INDEPENDENT AUDITOR'S REPORT

Building a better working world

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PNS/DW/AD

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SARVODAYA DEVELOPMENT FINANCE LIMITED

Report on the audit of the financial statements

OPINION

We have audited the financial statements of Sarvodaya Development Finance Limited ("the Company), which comprise the statement of financial position as at 31 March 2021, and the statement of Profit or Loss and Other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

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

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.

INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

Ernst & Young

14th July 2021
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March,	Notes	2021 Rs.	2020 Rs.
Income	5	1,743,539,205	1,802,435,773
Interest Income		1,584,744,640	1,681,678,539
Interest Expenses		(623,347,022)	(750,116,462)
Net Interest Income	6	961,397,618	931,562,077
Net Fee and Commission Income	7	35,856,002	29,580,891)
Other Operating Income	8	122,938,563	91,176,343
Total Operating Income		1,120,192,183	1,052,319,311
Impairment Charges for Loans and Other Losses	9	(60,091,862)	(119,317,776)
Net Operating Income		1,060,100,321	933,001,535
Operating Expenses			
Personnel Expenses	10	(374,095,908)	(356,879,823)
Depreciation of Property, Plant and Equipment		(37,102,566)	(40,442,919)
Amortisation of Intangible Assets		(10,055,835)	(13,285,897)
Other Operating Expenses	11	(282,648,941)	(290,302,786)
Operating Profit before Tax on Financial Services		356,197,071	232,090,111
Tax on Financial Services	12	(89,362,305)	(108,022,553)
Profit/(Loss) before Taxation		266,834,766	124,067,558
Income Tax Expenses	14	(83,478,023)	(22,351,216)
Profit/(Loss) for the Year		183,356,743	101,716,342
Other Comprehensive Income			
Actuarial Gains/(Losses) on Defined Benefit Plans	30	(13,647,141)	(2,062,826)
Gain/(Loss) due to changes in Assumptions	30	(6,755,239)	(4,302,064)
Deferred Tax (Charge)/Reversal on above items		4,896,571	1,782,169
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		(15,505,809)	(4,582,721)
Surplus from Revaluation of Property, Plant & Equipment		18,050,000	-
Deferred Tax Effect on Surplus from Revaluation of Property, Plant & Equipment		(4,332,000)	-
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		13,718,000	-
Other Comprehensive Income for the Year, Net of Tax		(1,787,809)	(4,582,721)
Total Comprehensive Income/(Expenses) for the Year		181,568,935	97,133,622
Basic Earnings Per Share (Rs)			
Earning per Share - Basic *	14	2.55	1.51

* Calculated based on profit/(loss) for the year
Accounting Policies and Notes from pages 163 to 207 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March,	Notes	2021 Rs.	2020 Rs.
Assets			
Cash and Cash Equivalents	17	130,870,989	73,226,394
Loans and Receivables	18	4,954,331,169	5,230,704,947
Lease Rentals Receivables	19	2,952,368,025	1,702,847,496
Financial Investments	20	374,591,188	444,939,031
Other Financial Assets	21	779,506	164,535,666
Other Non Financial Assets	22	99,226,178	142,043,956
Intangible Assets	23	5,055,287	15,111,123
Investment Property	24	215,678,750	126,094,500
Property, Plant and Equipment	25	160,884,369	146,268,040
Right-of-use Lease Assets	26	142,812,343	169,444,369
Total Assets		9,036,597,804	8,215,215,520
Liabilities			
Due to Banks and Other Institutions	27	1,729,624,109	1,595,035,613
Due to Customers	28	4,551,945,183	5,101,975,953
Other Non Financial Liabilities	29	282,552,100	99,220,587
Post Employment Benefit Liability	30	55,828,613	33,753,016
Current Tax Liabilities	31	53,665,325	(1,210,738)
Lease Creditor	32	161,198,954	171,735,097
Deferred Tax Liabilities	33	20,398,293	19,026,724
Total Liabilities		6,855,212,578	7,019,536,253
Shareholders' Funds			
Stated Capital	34	1,694,137,046	890,000,020
Retained Earnings	35	326,655,945	195,476,359
Reserves	36	160,592,235	110,202,886
Total Shareholders' Funds		2,181,385,226	1,195,679,266
Total Liabilities and Shareholders' Funds		9,036,597,804	8,215,215,520
Net Assets Value per Share		20.95	17.71
Commitments and Contingencies	39	7,689,916	9,365,100

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Mahesh Jayasanka
Chief Manager - Finance

Nilantha Jayanetti
Chief Executive Officer

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board of Directors by;

Channa de Silva
Chairman

Chamindha Rajakaruna
Director

Accounting Policies and Notes from pages 163 to 207 form an integral part of these Financial Statements.

14 July 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserves Rs.	Revaluation Reserves Rs.	Total Equity Rs.
Balances as at 31 March 2019	890,000,020)	118,686,006	47,062,857	42,796,761	1,098,545,643)
Profit for the Year	-	101,716,342	-	-	101,716,342
Other Comprehensive Income	-	(4,582,721)	-	-	(4,582,721)
Transfer to Statutory Reserves Fund	-	(20,343,268)	20,343,268	-	-
Balances as at 31 March 2020	890,000,020	195,476,359	67,406,125	42,796,761	1,195,679,265
Profit for the Year	-	183,356,743	-	-	183,356,743
Other Comprehensive Income	-	(15,505,809)	-	13,718,000	(1,787,809)
Transfer to Statutory Reserves Fund	-	(36,671,349)	36,671,349	-	-
Share Issue	806,113,000	-	-	-	806,113,000
Expenses related to the Share Issue	(1,975,974)	-	-	-	(1,975,974)
Balances as at 31 March 2021	1,694,137,046	326,655,944	104,077,474	56,514,761	2,181,385,226

Accounting Policies and Notes from pages 163 to 207 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March,	Notes	2021 Rs.	2020 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		266,834,766	124,067,558
Adjustments for			
Impairment Provision	9	50,884,654	119,317,776
Changing Fare Value of Investment Property		(89,584,250)	-
Reversal of Provision of Loan Risk Assurance Benefit Fund		-	(1,030,125)
Loss/(Profit) on Disposal of Property, Plant and Equipment		(267,857)	(7,832,178)
Provision for Defined Benefit Plans	10	12,491,938	10,733,365
Depreciation of Property, Plant and Equipment	25.1.2	37,102,566	40,442,919
Amortisation of Intangible Assets		10,055,835	13,285,897
Amortisation of Roght to Use Assets		62,944,563	64,930,508
Interest Expenses on Lease Creditor		23,920,090	24,057,148
Operating Profit before Working Capital Changes		374,382,306	387,972,868
(Increase)/Decrease in Loans and Receivables	18	233,886,268	(160,271,308)
(Increase)/Decrease in Lease Rentals Receivables	19	(1,257,917,674)	(676,290,858)
(Increase)/Decrease in Other Financial Assets		163,756,160	24,740,982
(Increase)/Decrease in Other Non Financial Assets		42,817,778	2,380,344
Increase/(Decrease) in Amounts Due to Customers	28	(550,030,770)	(283,365,644)
Increase/(Decrease) in Other Non Financial Liabilities		183,374,104	22,559,165
Cash Generated from Operations		(809,731,828)	(736,337,871)
Retirement Benefit Liabilities Paid		(10,818,721)	(10,557,304)
Net Collection of LRAB Fund		(42,591)	370,125
Income Tax Paid	31	(26,665,820)	25,936,026
Repayment of Lease Creditor		(70,768,771)	(86,796,291)
Net Cash From/(Used in) Operating Activities		(918,027,731)	(807,385,315)
Cash Flows from / (Used in) Investing Activities			
Sales of Property, Plant and Equipment		494,697	8,015,000
Acquisition of Property, Plant and Equipment	25.1.1	(33,895,737)	(23,735,187)
Acquisition of Intangible Assets		-	(1,388,891)
Financial Investments		70,347,843	(2,343,771)
Net Cash Flows from/(Used in) Investing Activities		36,946,804	(19,452,848)
Cash Flows from / (Used in) Financing Activities			
Funds received from bank and other institutional borrowings	27.2	1,293,108,000	990,494,489
Repayment of bank and other institutional borrowings	27.2	(1,177,148,099)	(398,338,806)
Funds Received from Share Issue		804,137,026	-
Net Cash Flows from/(Used in) Financing Activities		920,096,928	592,155,683
Net Increase in Cash and Cash Equivalents		39,016,000	(234,682,480)
Cash and Cash Equivalents at the beginning of the year		(135,354,147)	99,328,332
Cash and Cash Equivalents at the end of the year	A	(96,338,146)	(135,354,147)
A. Cash and Cash Equivalents at the end of the year			
Favorable Cash & Cash Equivalents		130,870,989	73,226,394
Unfavorable Cash & Cash Equivalents		(227,209,135)	(208,580,540)
Total Cash and Cash Equivalents at the end of the year	18	(96,338,146)	(135,354,147)

Accounting Policies and Notes from pages 163 to 207 form an integral part of these Financial Statements.

CORPORATE INFORMATION

1.1 General

Sarvodaya Development Finance Limited (The 'Company') is a public limited liability company incorporated and domiciled in Sri Lanka and is a Registered Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto.

The registered office of the Company is located at No 155/A, Dr. Danister De Silva Mawatha, Colombo 08 and the principal place of business is situated at the same place.

The Company's parent undertaking is Sarvodaya Economic Enterprises Development Services (Gte) limited, which is also the Company's ultimate Parent.

1.2 Principal Activities of the Company

The principal activities of the Company consist of Acceptance of Deposits, Granting Micro Finance Loans, SME Loan, Leasing, Housing Loans, Business Loans, Gold Loan and other credit facilities and related services.

1.3 Approval of the Financial Statements

The Financial Statements of the Company for the year ended 31 March 2021 (including comparatives) have been approved and authorized for issue by the Board of Directors on 14th July 2021.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Statement of Compliance

The Financial Statements of the Company which comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Significant Accounting Policies and Notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs) laid down 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 presentation of Financial Statements is also in compliance with the requirements of Finance Business Act No. 42 of 2011 and amendments thereto.

2.2. Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company, in compliance with the provisions of the Companies Act No. 07 of 2007 and SLFRSs/LKASs.

The Board of Directors acknowledges their responsibility as set out in the 'Report of the Board of Directors on the Affairs of the Company', 'Directors' Responsibility for Financial Reporting' and 'Directors' Statement on Internal Control over Financial Reporting' and the certification given on the 'Statement of Financial Position' of the Annual Report.

These Financial Statements include

The Statement of Profit or Loss and Other Comprehensive Income provides the information on the performance for the year under review (Refer page 159). Statement of Financial Position provides the information on the financial position of the Company as at the yearend (Refer page 160). Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company (Refer page 161). Statement of Cash Flows provides the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs for entities to utilize those cash flows (Refer page 162) and Notes to the Financial Statements, which comprises of the Accounting Policies and other explanatory notes and information (Refer pages 163 to 207).

2.3. Preparation of Financial Statements

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position:

Name	Basis of Measurement	Note Number/s	Page Number/s
Land & buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	Note 25.2	Page 185
Defined benefit obligations	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	Note 30	Page188
Investment Properties	Measured at fair value at the time of transferred from Property, plant & Equipment.	Note 24	Page 182

2.4. Presentation of Financial Statements

The Company present its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery and settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 37 to these Financial Statements.

2.5. Use of Materiality, Aggregation, Offsetting and Rounding

Materiality and Aggregation

In compliance with Sri Lanka Accounting Standards – LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by an Accounting Standard.

Rounding

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

2.6. Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency, unless indicate otherwise. No adjustments have been made for inflationary factors.

2.7. Going Concern

The Board of Directors of the Company has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Company has submitted a 5-year strategic business plan to the CBSL as a requirement of the proposed finance sector consolation process to become a 20 Bn assets company in 2026. To comply with the CBSL core capital requirement, the CBSL has approved an Initial Public Offer (IPO) requested by the Company to raise balance core capital requirements. The Financial Statements of the Company continue to be prepared on the going concern basis.

