

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SARVODAYA DEVELOPMENT FINANCE PLC

Report on the audit of the financial statements

OPINION

We have audited the financial statements of Sarvodaya Development Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

description of how our audit addressed the matter is provided in that context.

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

Key audit matter

Impairment allowances on loan and Lease receivables to customers:

As at 31 March 2022, Loan and Lease receivables to customers, net of impairment allowances amounted to LKR 9,879 Mn and is disclosed in notes 20 & 21. These collectively contributed to 88% of the Company's total assets.

Impairment allowances on Loan and Lease receivables is a key audit matter due to:

How our audit addressed the key audit matter

Our audit procedures included amongst others the following;

- We assessed the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management.
- We evaluated the design, implementation and operating effectiveness of internal controls over estimation of the impairment allowances, including testing of related system controls.
- We checked the completeness, accuracy and classification of the underlying data used in the computation of impairment allowances by agreeing details to relevant source documents and accounting records of the Company.

Key audit matter

- Materiality of the reported provision for credit impairment which involved complex calculations; and
- Significant judgements used in assumptions and estimates made by the management as reflected in note 2.9, which in the current year was influenced by the need to assess the change in current economic conditions on forward looking information and the continuing impact of Covid-19 debt moratorium relief measures.

Financial reporting related IT based Internal controls

A significant part of the Company's financial reporting process is primarily reliant on IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spread sheets.

Accordingly, financial reporting related IT based Internal controls is considered a key audit matter.

How our audit addressed the key audit matter

For Loan and Lease receivables assessed on a collective basis for Impairment:

- We tested key calculations used in the impairment allowances.
- We assessed whether significant judgements used in assumptions estimates used by the management in the underlying methodology and management overlays were reasonable. We also evaluated the reasonableness of forward looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Our procedures were based on the best available information up to the date of our report.

Our audit procedures included the following;

- We obtained an understanding of the internal control environment of the processes relating to financial reporting and related disclosures.
- We identified and test checked relevant controls of key IT systems related to the Company's Financial reporting process.
- We evaluated the design and operating effectiveness of IT controls, including those related to user access and change management.
- We checked key source data of the reports used to generate key disclosures for accuracy and completeness, including review of general ledger reconciliations.

OTHER INFORMATION INCLUDED IN THE 2022 ANNUAL REPORT

Other information consists of the information included in the Company's 2022 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuna FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACA, Ms. P S Paranavitane ACA LLB (Colombo), T P M Ruberu FCA FCCA

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INDEPENDENT AUDITORS' 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:

1. identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2965.

31 May 2022
Colombo

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March			2022	2021
	Notes	Page	LKR	LKR
Income	5	193	1,930,409,278	1,743,539,205
Interest Income			1,822,315,188	1,584,744,640
Interest Expenses			(562,116,108)	(623,347,022)
Net Interest Income	6	193	1,260,199,080	961,397,618
Net Fee and Commission Income	7	194	63,587,270	35,856,002
Other Operating Income	8	194	44,506,819	122,938,563
Total Operating Income			1,368,293,170	1,120,192,183
Impairment Charges for Loans and Other Losses	9	195	(192,618,588)	(60,091,862)
Net Operating Income			1,175,674,582	1,060,100,321
Operating Expenses				
Personnel Expenses	10	196	(440,417,817)	(374,095,908)
Depreciation of Property, Plant and Equipment			(33,428,444)	(37,102,566)
Amortisation of Right of Use Assets			(64,393,112)	(62,944,563)
Amortisation of Intangible Assets			(2,947,501)	(10,055,835)
Other Operating Expenses	11	197	(259,224,168)	(219,704,378)
Operating Profit before Tax on Financial Services			375,263,540	356,197,071
Tax on Financial Services	12	197	(106,552,907)	(89,362,305)
Profit before Taxation			268,710,633	266,834,766
Income Tax Expenses	13	198	(53,244,387)	(83,478,023)
Profit for the Year			215,466,246	183,356,743
Other Comprehensive Income				
Actuarial Gains/(Losses) on Defined Benefit Plans	33	225	3,420,601	(13,647,141)
Gain/(Loss) due to changes in Assumptions	33	225	32,703,154	(6,755,239)
Deferred Tax (Charge)/Reversal on above items			(4,334,851)	4,896,571
Net Other Comprehensive Income not to be Reclassified to Profit or Loss			31,788,904	(15,505,809)
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			31,788,904	(1,787,809)
Total Comprehensive Income/(Expenses) for the Year			247,255,150	181,568,935
Basic / Diluted Earnings per Share *	14	199	1.86	2.55
Dividend per Share **	15	200	1.00	-

* Calculated based on profit/(loss) for the year

** Dividend per share is calculated based on the interim dividend paid and the proposed final dividend which is to be approved at the Annual General Meeting.

Accounting Policies and Notes from pages 185 to 251 form an integral part of these Financial Statements.


STATEMENT OF FINANCIAL POSITION


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As at 31st March	Notes	Page	2022 LKR	2021 LKR
Assets				
Cash and Cash Equivalents	17	201	92,132,395	130,870,989
Financial Investments	18	202	532,667,038	374,591,188
Other Financial Assets	19	202	814,391	779,506
Financial Assets at Amortised Cost - Loans and Receivables	20	203	5,110,595,093	4,954,331,169
Financial Assets at Amortised Cost - Lease Rentals Receivables	21	205	4,768,166,996	2,952,368,025
Other Non Financial Assets	23	211	162,122,503	99,226,178
Investment Property	24	212	234,257,500	215,678,750
Property, Plant and Equipment	25	214	139,267,592	160,884,369
Right-of-use Lease Assets	26	217	129,533,191	142,812,343
Intangible Assets	27	218	4,927,786	5,055,287
Total Assets			11,174,484,484	9,036,597,804
Liabilities				
Due to Banks and Other Institutions	28	219	2,320,184,829	1,729,624,109
Financial Liability at Amortised Cost - Due to Customers	29	221	4,729,097,119	4,551,945,183
Lease Liability	30	222	149,951,692	161,198,954
Other Non Financial Liabilities	31	223	596,809,388	282,552,100
Current Tax Liabilities	32	224	21,170,445	53,665,325
Post Employment Benefit Liability	33	225	32,066,158	55,828,613
Deferred Tax Liabilities	34	227	20,409,737	20,398,293
Total Liabilities			7,869,689,368	6,855,212,578
Shareholders' Funds				
Stated Capital	35	228	2,696,113,032	1,696,113,020
Reserves	36	229	171,365,549	160,592,236
Retained Earnings	37	229	437,316,534	324,679,970
Total Shareholders' Funds			3,304,795,115	2,181,385,226
Total Liabilities and Shareholders' Funds			11,174,484,484	9,036,597,804
Commitments and Contingencies	38	230	4,290,100	7,689,916
Net Assets Value per Share	39	231	22.09	20.95


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


Asanka Nawarathna
Head of 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 185 to 251 form an integral part of these Financial Statements.
25th May 2022
Colombo

