	3,303,009	5,969,731	8,014,197	10,695,894	12,903,805	12,825,967	14,496,177	15,396,356
<b>RATIOS</b>										
Growth of Income (%)	119.49	62.29	74.45	65.93	43.12	21.37	9.02	1.84	-5.83	-26.20
Growth of Net Profit (%)	990.97	3.63	48.34	117.65	5.87	34.20	-18.43	3.68	-23.86	16.35
Interest Cover (times)	2.37	1.62	1.47	0.29	0.52	0.62	0.69	0.69	0.70	1.57
Net Assets Growth (%)	199.3	47.61	127.27	80.74	34.25	33.46	20.64	-0.60	13.02	6.2
Equity Assets Ratio (%)	9.61	7.95	10.44	10.11	11.05	12.48	14.32	14.39	16.13	16.89
Growth of Leases, Hire Purchases, Loans and Advances (%)	94.59	72.18	79.01	85.60	26.67	17.57	3.28	-5.33	1.40	-3.52
Return on Assets (%)	9.38	6.07	4.78	1.78	1.18	1.12	1.01	0.95	0.98	3.53
Return on Equity (%)	66.59	55.74	42.38	56.84	43.30	45.26	32.79	27.69	15.99	15.62
Total Assets to Share Holders' Funds (times)	10.40	12.58	9.58	9.89	9.05	8.01	6.98	6.95	6.20	5.92
Fixed Assets to Share Holders' Funds (times)	0.30	0.38	0.18	0.20	0.18	0.15	0.14	0.24	0.22	0.22
Net Asset per Share	4.51	6.10	11.55	18.76	25.20	33.63	40.57	40.32	45.57	48.40
Earning per Share	3.01	2.85	4.20	7.45	7.29	9.79	7.99	8.28	6.30	7.34
Dividend per Share	-	1.00	0.50	0.50	-	-	-	-	-	-

\* On 4th August 2014, Commercial Credit and Finance PLC acquired Trade Finance and Investments PLC and subsequently amalgamated with effect from 31st December 2020. Commercial Credit and Finance PLC continues as the surviving entity.

# Investor Information

## 1. Stock Exchange Listing

The ordinary shares of the Company listed on the Clombo Stock Exchange since 1 June 2011 and the Stock Exchange ticker symbol for Commercial Credit and Finance PLC is " COCR ".

## 2. Share Holder Base

The total number of (Ordinary Voting) shareholders as at 31 March 2021 were 1774 compared to 1629 shareholders as at 31 March 2020

## 3. Distribution Shareholders

Range of Shares	As at 31 March 2021			As at 31 March 2020		
	No of Shareholders	No of Shares	Percent of Shareholding	No of Shareholders	No of Shares	Percent of Shareholding
1 - 1,000	1,080	259,870	0.08%	1,001	237,218	0.07%
1,001 - 5,000	406	1,046,492	0.33%	361	913,751	0.29%
5,001 - 10,000	121	936,940	0.29%	111	886,999	0.28%
10,001 - 50,000	121	2,625,092	0.83%	114	2,508,560	0.79%
50,001 - 100,000	19	1,333,869	0.42%	14	976,409	0.31%
100,001 - 500,000	11	2,263,366	0.71%	12	2,741,888	0.86%
500,001 & Above	16	309,608,736	97.34%	16	309,809,540	97.40%
<b>Total</b>	<b>1,774</b>	<b>318,074,365</b>	<b>100.00%</b>	<b>1,629</b>	<b>318,074,365</b>	<b>100.00%</b>

## 4. Composition of Shareholders

Shareholders	As at 31 March 2021			As at 31 March 2020		
	No of Shareholders	No of Shares	Percent of Shareholding	No of Shareholders	No of Shares	Percent of Shareholding
Resident	1763	195,002,984	61.31%	1562	194,584,967	61.00%
Non- Resident	11	123,071,381	38.69%	67	123,489,398	39.00%
<b>Total</b>	<b>1,774</b>	<b>318,074,365</b>	<b>100.00%</b>	<b>1,629</b>	<b>318,074,365</b>	<b>100.00%</b>
Individual	1658	24,049,377	7.56%	1514	23,525,428	7.00%
Institution	116	294,024,988	92.44%	115	294,548,937	93.00%
<b>Total</b>	<b>1,774</b>	<b>318,074,365</b>	<b>100.00%</b>	<b>1,629</b>	<b>318,074,365</b>	<b>100.00%</b>