2.8. Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

GENERAL ACCOUNTING POLICIES

Accounting policy relating to each accounting topic is given along with the relevant note to the Financial Statements. The other significant accounting policies are described below;

Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the accounting policies of the Company, management is required to make judgments, which may have significant effects on the amounts recognized in the Financial Statements. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation of uncertainty at the date of the Statement of the Financial Position that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

The key significant accounting judgments, estimates and assumptions involving uncertainty for each type of assets, liabilities, income and expenses along with the respective carrying amounts of such items are given in the Notes to these Financial Statements are as follows

- Allowance for Impairment Charges for Loans and Receivables (Details under note 3.3.2)
- Deferred Taxation (Details under note 33)
- Post-Employment Benefit Liability (Details under note 30)
- Related Party Transactions (Details under note 41)

3. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION, CLASSIFICATION AND SUBSEQUENT MEASUREMENT

3.1.1 Date of Recognition

All financial assets and liabilities 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". Regular way trade means purchases or sales of financial assets with in the time frame generally established by regulation or convention in the market place.

3.1.2 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. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for "Day 1 profit or loss", as described below.

3.1.3 '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 Income Statement over the tenor of the financial instrument using effective interest rate 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 Income Statement when the inputs become observable, or when the instrument is derecognised.

3.1.4 Measurement categories of Financial Assets and Financial Liabilities

As per SLFRS 09, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

3.1.5 Business model assessment

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

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 risks 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 values 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 Company'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 Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.1.6 Contractual Cash Flow Characteristic Test (The SPPI test)

As a second step of its classification process, the Company assesses the contractual terms of financial 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 asset (for example, if there are repayments of principal or amortisation of the premium/discount).

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

In contrast, contractual terms of 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.

3.1.7 Reclassification of Financial Assets and Financial Liabilities

As per SLFRS 09, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 09.

3.1.8 Derecognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired.

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

3.1.9 Modification of Financial Assets and Financial Liabilities

If the terms of a financial asset are modified, an assessment needs to be performed to determine whether the modified terms are substantially different from the existing terms. This assessment considers whether the cash flows of the modified asset are substantially different. Where terms are substantially different, the existing financial asset will be derecognised and a new financial asset will be recognised at fair value.

Modifications to the original terms and conditions of the loans due to the above COVID-19 moratoriums, did not result in derecognition of the original loans as the Management concluded that the modifications were substantial. The Company recognises the interest income on gross carrying amount based on the effective interest rate for the moratorium period and after the moratorium period till the end of the lifetime of the instrument.

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. In this case, a new financial liability based on the modified terms is recognised at fair value.

3.1.10 Due to Banks and other institutions

After initial measurement, due to banks are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

Currently, the Company has recorded due to banks as Financial Liabilities at Amortised Cost in the form of Overdrafts term loans and short term loans.

3.2 Impairment of Financial Assets

3.2.1 Overview of the expected credit loss (ECL) principles

The Company recognises expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance 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 allowance 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 42.4.1.(b).

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

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company established a policy to perform as 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. Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 01

When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 01 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 02.

Stage 02

When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 03.

Stage 03:

Loans considered credit-impaired. The Company records an allowance for the LTECLs.

3.2.2 The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD : The probability of Default 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.

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise expected draw downs on committed facilities, and accrued interest from missed payments.

LGD: The Loss Given Default 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 mechanism of the ECL method are summarised below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that represent the ECLs that result from default events on a financial instrument that are possible with in the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

3.2.3 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

3.2.4 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 (%)
- Inflation (YoY Average)
- Interest Rate (PLR
- Unemployment (% of Labor Force)

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 adjustments when such differences are significantly material.

3.2.5 Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

3.2.6 Renegotiated Loans

The Company makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renotiated 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. Renegotiated loans 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 the terms. It is the Company's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 renegotiated asset until it collected or written off.

From 1 April 2019,when the loan has been renegotiated or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 45.2 The Company also considers whether the assets should be classified as Stage 3.

3.2.9 Write-off of Financial Assets at Amortised Cost

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

3.2.10 Collateral Valuation

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

The assessed fair value of the immovable properties does not consider for measurement of regulatory provisions for bad and doubtful debts as per Direction No 03 of 2006 and subsequent amendments thereto issued by CBSL.

3.2.11 Collateral repossessed

The Company's accounting policy under SLFRS 9 remains same as it was under LKAS 39.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 will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

3.2.12 Non-Accrual Receivables

Cessation of Interest income recognition is triggered out when the receivables are more than six months in arrears, receivables are subject to legal action/ ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

3.2.13 Measurement Uncertainty and Sensitivity Analysis of ECL Estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation including estimation of Probabilities of Default (PD), Loss Given Default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of Exposures at Default (EAD) and assessing significant increases in credit risk. This becomes more complex, particularly in times of economic volatility and uncertainty. The Company form multiple economic scenarios based on economic forecasts to estimate future credit losses and to determine an unbiased ECL estimate. Management judgements are used to address the data and model limitations and expert credit judgements.

Methodology

The Company have been used three scenarios at multiple confidence levels to capture the exceptional nature of the current economic environment and to simulate management's view of the range of potential outcomes. The range of forecasts are generated through the model due to the uncertainty caused by COVID-19 and resultant restrictions on mobility and economic activities.

Economic forecasts are subject to a high degree of uncertainty in the current environment. Limitations of forecasts and economic models require a greater reliance on management judgement in addressing both the error inherent in economic forecasts and in assessing associated ECL outcomes.

ECL Scenarios and Sensitivity Analysis of Allowance for Impairment Losses

As expected, the scenarios create differing impacts on ECL and the impacts are deemed reasonable. In this simulation, it is assumed that existing modelled relationships between key economic variables and loss drivers hold, but in practice other factors would also have an impact, for example, potential customer behaviour changes and policy changes by lenders that might impact on the wider availability of credit.

Management Judgemental Adjustments

The governmental support programmes and customer payment reliefs have dislocated the correlation between economic conditions and defaults on which models are based. The Company recognised that the Management judgemental adjustments are required to help ensure that an appropriate amount of ECL impairment is recognised. Although the granting of the customer reliefs as directed by governmental and CBSL support programmes do not necessarily indicate that the credit risk of those facilities have significantly increased nor credit impaired. However, the management judged that the PDs applicable for credit impaired facilities to be applied in calculating the ECL for these facilities that are in stage 01 and stage 02.

4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, upto the date of issuance of Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to SLFRS 09, LKAS 39, SLFRS 07, SLFRS 04 and SLFRS 16: Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments) & Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments Recognition & Measurement) provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/ or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 1 January 2021.

Amendments to SLFRS 16: COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying Sri Lanka Accounting Standard - SLFRS 16 (Leases) guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020.

None of the new or amended pronouncements are expectedto have a material impact on the Financial Statements of the Group in the foreseeable future.

5. INCOME

Gross income (Revenue) is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are given under the respective income notes.

Year ended 31 March	2021 Rs.	2020 Rs.
Interest Income	1,584,744,640	1,681,678,539
Net Fee and Commission Income	35,856,002	29,580,891
Other Operating Income (net)	122,938,563	91,176,343
Total Income	1,743,539,205	1,802,435,773

Recognition of interest income for credit facilities under moratoriums

The ajdusted EIR has been applied for the moratorium granted facilities to recognise interest income till the end of the lifetime of the instrument.

6. NET INTEREST INCOME

Accounting Policy

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 specific recognition criteria must also be met before revenue is recognised.

The Company use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 09. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the Financial Asset or Financial Liability

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

Year ended 31 March	2021 Rs.	2020 Rs.
6.1 Interest Income		
Loans and Receivables	993,024,757	1,263,494,470
Lease Rentals Receivables	553,963,114	357,115,232
Financial Investments	24,195,687	40,686,088
Savings Deposits	2,925,060	1,496,777
Other Financial Assets	10,636,021	18,885,971
Total Interest Income	1,584,744,640	1,681,678,539
6.2 Interest Expenses		
Due to Bank and Other Institution	162,008,088	179,260,061
Due to Customers	437,418,843	546,799,253
Interest Expense on Lease Creditor	23,920,090	24,057,148
Total Interest Expenses	623,347,022	750,116,462
Net Interest Income	961,397,618	931,562,077

7. NET FEE AND COMMISSION INCOME

Accounting Policy
The Company earns fee and commission income from a diverse range of services it provides to its customers.
The Company recognises Fee and Commission income net of directly attributable expenses.

Credit Related Fees and Services
Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, CRIB charges, Insurance commission and Other credit related changes.

Other Fee and Commission Expense
Other Fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expense are recognised on an accrual basis.

7.1 Fee and Commission Income

Year ended 31 March	2021 Rs.	2020 Rs.
Credit Related Fees and Commissions	19,306,211	18,702,957
Documentation Charges	24,614,575	25,697,061
Service Charge	7,976,258	10,207,124
Total Fee and Commission Income	51,897,044	54,607,141

7.2 Fee and Commission Expenses

Year ended 31 March	2021 Rs.	2020 Rs.
Credit Related Fees and Commissions	8,473,038	15,226,578
Documentation Charges	146,198	278,571
Service Charge	7,421,806	9,521,101
Total Fee and Commission Expenses	16,041,042	25,026,250
Total Net Fee and Commission Income	35,856,002	29,580,891

8. OTHER OPERATING INCOME

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

Other operating income includes recoveries of written-off loans and receivables, gains from property, plant & equipments and reversal of provision of Loan Risk Assurance Benefit Fund.

Year ended 31 March	2021 Rs.	2020 Rs.
Recoveries of Written-Off Loans & Receivables	18,955,297	56,319,546
Profit/(Loss) on Disposal of Property Plant & Equipment	267,857	7,832,178
Change Fare Value of Investment Property	89,584,250	-
Reversal of Provision of Loan Risk Assurance Benefit Fund	-	1,030,125
Other Sundry Income (Note 8.1)	14,131,158	25,994,493
Total Other Operating Income	122,938,563	91,176,343

8.1 Other Sundry Income included savings accounts threshold charges, office rent re-imbursements, stationery income and other.

9. IMPAIRMENT CHARGES /(REVERSAL) FOR LOANS AND OTHER LOSSES

Accounting Policy
The Company recognises the changes in the impairment provisions for loans and lease receivables and other customers, which are assessed as per the LKAS 9: Financial Instruments. The methodology adopted by the Company is explained in Note 3.2.2 to these Financial Statements.

Year ended 31 March	2021 Rs.	2020 Rs.
Loans and Receivables	42,487,510	43,085,692
Finance Lease Rental Receivables	8,397,145	76,094,285
Provision for Other Assets	9,207,207	137,798
Total Impairment Charges for Loans and Other Losses	60,091,862	119,317,776

Changes in Accountong Policies
The Company has changed the portfolio segmentation strategy to maintain more product provision cover between secured and unsecured portfolio.

Recognition of interest income for credit facilities under moratoriums
The ajdusted EIR has been applied for the moratorium granted facilities to recognise interest income till the end of the lifetime of the instrument.

10. PERSONNEL EXPENSES

Accounting Policy
Personnel costs includes salaries and bonus, other staff related expenses, terminal benefit charges and other related expenses. The provisions for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' Provident Fund and Employees' Trust Fund
Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively.

Contributions to defined benefit plans are recognised in the Statement of profit or Loss and other comprehensive income based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19, Defined benefit Obligations.