STATEMENT OF CHANGES IN EQUITY

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	Stated Capital LKR	Statutory Reserves LKR	Revaluation Reserves LKR	Retained Earnings LKR	Total Equity LKR
Balances as at 1 April 2020	890,000,020	67,406,126	42,796,761	195,476,359	1,195,679,266
Comprehensive Income for the year					
Profit for the Year	-	-	-	183,356,743	183,356,743
Other Comprehensive Income	-	-	13,718,000	(15,505,809)	(1,787,809)
Total Comprehensive Income for the year	-	-	13,718,000	167,850,934	181,568,934
Transactions with Equity Holders, Recognised Directly in Equity					
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)
Total transaction with equity holders	806,113,000	36,671,349	-	(38,647,323)	804,137,026
Balances as at 31 March 2021	1,696,113,020	104,077,475	56,514,761	324,679,970	2,181,385,226
Balances as at 1 April 2021	1,696,113,020	104,077,475	56,514,761	324,679,970	2,181,385,226
Comprehensive Income for the year					
Profit for the Year	-	-	-	215,466,246	215,466,246
Other Comprehensive Income	-	-	-	31,788,904	31,788,904
Total Comprehensive Income for the year	-	-	-	247,255,150	247,255,150
Transactions with Equity Holders, Recognised Directly in Equity					
Transfer to Statutory Reserves Fund	-	10,773,312	-	(10,773,312)	-
Share Issue	1,000,000,012	-	-	-	1,000,000,012
Expenses related to the Share Issue	-	-	-	(49,047,249)	(49,047,249)
Interim Dividend	-	-	-	(74,798,026)	(74,798,026)
Total transaction with equity holders	1,000,000,012	10,773,312	-	(134,618,587)	876,154,738
Balances as at 31 March 2022	2,696,113,032	114,850,787	56,514,761	437,316,534	3,304,795,115

Accounting Policies and Notes from pages 185 to 251 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

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For the year ended 31st March

	Notes	Page	2022 LKR	2021 LKR
Cash Flows From / (Used in) Operating Activities				
Profit before Income Tax Expense			268,710,633	266,834,766
Adjustments for				
Impairment Charges for Loans and Other Losses	9	195	192,618,588	50,884,654
Changing Fair Value of Investment Property			(18,578,750)	(89,584,250)
Loss/(Profit) on Disposal of Property, Plant and Equipment			1,744,069	(267,857)
Profit/(Loss) on ROU assets			(672,002)	-
Provision for Defined Benefit Plans	10	196	20,456,300	12,491,938
Depreciation of Property, Plant and Equipment	25.1	215	33,428,444	37,102,566
Amortisation of Intangible Assets			2,947,501	10,055,835
Amortisation of Roght to Use Assets			64,393,112	62,944,563
Interest Expenses on Lease Creditor			18,005,565	23,920,090
Operating Profit before Working Capital Changes			583,053,459	374,382,306
(Increase)/Decrease in Loans and Receivables	20	203	(173,355,281)	233,886,268
(Increase)/Decrease in Lease Rentals Receivables	21	205	(1,983,759,093)	(1,257,917,674)
(Increase)/Decrease in Other Financial Assets			(34,885)	163,756,160
(Increase)/Decrease in Other Non Financial Assets			(70,463,433)	42,817,778
Increase/(Decrease) in Amounts Due to Customers	29	221	177,151,935	(550,030,770)
Increase/(Decrease) in Other Non Financial Liabilities			239,354,827	183,374,104
Cash Generated from Operations			(1,228,052,469)	(809,731,828)
Retirement Benefit Liabilities Paid			(8,095,000)	(10,818,721)
Net Collection of LRAB Fund			104,435	(42,591)
Income Tax Paid	31	223	(90,062,673)	(26,665,820)
Repayment of Lease Liability			(79,694,785)	(70,768,771)
Net Cash From/(Used in) Operating Activities			(1,405,800,491)	(918,027,731)
Cash Flows from / (Used in) Investing Activities				
Sales of Property, Plant and Equipment			274,301	494,697
Acquisition of Property, Plant and Equipment	25.1	215	(13,830,036)	(33,895,737)
Acquisition of Intangible Assets	27.2	219	(2,820,000)	-
Financial Investment			(158,075,850)	70,347,843
Net Cash Flows from/(Used in) Investing Activities			(174,451,586)	36,946,804
Cash Flows from / (Used in) Financing Activities				
Funds received from bank and other institutional borrowings	28.2	220	1,560,350,000	1,293,108,000
Repayment of bank and other institutional borrowings	28.2	220	(1,075,832,549)	(1,177,148,099)
Funds Received from Share Issue			1,000,000,012	806,113,000
Expenses related to the Share Issue			(49,047,249)	(1,975,974)
Net Cash Flows from/(Used in) Financing Activities			1,435,470,215	920,096,928
Net Increase in Cash and Cash Equivalents			(144,781,862)	39,016,000
Cash and Cash Equivalents at the beginning of the year			(96,338,146)	(135,354,147)
Cash and Cash Equivalents at the end of the year	A		(241,120,008)	(96,338,146)
A. Cash and Cash Equivalents at the end of the year				
Favorable Cash & Cash Equivalents			92,132,395	130,870,989
Unfavorable Cash & Cash Equivalents			(333,252,403)	(227,209,135)
Total Cash and Cash Equivalents at the end of the year	17.1	201	(241,120,008)	(96,338,146)

Accounting Policies and Notes from pages 185 to 251 form an integral part of these Financial Statements.

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1. CORPORATE INFORMATION

1.1 General

Sarvodaya Development Finance PLC (The 'Company') is a public limited liability company incorporated and domiciled in Sri Lanka and is a Licensed Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto. The shares of the Company have a primary listing on the Colombo Stock Exchange (CSE).

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 2022 (including comparatives) have been approved and authorized for issue by the Board of Directors on 25th May 2022.

1.4 Number of Employees

The staff strength of the Company as at 31 March 2022 and 31 March 2021 is 508 and 480 respectively.

2. 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 and the listing rules of the Colombo Stock Exchange. The presentation of Financial Statements is also in compliance with the requirements of Finance Business Act No. 42 of 2011 and amendments thereto. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at 'www.casrilanka.com / www.slaasc.lk'.

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 following components;

- A Statement of Profit or Loss and Other Comprehensive Income provides the information on the performance for the year under review (Refer page 181).
- A Statement of Financial Position provides the information on the financial position of the Company as at the yearend (Refer page 182).
- A Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company (Refer page 183).
- A 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 184) and
- Notes to the Financial Statements, which comprises of the Accounting Policies and other explanatory notes and information (Refer pages 185 to 251).

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	Page 216
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 33	Page 225

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Name	Basis of Measurement	Note Number/s	Page Number/s
Investment Properties	Measured at fair value at the time of transferred from Property, plant & Equipment. Subsequently valued at fair value.	Note 24	Page 212

2.4. Presentation of Financial Statements

The Company present its Statement of Financial Position broadly by nature and listed in an order that reflects their relative liquidity and maturity pattern. 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. No adjustments have been made for inflationary factors affecting the 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 Statement of Profit or loss unless required or permitted by an Accounting Standard or interpretation, and specifically disclosed in the accounting policies of the Company.

Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees, 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.

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 consolidation process to become a LKR 20 Bn assets company in 2026. The Company has raised LKR 1 Bn new share capital through an IPO

to comply with the CBSL minimum core capital requirement of LKR 2.5 Bn. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements 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.

2.9. 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.

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

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

Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Company provides scope for Financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The entity's business model for managing the Financial assets as set out in Note 3.2.2 on page 188.
- The contractual cash Flow characteristics of the Financial assets as set out in Note 3.2.2 on page 189.

Impairment losses on financial Assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash Flows and collateral values when determining impairment losses.

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The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired.

Impairment losses on loans and lease receivables

The Company use number of estimates and assumptions for the calculation of impairment losses on loans and lease receivables. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the 'impairment losses on loans and receivables' are given in Note 22 on page 208 to the financial statements.

Impairment charges on financial investments

Financial investments are categorised under amortised cost subject to Impairment in accordance with SLFRS 9 -Financial Investment. The Company does not have historical loss experience on debt instruments at amortised cost. The Company does not have financial investments that required impairment charges.

Useful life time of Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of property, plant and 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. Details of the 'useful life-time of the Property, Plant and Equipment' are given in Note 25 on page 214 to the financial statements.

Useful life time of the Intangible Assets

Details of the 'useful life-time of the intangible assets' are given in Note 27 on page 218 to the financial statements.

Deferred tax

Details of the 'deferred tax' are given in Note 34 on page 227 to the financial statements.

Post-Employment Benefit obligation

Details of the 'Post-Employment benefit obligation' are given in Note 33 on page 225 to the financial statements.

Related Party Transactions

Details of the 'Related Party Transactions' are given in Note 43 on page 223 to the financial statements.

3. GENERAL ACCOUNTING POLICIES

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3.1 Changes In Accounting Standards

In these financial statements, the Company has applied Sri Lanka Accounting Standard - Amendments to SLFRS 16: Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 and Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2 which became effective for the annual reporting periods beginning on or after 1 January 2021, for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

Amendments to SLFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 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 the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

IBOR reform Phase 1

In 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

Highly Probable Requirement: when determining whether a forecast transaction is highly probable to be designated as a hedged item, an entity shall assume that the interest rate benchmark on which the hedged cashflows are based is not altered as a result of the reform

Prospective assessments: when performing prospective assessments to evaluate whether a hedging relationship qualifies for hedge accounting, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform

LKAS 39 retrospective assesment: an entity is not required to undertake the 'LKAS 39 retrospective assesment' for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assesment

Separately identifiable risk components: For hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement of risk component (or a portion) to be separately identifiable to be eligible for hedge accounting, only at the inception of such hedging relationships

IBOR reform Phase 2

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include several practical expedients

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context

3.2 Financial Instruments – initial recognitions and subsequent measurement

3.2.1 Date of recognition

All financial assets and liabilities except 'regular way trades' are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. 'Regular way trades' means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

3.2.2 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company 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.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by- instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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.

Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on 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).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than the minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the

Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

The Company holds a portfolio of long-term fixed rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Details on different types of financial assets recognised on the Statement of Financial Position.

Financial assets measured at amorised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets measured at amortised cost are given in Notes 16 on page 201.

Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. The Company do not have financial assets measured at FVOCI as at 31 March 2022.

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash

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flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. The Company do not have financial assets measured at FVTPL as at 31 March 2022.

3.2.3 Derecognition of financial assets and financial liabilities Financial Assets

Financial Assets A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- The rights to receive cash flows from the asset which have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
 - The Company has transferred substantially all the risks and rewards of the asset; or
 - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

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

Financial Liabilities

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

3.2.4 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.2.5 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 16 on page 201.

3.3 Impairment of non-financial assets

The carrying amounts of the Company's non financial assets, other than deferred tax assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use.

Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

3.4 Provisions

Provisions are recognised in the Statement of Financial Position when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'.

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The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.5 Borrowing cost

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

3.6 Income tax

Details of the 'income tax expense' are given in Note 13 on page 198 to the financial statements.

3.7 Deferred tax

Details of the 'deferred tax' are given in Note 34 on page 227 to the financial statements.

3.8 Crop Insurance Levy

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 1, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.9 Tax on financial services

Details of the 'VAT, NBT on financial services are given in Note 12 on page 197 to the financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2022. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2022. Following amendment is not expected to have a material impact on

the Financial Statements of the Company in the foreseeable future.

SLFRS 17 Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 – Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contract
- SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

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Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment

Amendments to SLFRS 3 Business Combinations : Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively

SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 1 First-time Adoption of International Financial Reporting Standards (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

SLFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

LKAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to LKAS 41 Agriculture (LKAS 41). The amendment removes the requirement in paragraph 22 of LKAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of LKAS 41

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted

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5. INCOME

Accounting Policy >>

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 31st March 2022

	Note	Page	2022 LKR	2021 LKR
Interest Income	6.1	193	1,822,315,188	1,584,744,640
Net Fee and Commission Income	7	194	63,587,270	35,856,002
Other Operating Income (net)	8	194	44,506,819	122,938,563
Total Income			1,930,409,278	1,743,539,205

Recognition of interest income for credit facilities under moratoriums

The adjusted 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.

Recognition of interest income for credit facilities under moratoriums"

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

Year ended 31st March 2022

	2022 LKR	2021 LKR
6.1 Interest Income		
Financial Assets at Amortised Cost - Loans and Receivables	917,956,222	993,024,757
Financial Assets at Amortised Cost - Lease Rentals Receivables	867,285,943	553,963,114
Financial Investments	29,888,102	24,195,687
Cash and cash equivalent - Savings Deposits	7,145,578	2,925,060
Other Financial Assets	39,343	10,636,021
Total Interest Income	1,822,315,188	1,584,744,640
6.2 Interest Expenses		
Due to Bank and Other Institution	219,495,225	162,008,088
Financial Liabilities at Amortised Cost - Due to Customers	324,615,318	437,418,843
Lease Liabilities	18,005,565	23,920,090
Total Interest Expenses	562,116,108	623,347,022
Net Interest Income	1,260,199,080	961,397,618

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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 charges.

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

For the year ended 31st March	2022 LKR	2021 LKR
Credit Related Fees and Commissions	28,349,729	19,306,211
Documentation Charges	35,423,082	24,614,575
Service Charge	15,651,465	7,976,258
Total Fee and Commission Income	79,424,276	51,897,044

7.2 Fee and Commission Expenses

For the year ended 31st March	2022 LKR	2021 LKR
Credit Related Fees and Commissions	8,226,185	8,473,038
Documentation Charges	575,857	146,198
Service Charge	7,034,965	7,421,806
Total Fee and Commission Expenses	15,837,006	16,041,042
Total Net Fee and Commission Income	63,587,270	35,856,002

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.