## 5. Top Twenty Shareholders

### Ordinary Voting Shares

As at 31 March 2021

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	1,942,429	0.61%
10	Mr. S B Hemachandra	1,796,320	0.56%
11	Mr. H N Hemachandra	1,796,070	0.56%
12	Mrs. S M Hemachandra	1,796,070	0.56%
13	Mr. N Y Hemachandra	1,795,000	0.56%
14	Mr. T K Hemachandra	1,555,689	0.49%
15	People's Leasing & Finance PLC / B G Investments (PVT) Ltd	602,079	0.19%
16	Mr. S K Semage	532,688	0.17%
17	DFCC Bank PLC / P.S.R. Casie Chitty	429,808	0.14%
18	Code-Gen International PVT LTD	405,000	0.13%
19	Mrs. L S Semage	403,237	0.13%
20	Mr. N A Peiris	200,000	0.06%
	<b>Sub Total</b>	<b>311,046,781</b>	<b>97.79%</b>
	Other	7,027,584	2.21%
	<b>Total</b>	<b>318,074,365</b>	<b>100.00%</b>

### 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%
	<b>Sub Total</b>	<b>311,450,864</b>	<b>97.92%</b>
	Other	6,623,501	2.08%
	<b>Total</b>	<b>318,074,365</b>	<b>100.00%</b>

## 6. Director's Shareholding

Name	As at 31 March 2021		As at 31 March 2020	
	No. of Shares	% of Holdings	No of Shares	% of Holdings
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. 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. L. L. S. Wickramasinghe	Nil	Nil	Nil	Nil
Ms. T. M. L. Paktsun	Nil	Nil	Nil	Nil

## 7. Share Information

	As at 31 March 2021	As at 31 March 2020
Net Asset per Share (LKR)	48.4	41.43
<b>Share Price</b>		
Highest (LKR)	31.00	31.00
Lowest (LKR)	20.00	18.00
Last Traded (LKR)	21.5	18.30
<b>Earnings</b>		
Basic Earning per share (LKR)	7.34	5.23
Price Earning Ratio (Times)	2.93	3.50
Dividend per share (LKR)	-	1.00
Dividend Payout Ratio	-	0.03
Number of Transactions	2,499	2,386
Market Capitalisation	6,838	5,821
Public Holding (%)	13.22	13.21
Float Adjusted Market Capitalisation - (LKR)	904,062,768	1,816,659,470

## 8. Debenture Information

	As at 31 March 2021	As at 31 March 2020
Debt/ Equity Ratio	4.91	4.93
Quick Asset Ratio	1.37	0.61
Interest Cover	1.57	1.20

8.1 Company issued LKR 1,000,000,000 Rated Subordinated Guranteed Redeemable Debentures for 5 years in June 2015. These debentures were listed on the Colombo Stock Exchange and matured on 10<sup>th</sup> June 2020

	As at 31 March 2021	As at 31 March 2020
Yield as at Date of last Trade	N/A	Not Traded
The Market Prices during the year		
Highest Price (LKR)	N/A	Not Traded
Lowest Price (LKR)	N/A	Not Traded
Last Traded Price (LKR)	N/A	Not Traded
Credit Rating (Instrument)	N/A	AA
Comparable Government Security Coupon Rate	N/A	9.81

8.2 Company issued LKR 2,000,000,000 Rated Subordinated Guranteed Redeemable Debentures for 5 years in December 2015. These debentures were listed on the Colombo Stock Exchange and matured on 09<sup>th</sup> December 2020

	As at 31 March 2021	As at 31 March 2020
Yield as at Date of last Trade	N/A	Not Traded
The Market Prices during the year		
Highest Price (LKR)	N/A	Not Traded
Lowest Price (LKR)	N/A	Not Traded
Last Traded Price (LKR)	N/A	Not Traded
Credit Rating (Instrument)	N/A	A+
Comparable Government Security Coupon Rate	N/A	9.81

8.3 Company issued LKR 1,287,590,000 Rated, Guranteed, Senior Redeemable Debentures for 5 years in March 2021. These debentures were listed on the Colombo Stock Exchange.

	As at 31 March 2021	As at 31 March 2020
Yield as at Date of last Trade	Not Traded	N/A
The Market Prices during the year		
Highest Price (LKR)	Not Traded	N/A
Lowest Price (LKR)	Not Traded	N/A
Last Traded Price (LKR)	Not Traded	N/A
Credit Rating (Instrument)	AA	N/A
Comparable Government Security Coupon Rate	9.00	N/A

# Glossary



## 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.



## 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.

## 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.

## 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 the 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 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.



### **Dealing Securities**

These are marketable securities acquired and held with the intention of 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



### **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 a 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**

This consists of issued and fully paid up ordinary shares and reserves.



### **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 another entity.



### 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.



### 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.



### Impairment

The value of an asset when the recoverable amount is less than its carrying amount.

### Impaired Loans

Loans where the Company 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.



### 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).



### **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 intended 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 percentage of an exposure that a lender expects to lose in the event of obligor default.