Year ended 31 March	2021 Rs.	2020 Rs.
Salaries and Other Related Expenses	323,350,593	312,413,478
Employer's Contribution to Employees' Provident Fund	24,383,353	23,587,300
Employer's Contribution to Employees' Trust Fund	6,095,373	5,896,825
Gratuity Charge for the Year	12,491,938	10,785,865
Other Staff Related Expenses	7,774,651	4,196,354
Total Personnel Expenses	374,095,908	356,879,823

11. OTHER OPERATING EXPENSES

Accounting Policy

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

Year ended 31 March	2021 Rs.	2020 Rs.
Directors' Emoluments	7,576,000	7,454,305
Auditors Remuneration	3,282,876	2,029,874
Professional and Legal Expenses	3,207,802	2,274,528
Deposit Insurance Premium	6,605,953	6,898,474
General Insurance Expenses	5,177,963	4,420,263
Office Administration and Establishment Expenses	182,851,422	201,765,609
Traveling & Transport Expenses	32,591,090	35,978,600
Other Expenses	6,775,302	5,218,327
Marketing and Promotional Expenses	34,580,533	24,262,806
Total Other Operating Expenses	282,648,941	290,302,786

Crop Insurance Levy

As per provisions of the Section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 01 April 2013 and is payable to the National Insurance Trust Fund. Currently, the crop insurance levy is payable at 1 percent of profit after tax.

12. TAX ON FINANCIAL SERVICES

Accounting Policy

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT and NBT on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits. VAT on Financial Services is charged at 15%.

Nations Building Tax (NBT) on Financial Services

As per provisions of the Nation Building Tax (NBT) Act No 9 of 2009 and amendments thereto, NBT on Financial Services was payable at 2% on Company's value additions attributable to financial services with effect from 1 January 2014. The value addition attributable to financial service is same as the value using to calculate VAT on Financial Services.

As per Notice published by the Department of Inland Revenue dated 29 November 2019, NBT was abolished with effect from 1 December 2019.

Debt Repayment Levy

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

As per notice published by the Department of Inland Revenue dated 20 January 2020, DRL was abolished with effect from 1 January 2020.

Year ended 31 March	2021 Rs.	2020 Rs.
Value Added Tax on Financial Services	88,994,892	70,959,752
National Building Tax on Financial Services	367,413	6,082,516
Debit Repayment Levy	-	30,980,285
Total Tax on Financial Services	89,362,305	108,022,553

13. INCOME TAX EXPENSES

Accounting Policy
As per the Sri Lanka Accounting Standard - LKAS 12 on Income Taxes, the tax expense/tax income is the aggregate amount included in determination of profits or loss for the period in respect of income tax and deferred tax. The tax expense/Income is recorded in the Statement of Profit or Loss expect to the extent it relates to items recognized directly in Equity or Statement of Comprehensive Income (OCI), in which case it is recognized in Equity or OCI.

Current Taxation
Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in Note 13.1 to these Financial Statements.

Deferred Taxation
Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 32 to the financial statements.

The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. The regulatory income tax rate is 24% and it was changed as 24% with effect from 1 January 2020 (Up to 31 December 2019 - 28%).

The components of the income tax expense for the years ended 31 March 2021 and 2020 are:

Year ended 31 March	2021 Rs.	2020 Rs.
Income Taxation		
Taxation based on Profits for the Year (Note 13.1)	77,582,750	19,554,842
Under/(Over) Provision of Current Taxes in respect of Previous Years	3,959,133	7,045,386
Deferred Taxation		
Transfers to/(from) Deferred Taxation (Note 33.2)	1,936,139	(4,249,013)
Total Tax Expenses	83,478,023	22,351,216

13.1 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 are as follows.

Year ended 31 March	2021 Rs.	2020 Rs.
Profit Before Tax	266,834,766	124,067,558
Add : Disallowable Expenses	214,426,153	264,584,242
Taxable Loss on Leasing Business	21,551,337	(8,737,906)
Adjustment on SLFRS 16	12,591,312	8,778,731
Less: Tax Deductible Expenses	(94,623,249)	(135,464,188)
Disallowable Income	(97,518,861)	(92,679,503)
Adjusted Profit / (Loss) for Tax Purposes	323,261,459	160,548,934
Assessable Income	323,261,459	160,548,934
Less - Allowable Losses	-	(88,123,592)
Taxable Income	323,261,459	72,425,342
Income Tax @ 28%	-	15,209,322
Income Tax @ 24%	77,582,750	4,345,521
Income Tax on Current Year's Profit	77,582,750	19,554,842

13.2 Under/(Over) Provision of Current Taxes in respect of Previous Years

The Company recorded an income tax under provision Rs 1,414,475/- for Y/A 2019/20 based on the submitted annual tax return. and the balance tax Rs. 2,644,658/- provided for the possible tax adjustments on recent issued tax assessments.

14. EARNINGS PER SHARE

Accounting Policy

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as required by the Sri Lanka Accounting Standard No. 33 (LKAS 33) on 'Earnings per Share':

Year ended 31 March	2021 Rs.	2020 Rs.
Amount used as the numerator		
Profit attributed to ordinary shareholders (Rs.)	183,356,743	101,716,342
Amount used as the denominator		
Weighted average number of ordinary shares as at the date of the Statement of Financial Position for basic EPS calculation	71,894,661	67,500,006
Weighted average basic Earnings per Share (Rs.)	2.55	1.51

15. DIVIDEND PAID AND PROPOSED

The Board of Directors did not recommend distribution of dividend for the year ended 31 March 2021.

16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised.The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments.

16.1 Analysis of Financial Instruments by Measurement Basis

As at 31 March	2021		2020	
	Amortised Cost Rs.	Total Rs.	Amortised Cost Rs.	Total Rs.
Financial Assets				
Cash and Cash Equivalents	130,870,989	130,870,989	73,226,394	73,226,394
Loans and Receivables	4,954,331,169	4,954,331,169	5,230,704,947	5,230,704,947
Lease Rentals Receivables	2,952,368,025	2,952,368,025	1,702,847,496	1,702,847,496
Financial Investments	374,591,188	374,591,188	444,939,031	444,939,031
Other Financial Assets	779,506	779,506	164,535,666	164,535,666
Total Financial Assets	8,412,940,877	8,412,940,877	7,616,253,533	7,616,253,533
Financial Liabilities				
Due to Banks and Other Institutions	1,729,624,109	1,729,624,109	1,595,035,613	1,595,035,613
Due to Customers	4,551,945,183	4,551,945,183	5,101,975,953	5,101,975,953
Total Financial Liabilities	6,281,569,293	6,281,569,293	6,697,011,566	6,697,011,566

17. CASH AND CASH EQUIVALENTS

Accounting Policy
Cash and cash equivalents for the purpose of reporting in the Statement of Financial Position, comprise of cash in hand and balances with banks. The cash in hand comprises of local currency only.

As at 31 March	2021 Rs.	2020 Rs.
Cash in Hand	47,538,601	34,089,998
Balances with Banks	83,332,388	39,136,396
Total Cash and Cash Equivalents	130,870,989	73,226,394

17.1 Net cash and Cash Equivalents for the Purpose of the Cash Flow Statement
For the purpose of cash flow statement, cash and cash equivalents consist of cash in handand deposits in banks net of outstanding bank overdrafts.

Favorable Cash & Cash Equivalents (Note 17)	130,870,989	73,226,394
Unfavorable Cash & Cash Equivalents (Note 27)	(227,209,135)	(208,580,540)
Cash & Cash Equivalents for Cash Flow Purposes	(96,338,146)	(135,354,146)

18. LOANS AND RECEIVABLES

Accounting Policy
Loans and receivables include financial assets measured at amortized cost if both following conditions are made ;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding

After initial measurement loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The losses arising from impairment are recognised in ‘impairment (charge)/reversal on loans and other losses’ in the statement of comprehensive income.

As at 31 March	2021 Rs.	2020 Rs.
Gross Loan and Receivables	5,290,108,288	5,523,994,556
Less : Allowance for Impairment Charges for Loans and Receivables (Note 18.1)	(335,777,119)	(293,289,609)
Net Loans and Receivables	4,954,331,169	5,230,704,947

18.1 Analysis of loans and receivables on maximum exposure to credit risk

As at 31 March 2021	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Collective Impared loans and receivables	2,035,974,246	940,557,251	2,313,576,790	5,290,108,288
Gross Loan and Receivable	2,035,974,246	940,557,251	2,313,576,790	5,290,108,288
Allowance for expected credit losses (ECL)	(28,104,183)	(25,919,324)	(281,753,612)	(335,777,119)
	2,007,870,063	914,637,927	2,031,823,179	4,954,331,169

18.2 Analysis of loans and receivables on maximum exposure to credit risk

As at 31 March 2020	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Collective Impared loans and receivables	3,206,499,229	830,138,581	1,487,356,746	5,523,994,556
Gross Loan and Receivable	3,206,499,229	830,138,581	1,487,356,746	5,523,994,556
Allowance for expected credit losses(ECL)	(58,248,938)	(41,976,964)	(193,063,707)	(293,289,609)
	3,148,250,291	788,161,617	1,294,293,039	5,230,704,947

18.3 Allowance for Impairment Charges for Loans and Receivables

Reversal of Impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the financial asset impairment allowance account accordingly. The write-back is recognised in the statement of comprehensive income.

As at 31 March	2021 Rs.	2020 Rs.
Allowance for Impairment Losses on Loans & Receivables		
Balance as at Being of the Year	293,289,609	250,066,119
Charge for the Year	42,487,510	43,223,490
Amounts Written Off	-	-
Balance as at End of the Year	335,777,119	293,289,609
Individual Impairment	-	-
Collective Impairment	335,777,119	293,289,609
Total	335,777,119	293,289,609

18.4 Movement in allowance for expected credit losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2020	58,248,938	41,976,964	193,063,707	293,289,609
Charge/ (Reversal) to income statement	(30,144,755)	(16,057,640)	88,689,904	42,487,510
Write-off during the year	-	-	-	-
Balance as at 31st March 2021	28,104,183	25,919,324	281,753,612	335,777,119

19. LEASE RENTALS RECEIVABLE

Accounting Policy

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

Lease rental receivable include financial assets measured at amortized cost if both following conditions are made ;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding

After initial measurement, lease rental receivable is subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of Profit or Loss.

As at 31 March	2021 Rs.	2020 Rs.
19.1 Lease Rentals Receivable		
Gross Lease Rentals Receivables	4,403,506,362	2,635,271,050
Less: Unearned Income	(1,312,510,230)	(802,192,592)
Total Lease Rentals Receivables	3,090,996,132	1,833,078,458
(Less): Allowance for Impairment Charges (Note 20.5)	(138,628,108)	(130,230,964)
Net Lease Rentals Receivables	2,952,368,025	1,702,847,496

19.2 Analysis of loans and receivables on maximum exposure to credit risk

As at 31 March 2021	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Collective Impared loans and receivables	1,515,792,769	692,364,381	882,838,982	3,090,996,132
Less - Allowance for expected credit losses (ECL)	(28,566,093)	(16,235,244)	(93,826,770)	(138,628,108)
	1,487,226,675	676,129,137	789,012,212	2,952,368,026

19.3 Analysis of loans and receivables on maximum exposure to credit risk

As at 31 March 2020	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Collective Impared loans and receivables	994,966,920	502,844,238	335,267,300	1,833,078,458
Less - Allowance for expected credit losses (ECL)	(17,990,868)	(28,179,267)	(84,060,828)	(130,230,964)
	976,976,052	474,664,971	251,206,471	1,702,847,496

19.4 Maturity of Lease Rentals Receivables

As at 31 March 2021	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Gross Lease Rental Receivables	1,456,789,309	2,946,717,053	-	4,403,506,362
Less: Unearned Income	(378,905,381)	(933,604,849)	-	(1,312,510,230)
Total Lease Rental Receivables	1,077,883,928	2,013,112,204	-	3,090,996,132
(Less): Allowance for Impairment Charges (Note 20.5)	(75,648,907)	(62,979,201)	-	(138,628,108)
Net Lease Rentals Receivables	1,268,320,657	1,950,133,004	-	2,952,368,026

19.5 Maturity of Lease Rentals Receivables

As at 31 March 2020	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Gross Lease Rental Receivables	895,952,803	1,739,318,247	-	2,635,271,050
Less: Unearned Income	(279,173,975)	(523,018,617)	-	(802,192,592)
Total Lease Rental Receivables	616,778,828	1,216,299,630	-	1,833,078,458
(Less): Allowance for Impairment Charges (Note 20.2)	(70,341,185)	(59,889,779)	-	(130,230,964)
Net Lease Rentals Receivables	546,437,643	1,156,409,851	-	1,702,847,495

19.6 Allowance for Impairment Charges for Lease Rentals Receivable

Accounting Policy
The accounting policy used in calculating impairment charge is fully described under Note 3.2.9.