For the year ended 31st March	Note	Page	2022 LKR	2021 LKR
Recoveries of Written-Off Loans & Receivables			11,691,105	18,955,297
Profit/(Loss) on Disposal of Property Plant & Equipment			(1,744,069)	267,857
Gain from Fair Value of Investment Property			18,578,750	89,584,250
Rent income from investment property			8,290,200	8,305,200
Other Sundry Income	8.1	194	7,690,833	5,825,959
Total Other Operating Income			44,506,819	122,938,563

8.1 Other Sundry Income included savings accounts threshold charges, income from solar project, stationery income and other.

9. IMPAIRMENT LOSSES

Impairment losses for loans and lease receivables and other customers, which are adopted by the Company is explained in Note 22 to these Financial

	2022 LKR	2021 LKR
Provision for Other Assets	59,019,063	8,397,145
Total Impairment Charges for Loans and Other Losses	192,618,588	60,091,862

9.1 Impairment charge/(reversal) for loans and other losses (Detailed breakdown)

For the year ended 31st March	2022			
	Disposal loss/ Write-offs LKR	Charge LKR	(Reversal) LKR	Net Amount LKR
Loans and Receivables	(108,931,128)	414,635,895	(179,672,350)	127,368,440
Lease Rentals Receivables	-	106,333,876	(47,314,814)	57,683,039
Other receivables	-	7,567,108	-	7,567,108
Total	(108,931,128)	528,536,880	(226,987,164)	192,618,588

For the year ended 31st March	2021			
	Disposal loss/ Write-offs LKR	Charge LKR	(Reversal) LKR	Net Amount LKR
Loans and Receivables	-	199,368,474	(156,880,965)	42,487,510
Lease Rentals Receivables	-	58,433,664	(50,036,519)	8,397,145
Other receivables	-	9,207,207	-	9,207,207
Total	-	267,009,345	(206,917,484)	60,091,862

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

9.2 Impairment charges to the Statement of Profit or Loss - Stage wise analysis

For the year ended 31st March	2022			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Loans and Receivables	125,491,296	(7,053,832)	7,594,952	126,032,416
Lease Rentals Receivables	32,976,977	15,375,037	10,667,049	59,019,063
Other receivables	-	-	7,567,108	7,567,108
Total	158,468,273	8,321,204	25,829,110	192,618,588

For the year ended 31st March	2021			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Loans and Receivables	(3,182,399)	(8,419,547)	54,089,455	42,487,510
Lease Rentals Receivables	13,087,177	1,778,863	(6,468,895)	8,397,145
Other receivables	-	-	9,207,207	9,207,207
Total	9,904,779	(6,640,685)	56,827,768	60,091,862

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.

For the year ended 31st March	2022 LKR	2021 LKR
Salaries and Other Related Expenses	373,311,469	323,350,593
Employer's Contribution to Employees' Provident Fund	28,074,814	24,383,353
Employer's Contribution to Employees' Trust Fund	7,018,704	6,095,373
Other Staff Related Expenses	12,115,531	7,774,651
Total Personnel Expenses	440,417,817	374,095,908

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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.

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.

For the year ended 31st March	2022 LKR	2021 LKR
Directors' Emoluments	9,924,000	7,576,000
Auditors Remuneration	2,559,978	3,282,876
Professional and Legal Expenses	5,290,133	3,207,802
Deposit Insurance Premium	6,019,843	6,605,953
General Insurance Expenses	3,510,287	5,177,963
Office Administration and Establishment Expenses	139,551,105	119,906,859
Travelling & Transport Expenses	45,545,293	32,591,090
Other Expenses	2,394,738	6,775,302
Marketing and Promotional Expenses	44,428,791	34,580,533
Total Other Operating Expenses	259,224,168	219,704,378

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 as 18% with effect from 01 January 2022 (15% charge up to 31 December 2021).

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.

For the year ended 31st March	2022 LKR	2021 LKR
Value Added Tax on Financial Services	106,552,907	88,994,892
National Building Tax on Financial Services	-	367,413
Total Tax on Financial Services	106,552,907	89,362,305

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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 except 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 34 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. As per the new budget proposal, the company is eligible for the concessionary tax rate of 12% as a result of the company listing on the Colombo Stock Exchange before 31 December 2021 (Y/A 2020/21 - 24%).

The components of the income tax expense for the years ended 31 March 2022 and 2021 are:

For the year ended 31st March	Note	Psge	2022 LKR	2021 LKR
Income Taxation				
Taxation based on Profits for the Year	13.1	199	55,736,127	77,582,750
Under/(Over) Provision of Current Taxes in respect of Previous Years			1,831,667	3,959,133
Deferred Taxation				
Transfers to/(from) Deferred Taxation	34	227	(4,323,406)	1,936,139
Total Tax Expenses			53,244,387	83,478,023
Deferred tax charge/(reversal) for other comprehensive income			(4,334,851)	564,571
Income tax charge / (reversal) recognised in statement of comprehensive income			(4,334,851)	564,571

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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.

For the year ended 31st March	2022 LKR	2021 LKR
Profit Before Tax	268,710,633	266,834,766
Add :Disallowable Expenses	362,760,697	214,426,153
Taxable Loss on Leasing Business	20,744,674	21,551,337
Adjustment on SLFRS 16	2,551,873	12,591,312
Less:Tax Deductible Expenses	(172,112,105)	(94,623,249)
Disallowable Income	(18,188,051)	(97,518,861)
Adjusted Profit / (Loss) for Tax Purposes	464,467,722	323,261,459
Assessable Income	464,467,722	323,261,459
Less - Allowable Losses	-	-
Taxable Income	464,467,722	323,261,459
Income Tax @ 24%	-	77,582,750
Income Tax @ 12%	55,736,127	-
Income Tax on Current Year's Profit	55,736,127	77,582,750
Effective tax rate (excluding deferred tax) (%)	14.85%	21.78%
Effective tax rate (%)	14.19%	23.44%

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

The Company recorded an income tax under provision Rs 1,831,667/- for Y/A 2020/21 based on the submitted annual income tax return.

13.3 Differed Tax on Concesssary Rate

The company has reported additional differed tax expenses Rs. 17,247,836/- on changes of the statutory tax rate from 24% to 14%

14. BASIC / DILUTED EARNINGS PER SHARE

Accounting Policy >>

Basic / Diluted 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'. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor.