### **Market Capitalisation**

Number of ordinary shares in issue multiplied by the market value of a share as at a particular 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.



### **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 interest earning assets.

### **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 / Non-Performing Accommodations**

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).



### **Operational Risk**

The losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.



### **Parent**

An entity that controls one or more subsidiaries.

### **Price Earnings Ratio**

Market price of a share divided by the 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.]



### **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 after 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.



### **Segmental Analysis**

Analysis of Financial Information by loan product.

### **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 a 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 transactions and the events are governed by their financial reality and not merely by its legal form.



### **Total Risk Weighted Capital**

Supplementary capital that includes items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

# Notice of Meeting

NOTICE is hereby given that the Thirty Eighth (38<sup>th</sup>) Annual General Meeting of Commercial Credit and Finance PLC will be held as a Virtual Meeting hosted at Commercial Credit and Finance PLC, City Office, No. 165, Kynsey Road, Colombo 08 on 3<sup>rd</sup> September 2021 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 31<sup>st</sup> March 2021 and the Reports of the Auditors' and of the Directors' thereon.
2. To declare a Final Dividend of LKR. 1.50 (Rupees One and Cents Fifty only ) per share for the year ended 31<sup>st</sup> March 2021, as recommended by the Directors
3. Directors
  - (I) To re-elect Mrs. G.A.M. Edwards, Director who retires by rotation in terms of Articles 24(2) of the Articles of Association of the Company.
  - (II) To re-elect Mr. E.D.P. Soosaipillai, Director, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.
  - (III) To re-elect Mr. L.L.S. Wickremasinghe, Director, who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.
  - (IV) To re-elect Mr. P.S.R.C. Chitty, Director who retires by rotation in terms of Articles 24(6) of the Articles of Association of the Company.
4. 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.
5. To authorise the Directors to determine contributions to charities.
6. Any Other Business

By Order of the Board



Secretary  
Jacey & Company  
Secretaries Colombo

12<sup>th</sup> August 2021





# 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.P.S.R.C. CHITTY, whom failing, Mr. L.L.S.WICKREMASINGHE, whom failing, Ms. T.M.L. PAKTSUN, whom failing, Mrs. G.A.M. EDWARDS as my/our Proxy to represent me/us and \*..... to vote on my/our behalf at the THIRTY EIGHTH ANNUAL GENERAL MEETING of the Company to be held virtually on 3<sup>rd</sup> September 2021 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 31 <sup>st</sup> March 2021 and the Reports of the Auditors' and of the Directors' thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Final Dividend of LKR. 1.50 (Rupees One and Cents Fifty only ) per share for the year ended 31 <sup>st</sup> March 2021 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. Directors		
(I) To re-elect Mrs. G.A.M. Edwards, Director who retires by rotation in terms of Articles 24(2) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(II) To re-elect Mr. E.D.P. Soosaipillai, 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 Mr. L.L.S. Wickremasinghe, 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. P.S.R.C. Chitty, Director who retires by rotation in terms of Articles 24(6) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. 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"/>
5. To authorise the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand this .....day of .....Two 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

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at No.106, YatinuwaraVidiya, 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 Colombo 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

## City Office

No. 165, Kynsey Road, Colombo 08

## Telephone

+94 (0) 81 2 000 000 / +94 (0) 11 2 000 000

## Fax

+94 (0) 81 2 234 977 / +94 (0) 11 2 327882

## 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 Operating Officer)

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

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

Ms. G.A.M. Edwards-Independent Non-Executive Director (w.e.f. 1<sup>st</sup> July 2021)

## Company Secretary

Jacey & Company

No. 9/5, Thambiah Avenue, Colombo 07

## 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

DFCC Bank PLC

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Pan Asia Banking Corporation PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

## Board Audit Committee

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

Mr. E.D.P. Soosaipillai

Mr. L.L.S. Wickremasinghe

## Board Related Party Transactions Review Committee

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

Mr. P.S.R.C. Chitty

Mr. L.L.S. Wickremasinghe

## Board Integrated Risk Management Committee

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

Mr. R.S. Egodage

Mr. P.S.R.C. Chitty

Ms. T.M.L. Paktsun

Mr. M.A.D.J. Deshapriya- Executive Management Member

Mr. K.L.A. Senevirathne- Executive Management Member

Mr. M.L.D.N.Y. Madawala- Executive Management Member

Mr. K.A. Buddhika- Senior Management Member

Mr. O.M.A. Sampath - Senior Management Member

## Board Remuneration Committee

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

Mr. R.S. Egodage

Ms. T.M.L. Paktsun

## Board Nomination Committee

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

Mr. R. S. Egodage

Mr. L. L. S. Wickremasinghe

Mr. P.S.R.C. Chitty



Commercial Credit and Finance PLC  
[www.cclk.lk](http://www.cclk.lk)