As at 31 March	2021 Rs.	2020 Rs.
Balance as at begging of the Year	130,230,964	54,274,476
Charge / (Reversal) for the year	8,397,144	75,956,487
Balance as at End of the Year	138,628,108	130,230,964
Individual Impairment	-	-
Collective Impairment	138,628,108	130,230,964
Total	138,628,108	130,230,964

19.7 Movement in allowance for expected credit losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2020	17,990,868	28,179,267	84,060,828	130,230,963
Charge/ (Reversal) to income statement	10,575,225	(11,944,023)	9,765,942	8,397,144
Write-off during the year	-	-	-	-
Balance as at 31st March 2021	28,566,093	16,235,244	93,826,770	138,628,108

20. FINANCIAL INVESTMENTS

Accounting Policy

Financial investments include Government Securities and securities purchased under resale agreements. After initial measurement, these are subsequently measured at amortized cost using the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

As at 31 March	2021 Rs.	2020 Rs.
Sri Lanka Government Securities - REPO	374,591,188	444,939,031
Total Financial Investments	374,591,188	444,939,031

21. OTHER FINANCIAL ASSETS

Accounting Policy

Financial investments include Fixed Deposit. After initial measurement, these are subsequently measured at amortized cost using the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

As at 31 March	2021 Rs.	2020 Rs.
Fixed Deposits	779,506	164,535,666
Total Other Financial Assets	779,506	164,535,666

21.1 Contractual Maturity Analysis of Other Financial Assets

As at 31 March	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Fixed Deposits	779,506	-	-	779,506
Total Other Financial Assets	779,506	-	-	779,506

22. OTHER NON FINANCIAL ASSETS

Accounting Policy

The Company classifies all non-financial assets other than Intangible Assets, Property, Plant & Equipment and Deferred Tax Assets under other non-financial assets. Other non-financial assets, include inventories, other advance, rent deposit and other receivable amounts. These assets are non-interest earning and recorded at the amounts that are expected to be received. Prepayments that form a part of other receivable are amortized during the period in which it is utilized.

As at 31 March	2021 Rs.	2020 Rs.
Inventories	2,773,721	3,562,565
Rent Deposit	17,217,500	17,581,500
Other Receivable	79,234,956	120,899,891
Total Other Non Financial Assets	99,226,178	142,043,956

Amounts Receivable from Government

Other receivable includes Amounts Receivable from Government Rs 16,812,293/- As per signed MOU between SDF and Ministry of Finance and Mass Media under "Special debit relief for Microfinance Loan grated to women in drought affected Districts".

23. INTANGIBLE ASSETS

Accounting Policy

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the supply of services, for rental to others or for administrative purposes.

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

23.1 Software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the 'Statement of Financial Position' under the category 'intangible assets' and carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortized using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the year ended 31 March 2021 and 2020 is given below.

Computer software	3 Years
Computer software - E-Finance	5 Years

Intangible assets are derecognized on disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset is included in the Statement of Profit or Loss in the year the asset is derecognized.

As at 31 March	2021 Rs.	2020 Rs.
23.2 Computer Software		
Cost		
Cost as at begging of the year	59,398,736	58,009,844
Additions and Improvements	-	1,388,891
Disposal during the year	-	-
Cost as at end of the year	59,398,736	59,398,736
Amortisation & Impairment		
Amortisation as at begging of the year	44,287,613	31,001,716
Charge for the year	10,055,835	13,285,897
Disposal during the year	-	-
Amortisation as at end of the year	54,343,448	44,287,613
Net book value as at end of the year	5,055,287	15,111,123
Net book value of total intangible assets	5,055,287	15,111,123

24. INVESTMENT PROPERTY

Accounting Policy

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Other Comprehensive Income in the year in which they arise.

Derecognition

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

	2021 Rs.	2020 Rs.
Balance as at 1 April	126,094,500	118,594,500
Transfer from during the year	-	7,500,000
Gain from fair value adjustment	89,584,250	-
Balance as at 31 March	215,678,750	126,094,500

The Company has recorded rent income for year ended 31 March 2021 Rs 8,305,200 (2020 - Rs 8,309,700/-) and not incurred any repair and maintenance expenses on behalf of the property.

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Value (LKR)
No 45, Rawathwatta Road, Moratuwa	Market value	31-Mar-21	Estimated price per perch LKR 2,000,000/- (Land Extent - 48.69 perches)	Positively correlated sensitivity	215,678,750

25. PROPERTY, PLANT & EQUIPMENT

Accounting Policies

Basis of Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and subsequent cost as explained below. The cost of self-constructed assets includes the cost of the materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for its intended use and cost of dismantling and removing the old items and restoring site on which they are located. Purchased software which is integral to the functionality of the related equipment is capitalized as part of computer equipment.

Cost Model

The Company applies the 'Cost Model' to all property, plant & equipment other than free hold land and building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model
The Company applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at revalued amounts, being their fair value at the date reporting date, less any subsequent accumulated depreciation on land and buildings and any accumulated impairment losses charged subsequent to the date of the valuation.

Freehold land and buildings of the Company are revalued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

The Company engages an Independent Valuer to determine the fair value of free hold land and buildings. In estimating the fair values, the Independent Valuer considers current market prices of similar assets.

During the current financial year, the Company revalued its freehold lands and buildings.

Subsequent Cost
These are costs that are recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

Repairs and Maintenance
Repairs and Maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

Derecognition
An item of property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected. 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 included in the Statement of Profit or Loss in the year the asset is derecognized.

Useful Life Time of Property, Plant & equipment and Depreciation
Depreciation is calculated on a straight-line basis over the useful life of the assets, commencing from when the assets are available for use, since this method closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

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

The estimated useful lives of the assets for the year ended 31 March 2020 and 2019, are as follows:

Assets Category	Useful Life
Buildings	40 Years
Office Equipment	5 Years
Computer Equipment	5 Years
Furniture & Fittings	10 Years
Plant & Machinery	8 Years
Motor Vehicles	5 Years

The depreciation rates are determined separately for each significant part of assets and depreciation is provided proportionately for the completed number of days the asset is in use, if it is purchased or sold during the financial year. Depreciation methods, useful lives and residual values are reassessed at each reporting date and is adjusted, as appropriate.

25. PROPERTY, PLANT & EQUIPMENT (CONTD.)

25.1 The Movement in Property, Plant & Equipment

	Balance As at 01.04.2020 Rs.	Additions during the year Rs.	Adjustments on Revaluation Rs.	Disposals during the year Rs.	Balance As at 31.03.2021 Rs.
25.1.1 Cost or Valuation					
Freehold Assets					
Land	18,050,000	-	18,050,000	-	36,100,000
Furniture & Fittings	100,793,390	11,434,660	-	824,129	111,403,920
Office Equipment	70,643,488	13,268,800	-	2,513,844	81,398,442
Computer Equipment	80,814,729	1,064,888	-	2,896,601	78,983,017
Plant & Machinery	40,720,781	8,127,389	-	-	48,848,170
Motor Vehicle	42,753,322	-	-	-	42,753,322
Total cost or valuation	353,775,709	33,895,737	18,050,000	6,234,574	399,486,871

	Balance As at 01.04.2020 Rs.	Charge during the year Rs.	Adjustments Rs.	Disposals during the year Rs.	Balance As at 31.03.2021 Rs.
25.1.2 Depreciation					
Freehold Assets					
Furniture & Fittings	43,956,994	10,455,989	-	(610,115)	53,802,867
Office Equipment	50,128,330	8,996,299	-	(2,513,277)	56,611,353
Computer Equipment	70,233,944	5,069,968	-	(2,884,340)	72,419,572
Plant & Machinery	19,925,842	5,577,803	-	-	25,503,645
Motor Vehicle	23,262,559	7,002,506	-	-	30,265,065
Total Depreciation	207,507,669	37,102,566	-	(6,007,733)	238,602,502

As at 31 March	2021 Rs.	2020 Rs.
25.1.3 Net Book Value		
Land	36,100,000	18,050,000
Furniture & Fittings	57,601,053	56,836,396
Office Equipment	24,787,089	20,515,157
Computer Equipment	6,563,446	10,580,785
Plant & Machinery	23,344,525	20,794,939
Motor Vehicle	12,488,257	19,490,763
Total Carrying Amount of Property, Plant and Equipment	160,884,369	146,268,040

25.1.4 Property, Plant & Equipments Acquired During the Financial Year

During the financial year, the Company acquired property, plant & equipments to the aggregate value of Rs. 33,895,737/- (2020 - Rs. 23,735,187/-) Cash payment amounting to Rs. 33,895,737/- (2020 - Rs 23,735,187) was paid during the year for purchase of property, plant & equipment.

25.1.5 Fully-depreciated property, plant & equipment

The initial cost of fully-depreciated property, plant & equipment, which are still in active use as at reporting date is Rs. 101,793,852/-. (2020 - Rs. 82,452,109/-)

25.2 Fair value related disclosures of Freehold land

Property	Method of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Value (LKR)
No 45, Rawathwatta Road, Moratuwa	Market value	Estimated price per perch	Positively correlated sensitivity	36,100,000
LKR 2,000,000/- (Land Extent - 18.05 perches)				

25.3 Title Restriction on Property, Plant and Equipment

There were no restrictions on the title of Property, Plant and Equipment as at 31 March 2021 and 31 March 2020.

25.4 Compensation from Third Parties for items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of Property, Plant and Equipment that were impaired, lost or given up. (2020: Nil)

25.5 Temporarily Idle of Property, Plant and Equipment

There were no Property, Plant and Equipment idle as at 31 March 2021 and 31 March 2020.

25.6 Property, Plant and Equipment Retired from Active Use

There were no Property, Plant and Equipment retired from active use as at 31 March 2021 and 31 March 2020.

26. RIGHT-OF-USE ASSETS

	2021 Rs.	2020 Rs.
Cost		
Effect of adoption of SLFRS 16 as at 01 April 2019	234,374,877	188,564,089
Opening Balance of Advance Payment for the Right-of-Use Assets as at 01 April 2019	-	17,744,017
Rent Payable Under LKAS 17 as at 01 April 2019	-	(1,748,000)
Adjusted Balance as at beginning of the year	234,374,877	204,560,106
Additions during the year	41,770,515	29,914,134
Less - Adjustment on COVID-19 Concession Received	(5,457,977)	-
Balance as at end of the Year	270,687,415	234,374,877
Accumulated Depreciation		
Balance as at begging of the year	64,930,508	-
Charges for the year	62,944,563	64,930,508
Balance as at end of the year	127,875,071	64,930,508
Carrying Amount as at end of the Year	142,812,343	169,444,369

27. DUE TO BANKS & OTHER INSTITUTIONS

Accounting Policy
Due to banks include bank and other institutional borrowings and bank overdrafts. Subsequent to initial recognition, these are measured at their amortized cost using the EIR method. Interest paid/payable on these dues are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

As at 31 March	2021 Rs.	2020 Rs.
Bank Overdrafts (Note 27.1)	227,209,135	208,580,540
Loans and Other Bank Facilities (Note 27.2)	1,481,187,982	1,374,276,405
Interest Payable on Bank Facilities	21,226,993	12,178,668
Total Due to Banks & Other Institution	1,729,624,109	1,595,035,613

27.1 Bank Overdraft
The outstanding balances of bank overdrafts as at the Statement of Financial Position date are fully secured by Loan & Receivables and the Company has unutilised Bank Overdraft of Rs. 57,613,963 /- as at 31 March 2021 (2020 - Rs. 59,031,301/-).