For the year ended 31st March	2022 LKR	2021 LKR
Amount used as the numerator		
Profit attributed to ordinary shareholders (Rs)	215,466,246	183,356,743
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	116,096,674	71,894,661
Basic / Diluted Earnings per Share (LKR)	1.86	2.55

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15. DIVIDEND PAID AND PROPOSED

Accounting Policy >>

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

For the year ended 31st March	Note	Page	2022 LKR	2021 LKR
15.1 Dividend per Share				
Dividends for Ordinary Shares:				
Interim and Final Dividend for the financial year 2020/21	15.2	200	-	-
Interim Dividend for the financial year 2021/22 (LKR 0.50 per share)	15.3.1	200	74,798,026	-
Final Dividends for the financial year 2021/22 (LKR 0.50 per share)	15.3.2	200	74,798,026	-
Total Dividends			149,596,052	-
No of Ordinary Shares at the End of the Year			149,596,052	104,141,506
Divided per Share (LKR)			1.0	0.0

15.2 Dividend for the year 2020/21

As per the restrictions imposed on cash dividends from the Central Bank of Sri Lanka, the board of directors has not approved interim or final dividend for the financial year 2020/21 by further evaluating the and considering the COVID-19 challenges faced by the Company.

15.3 Dividend for the year 2021/22

15.3.1 Interim dividend

However, the Company was paid an interim dividend of LKR 50 cents per share in respect of the financial year 2021/22 on the then issued shares of 149,596,052 after obtaining the requisite approval of the Central Bank of Sri Lanka.

15.3.2 Final Dividend

The Company has recommended the payment of final dividend of LKR 50 cents per share to be paid in cash for ordinary shareholders' of the Company for the year ended 31 March 2022. The above first and final dividend recommended by the Board of Directors is to be approved by the regulator.

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16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Accounting Policy >>

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 31st March	2022		2021	
	Amortised Cost LKR	Total LKR	Amortised Cost LKR	Total LKR
Financial Assets				
Cash and Cash Equivalents	92,132,395	92,132,395	130,870,989	130,870,989
Financial Investments	532,667,038	532,667,038	374,591,188	374,591,188
Other Financial Assets	814,391	814,391	779,506	779,506
Financial Assets at Amortised Cost - Loans and Receivables	5,110,595,093	5,110,595,093	4,954,331,169	4,954,331,169
Financial Assets at Amortised Cost - Lease Rentals Receivables	4,768,166,996	4,768,166,996	2,952,368,025	2,952,368,025
Total Financial Assets	10,504,375,912	10,504,375,912	8,412,940,877	8,412,940,877
Financial Liabilities				
Due to Banks and Other Institutions	2,320,184,829	2,320,184,829	1,729,624,110	1,729,624,110
Due to Customers	4,729,097,119	4,729,097,119	4,551,945,183	4,551,945,183
Lease Liabilities	149,951,692	149,951,692	161,198,954	161,198,954
Total Financial Liabilities	7,199,233,640	7,199,233,640	6,442,768,247	6,442,768,247

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 31st March	2022 LKR	2021 LKR
Cash in Hand	51,260,357	47,538,601
Balances with Banks	40,872,038	83,332,388
Total Cash and Cash Equivalents	92,132,395	130,870,989

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 hand and deposits in banks net of outstanding bank overdrafts.

As at 31st March	Note	Page No	2022 LKR	2021 LKR
Favorable Cash & Cash Equivalents	17	201	92,132,395	130,870,989
Unfavorable Cash & Cash Equivalents	28	220	(333,252,403)	(227,209,135)
Cash & Cash Equivalents for Cash Flow Purposes			(241,120,008)	(96,338,146)

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18. 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. EIR 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 amortization is included in interest income in the Statement of Profit or Loss.

As at 31st March	2022 LKR	2021 LKR
Sri Lanka Government Securities - REPO	532,667,038	374,591,188
Total Financial Investments	532,667,038	374,591,188

19. OTHER FINANCIAL ASSETS

Accounting Policy >>

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

As at 31st March	2022 LKR	2021 LKR
Fixed Deposits	814,391	779,506
Total Other Financial Assets	814,391	779,506

19.1 Contractual Maturity Analysis of Other Financial Assets

As at 31st March 2022	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	814,391	-	-	814,391
Total Other Financial Assets	814,391	-	-	814,391

As at 31st March 2021	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	779,506	-	-	779,506
Total Other Financial Assets	779,506	-	-	779,506

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20. FINANCIAL ASSETS AT AMORTISED COST - 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 31st March	Note	Page	2022 LKR	2021 LKR
SME Loans			1,534,108,034	1,625,204,142
Micro Loan			794,848,779	1,198,289,378
Housing Loan			1,086,822,278	1,198,378,692
Scoeity Loan			488,031,599	339,302,197
Gold Loan			1,047,191,832	388,889,524
Loan on Depoaits			512,461,047	540,044,355
Gross Loan and Receivables			5,463,463,569	5,290,108,288
Less : Allowance for Impairment Charges for Loans and Receivables	22.1	210	(352,868,476)	(335,777,119)
Net Loans and Receivables			5,110,595,093	4,954,331,169

20.1 Analysis

20.1.1 Analysis by stage wise

As at 31st March 2022	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	3,391,277,669	686,278,213	1,385,907,686	5,463,463,569
Less - Allowance for expected credit losses (ECL)	(64,973,956)	(31,216,052)	(256,678,469)	(352,868,476)
Total	3,326,303,714	655,062,162	1,129,229,217	5,110,595,092

As at 31st March 2021	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	2,976,531,498	908,406,104	1,405,170,686	5,290,108,288
Less - Allowance for expected credit losses(ECL)	(48,332,500)	(38,204,170)	(249,240,449)	(335,777,119)
Total	2,928,198,998	870,201,934	1,155,930,238	4,954,331,169

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20. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES (CONTD.)

20.1.2 Analysis by Currency

As at 31st March	2022 LKR	2021 LKR
Sri Lankan Rupee	5,463,463,569	5,290,108,288
Gross total	5,463,463,569	5,290,108,288

20.1.3 Analysis by Industry

Agriculture & Fishing	2,223,347,911	1,256,445,138
Manufacturing	322,348,247	459,120,582
Tourism	23,115,059	27,023,661
Transport	9,287,478	13,448,111
Constructions	879,941,218	1,759,097,180
Trades	243,311,618	329,331,237
New Economy	4,770,773	5,968,995
Financial and Business Services	7,359,446	25,248,299
Infrastructure	31,472,375	40,908,825
Government	-	-
Other Services	1,718,509,443	1,373,516,260
Gross total	5,463,463,569	5,290,108,288

20.2 Movement in gross loan and receivables during the year (Under SLFRS 9)

As at 31st March 2022	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2021	2,976,531,498	908,406,104	1,405,170,686	5,290,108,288
New assets originated or purchased	5,096,031,378	-	-	5,096,031,378
Assets derecognised or repaid (excluding write offs)	(3,072,058,840)	(987,126,076)	(754,550,122)	(4,813,735,039)
Transfers to Stage 1	207,674,487	(145,245,767)	(62,428,720)	-
Transfers to Stage 2	(1,298,692,760)	1,345,034,730	(46,341,970)	-
Transfers to Stage 3	(518,208,093)	(434,790,778)	952,998,871	-
Amounts written off	-	-	(108,941,059)	(108,941,059)
Gross carrying amount as at 31st March 2022	3,391,277,669	686,278,213	1,385,907,686	5,463,463,569