	As at 01.04.2020 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2021 Rs.
27.2 Loans and Other Bank Facilities				
NDB Term Loan	710,000,000	375,000,000	(368,200,000)	716,800,000
HNB Term Loan	337,500,000	300,000,000	(362,700,000)	274,800,000
SDB Term Loan	300,000,000	300,000,000	(394,311,070)	205,688,930
Sampath Bank Term Loan	-	6,308,000	(525,652)	5,782,348
Securitisation Loan	-	300,000,000	(51,500,000)	248,500,000
Rotary Loan	20,814,455	11,700,000	(8,959,702)	23,554,753
Other Borrowings	5,961,950	100,000	-	6,061,950
Total Loans and Other Bank Facilities	1,374,276,405	1,293,108,000	(1,186,196,424)	1,481,187,982

27.3 Contractual Maturity Analysis of Due to Bank & Other Institution

As at 31 March 2021	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
NDB Term Loan	246,800,000	470,000,000	-	716,800,000
HNB Term Loan	125,400,000	149,400,000	-	274,800,000
SDB Term Loan	205,688,930	-	-	205,688,930
Sampath Bank Term Loan	696,049	5,086,299	-	5,782,348
Securitisation Loan	182,100,000	66,400,000	-	248,500,000
Rotary Loan	9,031,653	14,523,100	-	23,554,753
Other Borrowings	-	-	6,061,950	6,061,950
Bank Overdrafts	21,226,993	205,982,142	-	227,209,135
Interest Payable on Bank Facilities	21,226,993	-	-	21,226,993
Total Due to Customers	812,170,618	911,391,541	6,061,950	1,729,624,109

As at 31 March 2020	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
NDB Term Loan	240,000,000	470,000,000	-	710,000,000
HNB Term Loan	225,000,000	112,500,000	-	337,500,000
SDB Term Loan	200,000,000	100,000,000	300,000,000	
Rotary Loan	7,819,261	12,995,194	-	20,814,455
Other Borrowings	-	-	5,961,950	5,961,950
Bank Overdrafts	208,580,540	-	-	208,580,540
Interest Payable on Bank Facilities	12,178,668	-	-	12,178,668
Total Due to Customers	893,578,469	695,495,194	5,961,950	1,595,035,613

28. DUE TO CUSTOMERS

Accounting Policies
Due to other customers include non-interest bearing deposits, savings deposits, term deposits and other deposits. Subsequent to initial recognition, deposits are measured at their amortized cost using the EIR method. Interest paid/payable on deposits are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

As at 31 March	2021 Rs.	2020 Rs.
Fixed Deposits	3,306,652,431	3,565,672,847
Savings Deposits	1,245,292,752	1,536,303,106
Total Due to Customers	4,551,945,183	5,101,975,953

28.1 Sri Lanka Deposit Insurance And Liquidity Support Scheme

Under the Direction No. 2 of 2010 Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme implemented by the Monetary Board for compensation up to a maximum of Rs. 1,000,000/- for each depositor. The Company has paid Rs. 6,605,953/- as the premium of the said Insurance scheme during the financial year under review (2020 - Rs. 6,898,474/-).

28.2 Contractual Maturity Analysis Of Customer Deposits

As at 31 March 2021	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Fixed Deposits	2,660,979,972	645,672,460	-	3,306,652,432
Savings Deposits	1,038,516,344	124,704,047	82,072,361	1,245,292,752
Total Due to Customers	3,699,496,316	770,376,507	82,072,361	4,551,945,184

As at 31 March 2020	Within One Year Rs.	1 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Fixed Deposits	2,467,672,652	1,098,000,195	-	3,565,672,847
Savings Deposits	1,306,513,761	135,226,451	94,562,895	1,536,303,106
Total Due to Customers	3,774,186,413	1,233,226,646	94,562,895	5,101,975,953

We have raised fixed deposits with a pre-termination option to the customers; hence, fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

29. OTHER NON FINANCIAL LIABILITIES

Accounting Policy
These liabilities are recorded at amounts expected to be payable at the reporting date.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Board of directors and approved by the Shareholders. Interim dividends are deducted from Equity when they are declared and no longer at the discretion of the Company.

Dividend for the year that are approved after the reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standards LKAS 10 on 'Events after the Reporting Period'.

As at 31 March	2021 Rs.	2020 Rs.
Accrued Expenses	40,952,038	37,440,102
Others (Note 29.1)	239,812,653	59,712,891
Loan Risk Assurance Fund (Note 29.2)	1,787,409	1,830,000
Amount Due to Related Parties	-	237,594
	282,552,100	99,220,587

29.1 This balance included supplier payment payable balance Rs. 164,300,975/- as at 31 March 2021 (2020 - Rs. 2,275,000)

29.2 The Company obtained an actuarial valuation on its 'Loan Risk Assurance Fund' as at 31st March 2021. The actuarial valuation was performed by Piyal S Goonetilleke and Associates, Professional Actuary. The reversal of provision that resulted from the actuarial valuation has been recognised as income under 'Other Operating Income'. All loan customers who enrolled with this assurance program will be eligible for total payment of the outstanding loan amounts at the time of death or total disability. The actuarial valuation will serve as the basis for calculating the liability adequate for covering the outstanding loan balances of customers (with a loan less than or equaling Rs.250,000/-) in the event of a participant death or a total disability.

30. POST-EMPLOYEMENT BENEFIT OBLIGATIONS

Accounting Policy
Employee benefit liability includes the provisions for retirement gratuity liability.

Gratuity
The costs of retirement gratuities are determined by a qualified actuary using projected unit credit actuarial cost method. Actuarial gains and losses are recognized as income or expense in other comprehensive income during the financial year in which it arises.

Basis of Measurement
The cost of the defined benefit plans (gratuity) is determined using an actuarial valuation. The actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of discount rates, 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. The assumptions used to arrive in defined benefit obligation is given below: In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and the Company's policy on salary revisions.

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

Recognition Of Actuarial Gains and Losses
The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

	2021 Rs.	2020 Rs.
30.1 Provision for Retirement Gratuity		
Balance at the beginning of the year	33,753,016	27,212,065
Amount Charge for the Year	12,491,938	10,733,365
Actuarial (Gains)/Losses	13,647,141	2,062,826
(Gain)/Loss Due to Changes in Assumptions	6,755,239	4,302,064
Payments Made During the Year	(10,818,721)	(10,557,304)
Balance at the End of the Year	55,828,613	33,753,016

As at 31 March	2021 Rs.	2020 Rs.
30.2 Expenses on Defined Benefit Plan		
Current Service Cost for the Year	9,211,145	7,628,469
Interest Cost for the Year	3,280,793	3,104,896
Actuarial (Gains)/ Losses (31.5)	13,647,141	2,062,826
(Gains)/ Losses Due to Changes in Assumptions	6,755,239	4,302,064
Total Expenses on Defined Benefit Plan	32,894,318	17,098,255

30.3 Assumptions and the sensitivity of the assumptions used for the provision of retirement gratuity

An actuarial valuation of the retirement gratuity liability was carried out as at 31 March 2021 and 2020 by Messrs Piyal S Goonetilleke Associates, a professional actuary.

The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Actuarial Cost Method', recommended by LKAS 19 - 'Employee Benefits'.

30.4 Actuarial Assumptions

Year ended 31 March	2021	2020
Discount Rate	8.2%	9.7%
Salary scale	10.0%	10.0%
Staff Turnover		
20 to 30 years	10.0%	10.0%
35 years	7.5%	7.5%
40 years	5.0%	5.0%
45 years	2.5%	2.5%
50 years	1.0%	1.0%
Average Future Working Life	10.2 Yeats	9.5 Years
Mortalit	GA 1983 Mortality Table	GA 1983 Mortality Table
Disability	Long Term 1987 Soc. Sec. Table.	Long Term 1987 Soc. Sec. Table.
Retirement age	Retirement age of 55 Years	Retirement age of 55 Years

30.5 Actuarial Gains and Losses
As per actuarial valuation, actuarial gain and loss has arisen during the year because of change in Discount rate.

30.6 Sensitivity of Assumptions Employed on Actuarial Valuation
Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognised in statement of comprehensive income and statement of financial position.

The following table demonstrates the sensitivity of a reasonably possible change in such assumptions with all other variables held constant, in the actuarial valuation of the retirement gratuity as at 31 March 2021.

30. POST-EMPLOYEMENT BENEFIT OBLIGATIONS (CONTD.)

Increase/(decrease) in Discount Rate %	Increase/(decrease) in Salary Increment Rate %	Sensitivity Effect on Statement of Comprehensive Income Increase / (decrease) in Results for the year Rs.	Sensitivity Effect on Pension Fund Surplus Increase/(decrease) Rs.
+1%		(4,601,795)	(4,601,795)
(-1%)		5,304,020	5,304,020
	+1%	4,973,399	4,973,399
	(-1%)	(4,414,810)	(4,414,810)

31. CURRENT TAX LIABILITIES

	2021 Rs.	2020 Rs.
Balance as at 1st April	(1,210,738)	(1,874,938)
Provision for the year	81,541,883	26,600,229
Less: Tax paid	(9,874,664)	(18,131,413)
Adjustment (ESC/WHT/Notional Tax etc.)	(16,791,156)	(7,804,616)
Balance as at 31st March	53,665,325	(1,210,738)

32. LEASE CREDITOR

	2021 Rs.	2020 Rs.
Balance as at 1 April 2019	171,735,097	204,560,106
Less- Adjustment on COVID 19 Concession	(5,457,977)	-
Additions	41,770,515	29,914,134
Interest Expenses	23,920,090	24,057,148
Payments	(70,768,771)	(86,796,291)
Balance as at end of the Year	161,198,954	171,735,097

32.1 Contractual Maturity Analysis of Lease Creditor

As at 31 March 2021	Within One Year Rs.	1 - 5 Years Rs.	Total Rs.
Lease Creditor	54,317,803	106,881,151	161,198,954
Total Lease Creditor	54,317,803	106,881,151	161,198,954

33. DEFERRED TAXATION

Accounting Policy

Deferred tax is provided on temporary differences at the date of the Statement of Financial Position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

(I) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(II) Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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 par t of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of reporting date.

33.1 Statement of Financial Position

As at 31 March	2021 Rs.	2020 Rs.
Deferred Tax Liabilities		
Accelerated depreciation for tax purposes	10,442,880	24,288,306
Finance leases	14,879,423	16,476,201
Right-of Use Assets	(4,412,787)	1,045,824
Revaluation Reserve	40,097,807	16,643,185
Total Deferred Tax Liabilities	61,007,323	58,453,516
Deferred Tax Assets		
Defined benefit plans - Profit or loss	13,398,867	9,450,844
Carry forward losses	-	-
Impairment Provision	27,210,164	29,975,947
Total Deferred Tax Assets	40,609,031	39,426,792
Net Deferred Tax Liabilities/(Assets)	20,398,293	19,026,724

33. DEFERRED TAXATION (CONTD.)

33.2 Statement of Profit or Loss

Year ended 31 March	2021 Rs.	2020 Rs.
Deferred Tax Liabilities		
Revaluation Reserve	23,454,622	-
Accelerated depreciation for tax purposes	(13,845,426)	(4,985,010)
Finance leases	(1,596,778)	(3,791,831)
Lease Creditor	(5,458,611)	1,045,824
Deferred Tax Income/(Expense)	2,553,807	(7,731,017)
Deferred Tax Assets		
Defined benefit plans - Profit or loss	(8,844,594)	(3,613,635)
Defined benefit plans - Other comprehensive income	4,896,571	1,782,169
Carry forwarded Impairment Expenses	2,765,783	11,713,222
Carry forward Loss on other operations	-	(8,181,922)
Deferred expenses to be claimed in income tax liability of future years	-	-
Deferred Tax Income/(Expense)	(1,182,239)	1,699,834
Net Deferred Tax Income/(Expense) - Statement of profit or loss	1,936,139	(4,249,013)
Net Deferred Tax Income/(Expense) - Statement of Other comprehensive income	564,571	1,782,169

Revised income tax rates proposed to the Inland Revenue Act, No. 24 of 2017 by Circular No. PN/IT/2020-03 (Revised), be implemented with effect from 01 January 2020. On 23 April 2021, CA Sri Lanka issued Guideline on Application of Tax Rates in Measurement of Current Tax and Deferred Tax in LKAS 12 Income Tax to provide an interpretation on the application of tax rates which is substantively enacted in the measurement of current tax and deferred tax for financial reporting period ending 26 March 2021. Accordingly, the Company applied 24% income tax rate for the determination of deferred tax in 2021 and recognised an adjustment to deferred tax liabilities amounting to Rs. 761,069 /- from reduction in tax rate.