20.3 Movement in gross loan and receivables during the year (Under SLFRS 9)

As at 31st March 2021	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2020	3,995,438,202	499,300,873	1,040,490,640	5,535,229,714
New assets originated or purchased	2,367,389,544	-	-	2,367,389,544
Assets derecognised or repaid (excluding write offs)	(2,561,050,513)	(24,167,668)	(27,292,788)	(2,612,510,970)
Transfers to Stage 1	115,759,573	(89,752,105)	(26,007,468)	-
Transfers to Stage 2	(688,387,692)	766,680,870	(78,293,178)	-
Transfers to Stage 3	(252,617,616)	(243,655,864)	496,273,480	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31st March 2021	2,976,531,498	908,406,104	1,405,170,686	5,290,108,288

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21. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES

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 31st March	Note	Page	2022 LKR	2021 LKR
<i>Lease Rentals Receivable</i>				
Gross Lease Rentals Receivables			7,124,329,857	4,403,506,362
Less: Unearned Income			(2,158,515,690)	(1,312,510,230)
Total Lease Rentals Receivables			4,965,814,166	3,090,996,132
(Less): Allowance for Impairment Charges	22.1	210	(197,647,170)	(138,628,108)
Net Lease Rentals Receivables			4,768,166,996	2,952,368,025

21.1 Analysis

21.1.1 Analysis by stage wise

As at 31st March 2022	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	3,584,322,392	896,035,111	485,456,663	4,965,814,166
	3,514,494,374	849,110,244	404,562,379	4,768,166,997

As at 31st March 2021	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Collective Impaired loans and receivables	2,208,157,150	598,838,282	284,000,701	3,090,996,132
Less - Allowance for expected credit losses (ECL)	(36,738,447)	(31,477,149)	(70,412,512)	(138,628,108)
	2,171,418,703	567,361,132	213,588,189	2,952,368,025

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FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES (CONTD.)

21.1.2 Analysis by Currency

As at 31st March	2022 LKR	2021 LKR
Sri Lankan Rupee	4,965,814,166	3,090,996,132
Gross total	4,965,814,166	3,090,996,132

21.1.3 Analysis by Industry

As at 31st March	2022 LKR	2021 LKR
Agriculture & Fishing	3,553,462,141	1,469,891,556
Tourism	1,708,710	3,046,055
Transport	108,823,916	112,156,453
Constructions	34,277,312	28,577,015
Trades	18,134,474	17,503,373
New Economy	1,601,784	7,686,757
Financial and Business Services	1,272,963	1,852,509
Infrastructure	731,825	683,205
Other Services	919,208,720	939,714,250
Gross total	4,965,814,166	3,090,996,132

21.2 Maturity of Lease Rentals Receivables

As at 31st March 2022	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Lease Rental Receivables	2,638,938,949	4,485,390,908	-	7,124,329,857
Less: Unearned Income	(855,143,019)	(1,303,372,672)	-	(2,158,515,690)
Total Lease Rental Receivables	1,783,795,930	3,182,018,236	-	4,965,814,166
(Less): Allowance for Impairment Charges	(75,648,907)	(121,998,263)	-	(197,647,170)
Net Lease Rentals Receivables	1,708,147,023	3,060,019,973	-	4,768,166,996

21.3 Maturity of Lease Rentals Receivables

As at 31st March 2021	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
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	(75,648,907)	(62,979,201)	-	(138,628,108)
Net Lease Rentals Receivables	1,002,235,021	1,950,133,004	-	2,952,368,025

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21.4 Movement in gross lease rental receivables during the year (Under SLFRS 9)

As at 31st March	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2021	2,208,157,150	598,838,282	284,000,701	3,090,996,132
New assets originated or purchased	2,977,549,093	-	-	2,977,549,093
Assets derecognised or repaid (excluding write offs)	(749,873,126)	(256,334,338)	(96,523,595)	(1,102,731,059)
Transfers to Stage 1	100,407,534	(77,493,254)	(22,914,280)	-
Transfers to Stage 2	(764,618,519)	783,097,443	(18,478,924)	-
Transfers to Stage 3	(187,299,740)	(152,073,021)	339,372,761	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31st March 2022	3,584,322,392	896,035,111	485,456,663	4,965,814,166

21.5 Movement in gross lease rental receivables during the year (Under SLFRS 9)

As at 31st March	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2020	1,337,147,298	287,950,597	160,417,730	1,785,515,624
New assets originated or purchased	2,013,775,387	-	-	2,013,775,387
Assets derecognised or repaid (excluding write offs)	(648,000,373)	(45,273,916)	(15,020,590)	(708,294,879)
Transfers to Stage 1	87,794,985	(75,612,275)	(12,182,710)	-
Transfers to Stage 2	(460,454,323)	499,701,784	(39,247,461)	-
Transfers to Stage 3	(122,105,823)	(67,927,909)	190,033,732	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31st March 2021	2,208,157,150	598,838,282	284,000,701	3,090,996,132

22. ALLOWANCE FOR IMPAIRMENT CHARGES

Accounting Policy >>

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 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 an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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.

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 result from default events on a financial instrument that are possible within 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.

Stage 2: 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%.

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.

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.

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.

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 renegotiated 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.

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.

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 carried 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.

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.

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.

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22.1 Allowance for Impairment Charges for Loans and Receivables

2022

On Lease

On Loan Receivable Rental Receivable Total

LKR LKR LKR

Balance as at 01st April 2020	75,311,119	70,156,231	278,053,224	423,520,573
Charge/(Reversal) to income statement	9,759,828	(474,911)	41,599,737	50,884,654
Write-off during the year	-	-	-	-
Balance as at 31st March 2021	85,070,947	69,681,319	319,652,961	474,405,227
Balance as at Begining of the Year	335,777,119	138,628,108	474,405,227	

Charge for the Year **126,032,416** **59,019,063** **185,051,479**

22.3 Stage Movement in Allowance for Impairment Losses



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.

Amounts Written Off	(108,941,059)	-	(108,941,059)
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Balance as at End of the Year	352,868,476	197,647,170	550,515,647
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Individual Impairment	-	-	-
Collective Impairment	352,868,476	197,647,170	550,515,647
Total	352,868,476	197,647,170	550,515,647

22.2 movement in allowance for expected credit losses

As at 31st March 2022

Stage 1
LKR

Balance as at 01st April 2021

85,070,947

Charge/(Reversal) to income statement **49,731,028**

Write-off during the year -

Balance as at 31st March 2022 **134,801,974**

As at 31st March 2021

Stage 1
LKR

	2022 LKR	2021 LKR
Inventories	2,777,352	2,773,721
Rent Deposit	17,607,500	17,217,500
Other Receivable	141,737,651	79,234,956
Total Other Non Financial Assets	162,122,503	99,226,178

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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. An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

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.

Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Fair value of investment property

"Investment property of the Company is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows."