34. STATED CAPITAL

As at 31 March	Number of Shares	2021 Rs.	Number of Shares	2020 Rs.
Issued and Fully Paid-Ordinary shares				
At the beginning of the year	67,500,006	890,000,020	67,500,006	890,000,020
Issued during the year	36,641,500	804,137,026	-	-
At the end of the year	104,141,506	1,694,137,046	67,500,006	890,000,020

34.1 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

35. RETAINED EARNINGS

	2021 Rs.	2020 Rs.
Balance as at beginning of the Year	195,476,359	118,686,006
Impact of adopting SLFRS 9 as at 1 April 2018	-	-
	195,476,359	118,686,006
Profit for the Year	183,356,743	101,716,342
Other Comprehensive Income	(15,505,809)	(4,582,721)
Transfer to Statutory Reserves Fund	(36,671,349)	(20,343,268)
Dividend Paid	-	-
Balance as at end of the Year	326,655,945	195,476,359

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

36. RESERVES

36.1 Statutory Reserve Fund

The statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b) of Central Bank Direction No. 1 of 2003. Accordingly, Company has transferred 20% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to less than 25% and not less than 10%.

36.2 Revaluation Reserve Fund

The Revaluation Reserve Fund is a capital reserve which contains the revaluation surplus resulted from revaluing the Company's Property, Plant & Equipment with net of differed tax on revaluation.

	Statutory Reserve Rs.	Revaluation Reserve Rs.	Total Rs.
As at 01 April 2019	47,062,857	42,796,761	80,247,859
Transfers to/(from) during the year	20,343,268	-	20,343,268
As at 31 March 2020	67,406,125	42,796,761	110,202,886
Transfers to/(from) during the year	36,671,349	-	36,547,491
Revaluation of Land & Building	-	13,718,000	13,718,000
As at 31 March 2021	104,077,474	56,514,761	160,592,235

37. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

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

	2021 Within 12 Months Rs.	2021 After 12 Months Rs.	2021 Total Rs.
Assets			
Cash and Cash Equivalents	130,870,989	-	130,870,989
Loans and Receivables	2,750,743,074	2,203,588,095	4,954,331,169
Lease Rentals Receivables	1,268,320,657	1,684,047,367	2,952,368,025
Financial Investments	374,591,188	-	374,591,188
Other Financial Assets	779,506	-	779,506
Other Non Financial Assets	99,226,178	-	99,226,178
Intangible Assets	-	5,055,287	5,055,287
Investment Property	-	215,678,750	215,678,750
Property, Plant and Equipment	-	160,884,369	160,884,369
Right-of-Use Assets	56,235,529	86,576,814	142,812,343
Total Assets	4,680,767,121	4,355,830,684	9,036,597,804
Liabilities			
Due to Banks and Other Institutions	1,018,152,760	711,471,350	1,729,624,109
Due to Customers	3,734,554,903	817,390,281	4,551,945,183
Other Non Financial Liabilities	280,699,706	1,852,393	282,552,100
Post Employment Benefit Liability	-	55,828,613	55,828,613
Current Tax Liabilities	53,665,325	-	53,665,325
Lease Creditor	54,317,803	106,881,151	161,198,954
Deferred Tax Liabilities	-	20,398,293	20,398,293
Total Liabilities	5,141,390,497	1,713,822,081	6,855,212,577
Net Assets/(Liability)	(460,623,376)	2,642,008,603	2,181,385,226

	2020 Within 12 Months Rs.	2020 After 12 Months Rs.	2020 Total Rs.
Assets			
Cash and Cash Equivalents	73,226,394	-	73,226,394
Loans and Receivables	2,491,331,763	2,739,373,184	5,230,704,947
Lease Rental Receivable	546,437,643	1,156,409,853	1,702,847,496
Financial Investments	444,939,031	-	444,939,031
Other Financial Assets	164,535,666	-	164,535,666
Other Non Financial Assets	79,490,760	62,553,196	142,043,956
Intangible Assets	-	15,111,123	15,111,123
Investment Property	-	126,094,500	126,094,500
Property, Plant and Equipment	-	146,268,040	146,268,040
Right-of-Use Assets	-	169,444,369	169,444,369
Total Assets	3,799,961,257	4,415,254,263	8,215,215,520
Liabilities			
Due to Banks and Other Institutions	893,578,469	701,457,144	1,595,035,613
Due to Customers	3,774,186,413	1,327,789,541	5,101,975,953
Other Non Financial Liabilities	45,097,684	54,122,903	99,220,587
Post Employment Benefit Liability	-	33,753,016	33,753,016
Current Tax Liabilities	15,432,447	-	(1,210,738)
Lease Creditor	171,735,097	-	171,735,097
Deferred Tax Liabilities	-	2,383,540	19,026,724
Total Liabilities	4,728,295,013	2,119,506,143	7,019,536,253
Net Assets/(Liability)	(928,333,756)	2,295,748,121	1,195,679,267

38. COMMITMENTS AND CONTINGENCIES

Accounting Policy
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 as defined in the Sri Lanka Accounting Standard - LKAS 37 "Provisions contingent liabilities and Contingent Assets". Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

38.1 Contingent Liabilities

As at 31 March	2021 Rs.	2020 Rs.
Guarantees issues to other institution	2,250,000	4,225,000
Total contingent Liabilities	2,250,000	4,225,000

38.2 Commitments

The Company did not have significant capital commitments as at the Statement of Financial Position date.

38.3 Litigation Against the Company

As at 31 March	2021 Rs.	2020 Rs.
Cases pending against the Company	5,439,916	5,140,100
Total contingent Liabilities	5,439,916	5,140,100

Company did not have any significant contingent liabilities which requires disclosures in the Financial Statements of the Company as at the Statement of Financial Position date.

39. ASSETS PLEDGE

The following assets have been pledged as security for liabilities.

Nature of Assets		Nature of Liability 2021 Rs.	Carrying Amount Pledged 2020 Rs.	Included Under
Rental receivable on Micro Business and Personal Loan	Bank Overdraft	200,635,188	325,043,547	Loans and Receivables
Rental receivable on SME Loan	Term Loan	658,861,762	1,098,333,229	Loans and Receivables
Rental receivable on Lease	Term Loan	417,597,464	453,579,866	Lease Rental Receivable
Rental receivable on Micro Business	Term Loan	5,190,828	-	Loans and Receivables
Rental receivable on Lease	Securitization	674,529,430	-	Lease Rental Receivable
		1,956,814,673	1,876,956,643	

40. EVENTS OCCURRING AFTER THE REPORTING DATE

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 reliefs 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.

41. RELATED PARTY TRANSACTIONS

The Company carried out transactions with parties in the ordinary course of its business who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', on an arms length basis at commercial rate.

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

41.1 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. Accordingly, the board of directors of the Company (inclusive of executive and non executive directors), the immediate parent company, and Chief Executive Officer who directly report to Board of Directors have been classified as KMPs of the Company.

41.1.1 Key Management Personnel Compensation

Year ended 31 March	2021 Rs.	2020 Rs.
Short Term Employment Benefits	6,225,000	5,373,904
Directors Fees & Expenses	7,576,000	7,454,305
Total Key Management Personnel Compensation	13,801,000	12,828,209

In addition to above, the Company has also provided non-cash benefits such as company maintained vehicles to KMPs in line the approved employment terms of the Company.

41.1.2 Transactions, Arrangements and Agreements involving KMPs, and their Close Members of the 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.

The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates, except the loans given to staff under the Company's staff loan scheme uniformly applicable to all the staff of the Company.

41.1.2.1 Transaction with KMPs, and their Close Members of the Family

Year ended 31 March	2021 Rs.	2020 Rs.
Items in Statement of Financial Position		
Deposit accept during the year	785,000	585,000
Deposit repayment during the year	(832,347)	(979,547)
	(47,347)	(394,547)
Items in Statement of Profit or Loss		
Interest accrued during the period	29,753	18,812
	29,753	18,812

41.1.3 Transaction, arrangements and agreements involving Entities which are controlled, and/or jointly controlled by the KMPs and their CFMs or Shareholders

No transactions were there as of Statement of Financial Position date to be disclosed in the Financial Statements.

41.1.4 Transactions with Group Entities

The Group entities include the Parent , Fellow Subsidiaries and Associate companies of the parent.

41.1.4.1 Transactions with Parent Company

Sarvodaya Economic Enterprises Development (Gte) Ltd.

Year ended 31 March	2021 Rs.	2020 Rs.
Statement of Financial Position		
Transaction Made During the Year		
Loan Interest Paid during the Year	-	(1,866,840)
Deposit withdrwal during the year	-	2,000,000
	-	133,160

41.1.4.2 Transactions with Shareholders

Gentosa Total Assets Inc.

Year ended 31 March	2021 Rs.	2020 Rs.
Items in Statement of Financial Position		
Deposit Accepted during the period including interest capitalisation	16,042,952	52,796,499
Interest payable on Deposits	-	2,537,231
Capital Repayment during the Year	379,749,118	-
Interest Paid during the Year	9,824,287	-
	16,042,952	55,333,730
Items in Statement of Profit or Loss		
Interest Accrued During the Period	16,374,968	16,740,033
	16,374,968	16,740,033

42. 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. In terms of Section 2.1 of Finance Business Act Direction No. 02 of 2017 - Minimum Core Capital, a cap of Rs. 5.5 Bn on total deposits including accrued interest has been imposed by the Central Bank of Sri Lanka.

42.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Company has issued Rs 804 Mn shares during the year through a private placement. This private placement includes Rs 420 Mn shares issued to inactive Sarvodaya Shramadana Societies by converting their deposits. With reference to the Central Bank letter dated 9th July 2021, the action plan has been requested from the Company in relation to the above Rs 420 Mn shares. Therefore, the said Rs 420Mn shares have not been considered the Company's core capital as at 31 March 2021. Hence the Company has not met the minimum core capital requirement as at 31 March 2021.

43. COMPARATIVE INFORMATION

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with the current year.

	As Reported Previously	Reclassification Rs.	Current Presentation Rs.	Current Classification Rs.
Statement of Financial Position				
Current Tax Liabilities	15,432,447	(16,643,185)	(1,210,738)	Current Tax Liabilities
Deferred Tax Liabilities	2,383,540	16,643,185	19,026,724	Deferred Tax Liabilities

(a) During the financial year, deferred tax on value changes in investment property was reclassified under Defeered Tax Liability for better presentation.

44. FARE VALUE OF FINANCIAL INSTRUMENTS

Accounting Policy

The fair value of the financial instruments that are recorded at the fair values are determined using valuation techniques which incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Inputs include quoted prices for identical instruments and are the most observable.
Level 2 - Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates, and yield curves.
Level 3 - Inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the instruments

Valuation framework

The Company has an established control framework for the measurement of fair values. The Finance Department is responsible for the valuation of financial instruments. Obtaining input data, valuing of financial instruments and verifying the valuation models are being segregated within the finance department.

We review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

44.1 Assets & Liabilities Recorded at Fair Value
The following is a description of how fair values are determined for assets and liabilities that are recorded at fair value. These incorporate the Company's estimate of assumptions that a market participant would make when valuing assets and liabilities.

Property, Plant & Equipment
Property, Plant & Equipment Freehold land and buildings are carried at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Non Financial Assets measured at fair value

Level 3 Fair Value Measurement

	2021		2020	
	Investment Property Rs.	Freehold Land Rs.	Investment Property Rs.	Freehold Land Rs.
Balance as at begging of the Year	126,094,500	18,050,000	118,594,500	25,550,000
Revaluation reserve credit to revaluation reserve	-	18,050,000	-	-
Total gain/(loss) recognised in profit or loss:	89,584,250	-		
Transfer during the Year	-	-	7,500,000	(7,500,000)
Balance at end on the Year	215,678,750	36,100,000	126,094,500	18,050,000

44.2 Fair Value of Financial Assets and Liabilities Carried at Amortised Cost
The following describes the methodologies and assumptions used to determine fair values of those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets of which Fair Value Approximates Carrying Value
For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

Fixed Rate Financial Instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity.

Variable Rate Financial Instruments
Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments by classes 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.

44. FARE VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

As at 31 March 2021	Faire Value				Carrying Value
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.	Rs.
Financial Assets					
Cash and Cash Equivalents	130,870,989			130,870,989	261,741,978
Loans and Receivables				5,011,615,239	5,011,615,239
Lease Rentals Receivables				3,405,226,261	3,405,226,261
Financial Investments		374,591,188	-	374,591,188	749,182,376
Other Financial Assets	-	779,506	-	779,506	1,559,012
	130,870,989	375,370,694	-	8,923,083,184	9,429,324,867
Financial Liabilities					
Due to Banks and Other Institutions	-	1,595,035,613	-	1,729,624,109	1,729,624,109
Due to Customers	-	-	4,551,945,183	4,551,945,183	4,551,945,183
	-	1,595,035,613	4,551,945,183	6,281,569,293	6,281,569,293

As at 31 March 2020	Faire Value				Carrying Value
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.	Rs.
Financial Assets					
Cash and Cash Equivalents	73,226,394	-	-	73,226,394	73,226,394
Loans and Receivables	-	-	5,194,937,239	5,194,937,239	5,230,704,947
Lease Rentals Receivables	-	-	1,692,490,922	1,692,490,922	1,702,847,496
Financial Investments	444,939,031	-	444,939,031	444,939,031	
Other Financial Assets	-	164,535,666	-	164,535,666	164,535,666
	73,226,394	609,474,697	6,887,428,160	7,570,129,250	7,616,253,533
Financial Liabilities					
Due to Banks and Other Institutions	-	1,595,035,613	-	1,595,035,613	1,595,035,613
Due to Customers	-	-	5,101,975,953	5,101,975,953	5,109,040,104
	-	1,595,035,613	5,101,975,953	6,697,011,566	6,704,075,717

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature or re-priced to current market rates frequently.

45. RISK MANAGEMENT

45.1 Introduction

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring through established risk limits and controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for prudently managing the risk exposures relating to his or her responsibilities. Company's risk strategy focuses on managing principal risks faced by the Company while striking a fair balance between the risk return trade-off. Based on the unprecedented impact on economy and financial services sector due to COVID-19 pandemic, a robust approach in risk management is considered as of paramount importance by the Company.

Risk Management Structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed a subcommittee, Integrated Risk Management Committee (IRMC) . The Board has delegated its authority to the IRMC for the overall Risk Management approach and for approving the risk management strategies and principles. IRMC reviews and assess the Company's overall risks and to focus on policy recommendations and strategies and the Board of Directors are duly updated of its activities.

Risk Management Framework
At Sarvodaya Development Finance Limited the management of risk plays an integral part in all its business activities. The identification, evaluation, measurement, mitigation, decision making and control implementation, monitoring and reporting of risks associated with products, processes, systems and services of Sarvodaya Development Finance Limited is vital to the scope of risk management when fulfilling requirements of its customers and other stakeholders.

The risk management function of Sarvodaya Development Finance Company comes under the purview of the Director of Non Bank Supervision and the Integrated Risk Management Committee (IRMC) where its independent from the business lines. In the course of its business activities, Sarvodaya Development Finance Limited is constantly exposed to risks that include but are not limited to Credit Risk, Liquidity Risk, Market Risk, and Operational Risk.

Sarvodaya Development Finance Limited is aware of a wide spectrum of risks that it is exposed to, and provides attention to each and every risk factor that could hinder the achievement of the company's overall objectives. The risk management function therefore strives to manage the integrated risks by developing a companywide risk appetite and measures and controls to ensure that the risk taken is within the desired limits of the company .

Sarvodaya Development Finance Limited has put in place structures and processes to address these risks which are vested to functional departments. Additionally the company has an IRMC which carry out independent risk evaluations both qualitative and quantitative and the results are shared with the Management team of Sarvodaya Development Finance Limited as well as the Board of Directors.

Three Lines of Defense
In achieving its goals, Sarvodaya Development Finance Limited deploys risk management and internal control structure referred to as the 'three lines of defense', where in roles between the line management, risk management and inspection /audit are segregated.

Risk Profile Dashboard
Sarvodaya Development Finance Company has established policy parameters on tolerance limits on a number of identified key risk indicators. These encompass compliance with CBSL and other regulatory frameworks. Credit Risk aspects are evaluated through numerous types of concentrations and asset quality levels whereas Market Risk aspects focus on liquidity and interest rate. The regulatory compliance to the sufficiency of capital requirement would evaluate the capital adequacy risk. Operational Risk aspects focus on major risk types developed under the Operational Risk Self Assessment (ORSA) exercise. The desired level under each indicator is being monitored against achievement on a regular basis to provide a clear perspective of the risk profile of the Sarvodaya Development Finance Company. Further, continuous assessment has been carried out to minimize any adverse impact of the COVID-19 pandemic through regular monitoring of sector exposure and formulating strategies to overcome possible future challenges.

Sarvodaya Development Finance Limited's Risk Appetite Framework
Within a volatile financial market, it is important to understand the accurate risk profile of the company. For starters the company has implemented simple risk appetite framework that helps to better understand and manage the risks through the development of action plan and through day-to-day business decisions.

Risk appetite defines the aggregate quantum of risk the company is willing to assume in different aspects of business. It is to achieve its strategic objectives while maintaining the desired risk profile. Tolerance limits have been set for certain risk. A limit system is adopted to translate the risk appetite of the company so that it is understood by the management and practical to implement, while catering to current levels of the operations.

Risk Management Unit (RMU)
The business units (i.e. Credit Department, Operations Department and Branches etc.) have primary responsibility for risk management. The Integrated Risk Management Unit, which provides an independent oversight function, acts as the 2nd line of defense. The RMU is headed by the Assistant General Manager – Compliance (Acting Head of Risk) who directly reports to the Chair of IRMC and also has an administrative reporting to the CEO.

Risk Measurement & Reporting
The Company's risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Company also carries out procedures to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to IRMC on a periodic basis.

45. RISK MANAGEMENT (CONTD.)

Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept.

Assets and Liability Management Committee (ALCO)

ALCO is chaired by the CEO and has representatives from the Operation, Credit , Risk & Compliance and Finance & Planning Departments. The Committee meets regularly to monitor and manage the assets & liabilities of the Company and also to manage the overall liquidity position of the Company to ensure liquidity is maintained at healthy levels, whilst satisfying regulatory requirements. These decisions taken by the ALCO are further reviewed at IRMC.

Credit Committee

There are two Credit Committees, namely Board Credit Committee (BCC) and Management Credit Committee (MCC). BCC is comprised of three Non-Executive Independent Directors and the MCC is comprised of the CEO, AGM -Credit, AGM -Compliance(Acting Head of Risk),Chief Manager Finance and Senior Manager Recoveries.Board is the vested with the ultimate authority to approve credit facilities whereas BCC formulate credit policies for the company and overlooks the credit function by ensuring the asset quality whilst approving high value credit facilities. MCC is the supreme management level approving authority beyond the delegated authority of the CEO.

45.2 Credit Risk

Over view

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers. The exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. Credit risk is considered as Sarvodaya Development Finance Limited's major risk exposure. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Credit Risk Management

The Board of Directors of the Company has delegated responsibility for the oversight of credit risk to its Board Credit Committee. The credit department and recoveries department are responsible for management of the companies' credit risk, including the formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements. They are also responsible for establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to respective officers with the DA of the CEO.

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of qualitative as well as quantitative variables for the measurement of borrowers' risk. All internal risk ratings are tailored to various products namely SME Loans and Leasing. For accounting purposes, the Company uses a collective model for the recognition of losses on impaired financial Assets.

Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the company act as a possible secondary recourse. Collateral generally include cash, marketable securities, properties, stocks, trade debtors, other receivables machinery and equipment and other physical or financial assets and are assessed at the inception, in accordance with the guidelines issued by the Central Bank of Sri Lanka

Clear guidelines are in place to determine the suitability of collateral in credit risk mitigation based on their different characteristics and for valuation, to ensure the collaterals will continue to provide the anticipated secondary source of repayment in an eventuality. The company has a panel of appointed professional valuers in order to obtain valuation of the properties, machinery and vehicles obtained as collateral.

Periodic estimation of values of collateral ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialized. The collaterals vulnerable to frequent fluctuations in values are subject to stringent haircuts and/ or more frequent valuations.

The company also accepts personal guarantees, guarantees from other financial institutions and credit-worthy bodies as collateral for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

Covid-19 Impact on credit risk

The outbreak of Covid-19 Panademic has disrupted the regular business operations and economic activities locally and across the globe. This created serious economic effects in SME and retail segments causing stress on repayment , which elivated the credit risk. Adhering to the guidelines issued by the Central bank Of Sri lanka, the company offered relief measures to individuals and business by deffreing payments and waiving off certain fees.

The Company's risk management ensures and continously monitors the portfolio delinquency levels and sector exposures are kept in a minimum level of risk whilst ensuring the return objectives of the company is achived

45.2.1 Credit Quality by Class of Financial Assets

	2021 Neither Past Due Nor Impaired Rs.	2021 Past Due But Not Impaired Rs.	2021 Individually Impaired Rs.	2021 Collectively Impaired Rs.	2021 Total Rs.
Assets					
Cash and Cash Equivalents	130,870,989	-	-	-	130,870,989
Loans and Receivable (Gross) (Note 45.2.1.1)	539,822,681	-	-	4,750,285,607	5,290,108,288
Lease Rentals Receivables (Gross) (Note 45.2.1.1)	-	-	-	3,090,996,132	3,090,996,132
Financial Investments	374,591,188	-	-	-	374,591,188
Other Financial Assets	779,506	-	-	-	779,506
Total Financial Assets	1,046,064,364	-	-	7,841,281,739	8,887,346,103

45.2.1.1 The Company consider total loan and lease balances to calculate collective impairment.

45.2 Credit Risk

	2020 Neither Past Due Nor Impaired Rs.	2020 Past Due But Not Impaired Rs.	2020 Individually Impaired Rs.	2020 Collectively Impaired Rs.	2020 Total Rs.
Assets					
Cash and Cash Equivalents	73,226,394	-	-	-	73,226,394
Loans and Receivable (Gross)	492,268,426	-	-	5,031,726,130	5,523,994,556
Lease Rentals Receivables (Gross)	-	-	-	1,833,078,458	1,833,078,458
Financial Investments	444,939,031	-	-	-	444,939,031
Other Financial Assets	164,535,666	-	-	-	164,535,666
Total Financial Assets	1,174,969,517	-	-	6,864,804,588	8,039,774,105