Determining fair value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the board of directors. The fair values are based on market values, being the value in use or estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

Owner occupied properties and investment property

In determining if a property qualifies as Investment Property the Company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

Borrowing cost

There were no capitalised borrowing cost related to the acquisition of Investment properties during the year 2022 (2021 – Nil).

As at 31st March	2022 LKR	2021 LKR
Balance as at 1 April	215,678,750	126,094,500
Transfer from during the year	-	-
Gain from fair value adjustment	18,578,750	89,584,250
Balance as at 31 March	234,257,500	215,678,750

The Company has recorded rent income for year ended 31 March 2022 Rs 8,290,200/- (2021 - Rs 8,305,200/-) and not incurred any repair and maintenance expenses on behalf of the property.

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24.1 Information on investment properties of the Company – Valuations

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Carrying value of the investment property before fair valuation	Fair value of the investment property	"Fair value gains/(losses) recognised in Income Statement"
No 45, Rawathwatta Road, Moratuwa	Market comparable method	31-Mar-22	Estimated price per perch LKR 2,000,000/- (Land Extent - 48.69 perches)	Positively correlated sensitivity	Land LKR 63,900,000 Building LKR 56,340,000	Land LKR 97,380,000 Building LKR 136,977,500	Land LKR NA Building LKR 18,578,750

24.2 Information on investment properties of the Company – Extents and Locations

Property	Number of Building	Extent (Perches)	Building (Square feet)	"Fair value of the investment property – Land"	"Fair value of the investment property – Building"	"Carrying value of the investment property before fair valuation – Land"	"Carrying value of the investment property before fair valuation - Building"
No 45, Rawathwatta Road, Moratuwa	1	48.69	14,650	97,380,000	136,977,500	56,340,000	63,900,000

24.3 Valuation techniques and sensitivity of the fair value measurement of the Investment properties of the Group

Valuation Technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	"Fair value of the investment property –Building"
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would increase/(decrease) if; Price per perch of land would increase/(decrease) Price per square foot for building would increase/(decrease) Depreciation rate for building would (decrease)/increase

24.4 Details about valuer

Market valuation of the above investment property was carried out as at 31 March 2022 by Mr A.D.N.Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company.

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25. PROPERTY, PLANT & EQUIPMENT

Accounting Policy >>

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.

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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 2022 and 2021, 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.

25.1 The Movement in Property, Plant & Equipment

As at 31st March 2022	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
Cost or Valuation							
Balance as at 1 April 2021	36,100,000	111,403,920	81,398,442	78,983,017	48,848,170	42,753,322	399,486,871
Additions during the year	-	3,439,232	3,680,854	6,709,950	-	-	13,830,036
Adjustments on Physically Verified Assets	-	(10,338,888)	(12,974,993)	803,365	1,524,673	-	(20,985,843)
Disposal during the year	(203,127)	(468,805)	-	(208,040)	-	(879,971)	-
Balance as at 31 March 2022	36,100,000	104,301,137	71,635,498	86,496,333	50,164,803	42,753,322	391,451,093
(Less) : Accumulated depreciation							-
Balance as at 1 April 2021	-	53,802,867	56,611,353	72,419,572	25,503,645	30,265,065	238,602,502
Charge during the year	-	10,933,037	7,713,139	3,821,630	5,747,674	5,212,963	33,428,444
Adjustments on Physically Verified Assets	-	(7,339,880)	(13,428,260)	273,231	1,356,190	-	(19,138,719)
Disposal during the year	-	(152,668)	(393,016)	-	(163,041)	-	(708,726)
Balance as at 31 March 2022	-	57,243,356	50,503,216	76,514,378	32,444,523	35,478,029	252,183,501
Net book value at 31 March 2022	36,100,000	47,057,781	21,132,282	9,981,955	17,720,280	7,275,294	139,267,592

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25. PROPERTY, PLANT & EQUIPMENT (CONTD.)

As at 31st March 2021	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
Cost or Valuation							
Balance as at 1 April 2020	18,050,000	100,793,390	70,643,488	80,814,729	40,720,781	42,753,322	353,775,709
Additions during the year	-	11,434,660	13,268,800	1,064,888	8,127,389	-	33,895,737
Adjustments on Revaluation	18,050,000	-	-	-	-	-	18,050,000
Disposal during the year	(824,129)	(2,513,844)	(2,896,601)	-	-	(6,234,574)	-
Balance as at 31 March 2021	36,100,000	111,403,921	81,398,444	78,983,016	48,848,170	42,753,322	399,486,871
(Less) : Accumulated depreciation							
Balance as at 1 April 2020	-	43,956,994	50,128,330	70,233,944	19,925,842	23,262,559	207,507,669
Charge during the year	-	10,455,989	8,996,299	5,069,968	5,577,803	7,002,506	37,102,566
Adjustments on Revaluation	-	-	-	-	-	-	-
Disposal during the year	-	(610,115)	(2,513,277)	(2,884,340)	-	-	(6,007,732)
Balance as at 31 March 2021	-	53,802,868	56,611,352	72,419,572	25,503,645	30,265,065	238,602,502
Net book value at 31 March 2021	36,100,000	57,601,053	24,787,092	6,563,444	23,344,525	12,488,257	160,884,369

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 LKR 13,830,036/- (2021 - LKR 33,895,737/-) Cash payment amounting to LKR 13,830,036/- (2021 - Rs 33,895,737/-) 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 LKR 133,799,961/-. (2021 - LKR 101,793,852/-)

25.2 Fair value related disclosures of Freehold land

Property	Date of valuation	Method of valuation and Significant unobservable inputs	Land extent (perches)	Number of Building	Cost 2022	Cost 2021	Fair value 2022 LKR	Fair value 2021 LKR
No 45, Rawathwatta Road, Moratuwa	31/03/2022	" Market Comparable Method Estimated price per perch LKR 2,000,000/-"	18.05	-	LKR 10,830,000	LKR 10,830,000	Land LKR 36,100,000	Land LKR 36,100,000

Market valuation of the above Land & Buildings was carried out by Mr A.D.N.Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company. Investment method, Contractor's Test method and Comparison method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

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 2022 and 31 March 2021.

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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. (2021: Nil)

25.5 Temporarily Idle of Property, Plant and Equipment

There were no Property, Plant and Equipment idle as at 31 March 2022 and 31 March 2021.

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 2022 and 31 March 2021.

26. RIGHT-OF-USE ASSETS

Accounting Policy >>

Measurement Basis

Right-of-use assets are recognised at the commencement of the lease at the present value of the lease payment plus any prepaid lease rental.

Amortisation

The Company amortised right-of-use assets, using the straight line method over their estimated useful lives.

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

Determination of the lease term for the lease contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts for branches/head office that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

As at 31st March	2022 LKR	2021 LKR
Cost		
Balance as at 1 April	270,687,415	234,374,877
Additions during the year	59,438,409	41,770,515
Less - Adjustment on Subsequent changes in initial agreement	(7,076,263)	(5,457,977)
Less - Disposal during the year	(1,601,410)	-
Balance as at March	321,448,151	270,687,415
Accumulated Depreciation		
Balance as at 1 April	127,875,071	64,930,508
Charges for the year	64,217,824	62,944,563
Less - Disposal during the year	(177,934)	-
Balance as at March	191,914,960	127,875,071
Carrying Amount as at 31 March	129,533,191	142,812,343

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27. 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.