45. RISK MANAGEMENT (CONTD.)

45.2.1.2 The Company consider total loan and lease balances to calculate collective impairment.

45.2.2 Analysis of Risk Concentration

45.2.2.1 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Sector	2021 Cash and Cash Equivalents Rs.	2021 Loans and Receivable Rs.	2021 Lease Rental Receivable Rs.	2021 Financial Investments Rs.	2021 Other Financial Assets Rs.	2021 Total Financial Assets Rs.
Agriculture & Fishing	-	1,139,850,651	1,059,840,070	-	-	2,199,690,721
Manufacturing	-	494,103,544	632,555,561	-	-	1,126,659,105
Tourism	-	28,465,587	3,362,102	-	-	31,827,689
Transport	-	14,405,210	153,133,507	-	-	167,538,718
Constructions	-	1,967,041,038	35,323,105	-	-	2,002,364,143
Trades	-	346,691,459	21,435,723	-	-	368,127,182
New Economy	-	6,369,685	9,341,320	-	-	15,711,005
Financial and Business Services	130,870,989	25,563,811	1,661,551	-	779,506	158,875,856
Infrastructure	-	45,083,426	902,685	-	-	45,986,111
Government		-	-	374,591,188	-	374,591,188
Other Services	-	1,247,234,309	1,166,864,367	-	-	2,414,098,676
Total	130,870,989	5,314,808,719	3,084,419,992	374,591,188	779,506	8,905,470,394

Sector	2020 Cash and Cash Equivalents Rs.	2020 Loans and Receivable Rs.	2020 Lease Rental Receivable Rs.	2020 Financial Investments Rs.	2020 Other Financial Assets Rs.	2020 Total Financial Assets Rs.
Agriculture & Fishing		354,731,368	21,213,332			375,944,700
Manufacturing		665,361,030	466,788,554			1,132,149,584
Tourism		32,716,148	2,987,497			35,703,645
Transport		21,085,695	182,516,944			203,602,639
Constructions		2,357,396,597	20,071,408			2,377,468,005
Trades		491,579,668	28,135,841			519,715,509
New Economy		23,184,189	11,008,741			34,192,930
Financial and Business Services	73,226,394	63,381,150	3,320,575		164,535,666	304,463,785
Infrastructure		53,155,077	381,429			53,536,506
Government			-	444,939,031		444,939,031
Other Services		1,531,416,588	1,049,091,303			2,580,507,891
Total	73,226,394	5,594,007,510	1,785,515,624	444,939,031	164,535,666	8,062,224,225

45.3 Liquidity Risk & Funding Management

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabili ies that are settled by delivering cash or another financial asset. To limit this risk, the Company's management has arranged diversified fundin sources in addition to its core deposit base, and adopted a policy of managing liquidity and funding to ensure future cash fl ws. The company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment o expected cash flo s and the availability of collateral which could be used to secure additional funding if required.

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 asset and liability management committee (ALCO) analyses and monitors liquidity risk and maintains an adequate margin of safety in liquid assets.

ALCO meets at least once in two months and as and when necessary. ALCO is responsible for managing and controlling the overall liquidity of the company and reviews the impact of strategic decisions on Company's liquidity position.

During the Covid-19 pandemic the company implemented a comprehensive and proactive mechanism to ensure that liquid assets are well managed by the organization during periods of business disruptions and well addressed during the turbulent times. Management developed cash flows forecasts in order to monitor and absorb sudden liquidity shock to comply financial covenant and CBSL Liquidity Requirement. I.e. consider sufficient cash and unused credit lines, deposits renewal ratio, customer collection ratios, availability of negotiate borrowing facilities to meet short term needs, restructure operations to reduce operating costs and defer capital expenditure. ALCO closely overlooks the changes and development related to the pandemic both locally and globally and incorporated them when making management decisions.

Furthermore the Company maintains the statutory liquid assets ratio at its required level as a method to measure and control daily liquidity risk.

45.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities.

As at 31 March 2021	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Financial Assets						
Cash and Cash Equivalents	130,870,989	-	-	-	-	130,870,989
Loans and Receivables	552,261,393	1,237,591,845	1,509,830,199	2,707,493,996	-	6,007,177,434
Lease Rentals Receivable	123,172,283	579,904,815	1,155,513,651	2,362,771,220	125,405	4,221,487,374
Financial Investments	-	298,608,188	75,983,000	-	-	374,591,188
Other Financial Assets	-	276,735	502,771	-	-	779,506
Total Financial Assets	806,304,665	2,116,381,583	2,741,829,621	5,070,265,216	125,405	10,734,906,490
Financial Liabilities						
Due to Banks and Other Institutions	248,436,128	223,244,504	546,472,128	704,011,325	7,460,025	1,729,624,109
Due to Customers	1,144,722,764	1,030,224,505	1,559,607,634	735,317,919	82,072,361	4,551,945,183
Total Financial Liabilities	1,393,158,891	1,253,469,008	2,106,079,763	1,439,329,244	89,532,386	6,281,569,293
Total Net Financial Assets/(Liabilities)	(586,854,226)	862,912,575	635,749,859	3,630,935,972	(89,406,981)	4,453,337,198

As at 31 March 2020	On Demand Rs.	Less than 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Financial Assets						
Cash and Cash Equivalents	73,226,394	73,226,394				
Loans and Receivables	478,898,287	704,914,996	1,305,518,480	2,739,373,184	-	5,228,704,947
Lease Rentals Receivable	50,653,069	137,948,513	357,836,062	1,156,409,852	-	1,702,847,496
Financial Investments	-	366,058,986	78,880,044	-	-	444,939,030
Other Financial Assets	-	163,796,793	738,873	-	-	164,535,666
Total Financial Assets	602,777,750	1,372,719,288	1,742,973,459	3,895,783,036	-	7,614,253,533
Financial Liabilities						
Due to Banks and Other Institutions	220,759,208	325,901,647	346,917,615	695,495,194	5,961,950	1,595,035,614
Due to Customers	1,264,246,886	1,359,994,966	1,149,944,561	1,233,226,646	94,562,895	5,101,975,954
Total Financial Liabilities	1,485,006,094	1,685,896,613	1,496,862,176	1,928,721,840	100,524,845	6,697,011,568
Total Net Financial Assets/(Liabilities)	(882,228,343)	(313,177,324)	248,111,283	1,967,061,196	(100,524,845)	919,241,967

45. RISK MANAGEMENT (CONTD.)

45.3.2 Contractual Maturities of Commitments & Contingencies

There are no significant contingencies and significant capital commitments as at 31 March 2021.

45.3.2.1 Operational Risk

Overview

The operation risk management is the responsibility of all the staff in the company. The accountability of managing operation risk lies with the management committee members. They are responsible for maintaining an over sight over operational risk, and internal controls and covering all businesses and operations pertaining to the Company.

After reviewing the audit reports the Integrated Risk Management Committee has identified certain common KRI that is affecting the branch operations. These risks that have been identified are critically reviewed regularly with the help of Internal Audit Department.

The Company has introduced and implemented a comprehensive BCP and DR policy. The BCP and DR policy is supported by a BCP and DR plan to ensure that SDF has the capability to handle failure of system, disaster at branches and disruption of business.

Regulators are primarily interested in protecting the rights of customers. Greater attention has been given to risk appetite and mitigation both at Company and service-line levels. the fundamental data underlying record-keeping and the risk associated with their retention has been over looked by Operations and Information Technology.

45.3.2.2 Market Risk

Overview

Market risk is the potential of an adverse impact on Company's earnings or capital due to changes in interest rates. During the normal course of its business, company deals in financial products such as loans and deposits to facilitate both customer-driven and proprietary transactions which expose the company to market risk in varying degrees.

Market Risk Management

Risk Management Framework ensures the appropriate management of the market risks within the overall risk appetite so that adverse changes in market risk parameters, do not materially impact Company's profitability, capital or the risk profile.

Upon recognizing various sources of risks, their characteristics and possible outcomes resulting from transactions undertaken by the company risk management process functions in compliance with the Investment Policy and Asset and Liability Policy . Investment Policy and Asset and Liability Policy alone with Integrated Risk Management Framework (IRMF) and Stress Testing Guidelines also define exposure limits and procedures within which such transactions are required to be undertaken. Market risk limits set out in the above policies are regularly reviewed by Asset and Liability Management Committee (ALCO) and Integrated Risk Management Committee (IRMC).

ALCO is the core management committee that regularly monitors market risk exposures and initiates appropriate action to optimize overall market risk exposures within the overall risk appetite of the company. In this regard, the major functions carried out by ALCO include:

- proactive managing of liquidity risk profile of the company
- articulating interest rate review of the company
- monitoring asset and liability gaps, and rate shock results on Net Interest Income (NII) to initiate appropriate measures such as changing interest rate structure.

Functionalities of Market Risk Management

The Market Risk Management is done by Finance and Planning which is responsible for coordinating and performing Market Risk Management activities including measuring, monitoring and reporting of market risk exposures, and reviewing Company's market risk related policies and exposure limits at least annually. It also provides independent reviews on market risks associated with new investment proposals and products, thus facilitating efficient decision-making through optimizing risk-return trade off. The Company has made a strategic decision to maintain a risk appetite moderately above competitor rates since it allows the best potential for creating shareholder value at an acceptable risk level. The Company manages the volatility and potential downward risk through diversification.

45.5.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities, namely the granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; and basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. The Company's exposure to interest rate risk is primarily associated with factors such as:

- Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio;
- Yield curve risk arising from unanticipated shifts of the market yield curve;

Interest rate risk is managed principally through minimizing interest rate sensitive asset/liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly. Regularly monitoring of Net interest margin took place to be vigilant and proactive towards the Covid-19 relief measures introduced by the government pertaining to interest rates.

45.5.2 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 amount and categorized by the earlier of contractual reprising or maturity dates.

Year ended 31 March 2021	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total Rs.
Assets							
Cash and Cash Equivalents	83,332,388	-	-	-	-	47,538,601	130,870,989
Loans and Receivables	1,789,853,238	1,509,830,199	2,546,039,509	161,454,487	-		6,007,177,434
Lease Rentals Receivable	703,077,098	1,155,513,651	1,490,598,379	872,172,841	125,405		4,221,487,374
Financial Investments	298,608,188	75,983,000	-	-	-	-	374,591,188
Other Financial Assets	276,735	502,771	-	-	-	-	779,506
Total Financial Assets	2,579,215,528	1,898,551,285	2,971,787,753	908,596,136	117,677	47,538,601	8,412,940,877
Financial Liabilities							
Due to Banks and Other Institutions	450,453,638	546,472,128	561,965,468	142,045,857	1,398,075	27,288,943	1,729,624,109
Due to Customers	2,025,338,148	1,559,607,634	606,377,716	128,940,204	82,072,361	149,609,120	4,551,945,183
Total Financial Liabilities	2,475,791,787	2,106,079,763	1,168,343,183	270,986,061	83,470,436	176,898,063	6,281,569,293
Interest Sensitivity Gap	103,423,741	(207,528,478)	1,803,444,569	637,610,075	(83,352,759)	(129,359,462)	2,131,371,584

Year ended 31 March 2020	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total Rs.
Assets							
Cash and Cash Equivalents	39,136,396	-	-	-	-	34,089,998	73,226,394
Loans and Receivables	1,183,813,283	1,307,518,480	2,213,360,650	526,012,534	-	-	5,230,704,947
Lease Rentals Receivables	188,601,581	357,836,062	831,811,154	324,598,698	-	-	1,702,847,495
Financial Investments	366,058,986	78,880,044	-	-	-	-	444,939,030
Other Financial Assets	163,796,793	738,873	-	-	-	-	164,535,666
Total Financial Assets	1,941,407,039	1,744,973,459	3,045,171,804	850,611,232	-	34,089,998	7,616,253,532
Financial Liabilities							
Due to Banks and Other Institutions	546,660,854	346,917,615	555,495,194	140,000,000		5,961,950	1,595,035,613
Due to Customers	2,624,241,851	1,149,944,561	1,035,344,058	197,882,588	94,562,895	-	5,101,975,953
Total Financial Liabilities	3,170,902,705	1,496,862,176	1,590,839,252	337,882,588	94,562,895	5,961,950	6,697,011,566
Interest Sensitivity Gap	(1,229,495,666)	248,111,283	1,454,332,552	512,728,644	(94,562,895)	28,128,048	919,241,966