Basis of recognition

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.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortization and impairment

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

27.1 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 2022 and 2021 is given below.

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

Derecognition

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.

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27.2 Computer Software

As at 31st March	2022 LKR	2021 LKR
Cost		
Balance as at 1 April	59,398,736	59,398,736
Additions during the year	2,820,000	-
Disposal during the year	-	-
Balance as at 31 March	62,218,736	59,398,736
Amortisation & Impairment		
Balance as at 1 April	54,343,448	44,287,613
Charge for the year	2,947,501	10,055,835
Disposal during the year	-	-
Balance as at 31 March	57,290,949	54,343,448
Net book value as at end of the year	4,927,786	5,055,287

Intangible assets include fully amortised software amounting to LKR 45,98 Mn as at 31 March 2022 (LKR 13.27Mn as at 31 March 2021), which are still in use as at the reporting date.

28. 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. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on these dues are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

As at 31st March	Note	Page No.	2022 LKR	2021 LKR
Bank Overdrafts	28.1	220	333,252,403	227,209,135
Loans and Other Bank Facilities	28.2	220	1,963,941,475	1,481,187,982
Interest Payable on Bank Facilities			22,990,951	21,226,993
Total Due to Banks & Other Institution			2,320,184,829	1,729,624,109

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28. DUE TO BANKS & OTHER INSTITUTIONS (CONTD.)

28.1 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 full utilised Bank Overdraft as at 31 March 2022 (unutilised 2021 - LKR 57,613,963/-).

As at 31 March 2022	As at 01.04.2021 LKR	Loans Obtained LKR	Repayment LKR	As at 31.03.2022 LKR
28.2 Loans and Other Bank Facilities				
NDB Term Loan	716,800,000	250,000,000	(442,566,667)	524,233,333
HNB Term Loan	274,800,000	250,000,000	(138,000,000)	386,800,000
SDB Term Loan	205,688,930	-	(205,688,930)	-
Sampath Bank Term Loan	5,782,348	-	(779,088)	5,003,260
Cargills Bank Term Loan	-	350,000,000	(62,496,000)	287,504,000
Seylan Bank	-	200,000,000	-	200,000,000
Securitisations Loan	248,500,000	500,000,000	(218,100,000)	530,400,000
Rotary Loan	23,554,754	10,350,000	9,965,823	23,938,931
Other Borrowings	6,061,950	-	-	6,061,950
Total Loans and Other Bank Facilities	1,481,187,982	1,560,350,000	(1,077,596,507)	1,963,941,475

As at 31 March 2021	As at 01.04.2020 LKR	Loans Obtained LKR	Repayment LKR	As at 31.03.2021 LKR
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
Securitisations 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

28.3 Contractual Maturity Analysis of Due to Bank & Other Institution

As at 31 March 2022	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
NDB Term Loan	234,233,333	290,000,000	-	524,233,333
HNB Term Loan	175,800,000	211,000,000	-	386,800,000
Sampath Bank Term Loan	786,141	4,217,120	-	5,003,260
Cargills Bank Term Loan	228,400,000	59,104,000	-	287,504,000
Seylan Bank	14,826,549	185,173,451	-	200,000,000
Securitisations Loan	-	524,338,050	6,061,950	530,400,000
Rotary Loan	21,226,993	2,711,938	-	23,938,931
Other Borrowings	-	-	6,061,950	6,061,950
Bank Overdrafts	83,252,403	250,000,000	-	333,252,403
Interest Payable on Bank Facilities	22,990,951	-	-	22,990,951
Total Due to Customers	781,516,371	1,526,544,558	12,123,900	2,320,184,829

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28.3 Contractual Maturity Analysis of Due to Bank & Other Institution

As at 31st March 2021	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
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
Securitisations Loan	182,100,000	66,400,000	-	248,500,000
Rotary Loan	9,031,653	14,523,101	-	23,554,754
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	911,391,542	6,061,950	1,729,624,110

Granted Date	Granted Date	Facility Amount	Period	Interest rate	Security status
NDB Term Loan	26/09/2017 - 28/04/2021	1,216,800,000	1 - 5 Years	Variable	Lease & SME portfolio
HNB Term Loan	27/09/2018 - 21/12/2021	700,000,000	3 - 5 Years	Variable	Business Loans, Miro Loans, Lease & SME Loans
Sampath Bank Term Loan	12/06/2020 - 09/09/2020	6,308,000	7 Years	Fixed	Solar Panels
Cargills Bank Term Loan	30/06/2021 - 10/02/2021	350,000,000	3 Years	Variable	Lease receivables
Seylan Bank	02/03/2022	200,000,000	4 Years	Variable	Lease receivables
Securitisations Loan	30/07/2020 - 17/06/2021	800,000,000	2 - 3 Years	Variable	Lease receivables
Rotary Loan	30/04/2019 - 11/03/2022	36,244,489	3 Years	Fixed	NA

29. FINANCIAL LIABILITY AT AMORTISED COST - DUE TO CUSTOMERS

Accounting Policy >>

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. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on deposits are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

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 LKR 1,000,000/- for each depositor. The Company has paid LKR 6,019,843/- as the premium of the said Insurance scheme during the financial year under review (2021 - LKR 6,605,953/-).

As at 31 March	2022 LKR	2021 LKR
Fixed Deposits	3,428,284,134	3,306,652,431
Savings Deposits	1,300,812,985	1,245,292,752
Total Due to Customers	4,729,097,119	4,551,945,183

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29.1 Contractual Maturity Analysis Of Customer Deposits

As at 31st March 2022	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	2,794,427,704	633,856,430	-	3,428,284,134
Savings Deposits	1,123,179,418	110,828,711	66,804,856	1,300,812,985
Total Due to Customers	3,917,607,122	744,685,141	66,804,856	4,729,097,119

As at 31st March 2021	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
Fixed Deposits	2,660,979,972	645,672,460	-	3,306,652,431
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	4,551,945,183

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.

30. LEASE LIABILITY

Accounting Policy >>

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

As at 31st March	2022	2021
Balance as at 1 April	161,198,954	171,735,097
Less-Adjustment on COVID 19 Concession	(7,347,681)	(5,457,977)
Additions during the year	59,438,409	41,770,515
Interest Expenses	17,805,589	23,920,090
Payments during the year	(79,694,785)	(70,768,771)
Early termination of lease	(1,448,794)	-
Balance as at 31 March	149,951,692	161,198,954

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30.1 Contractual Maturity Analysis of Lease Creditor

As at 31st March 2022	Within One Year LKR	1 - 5 Years LKR	Total LKR
Lease Liability	66,576,315	83,375,377	149,951,692
Total Lease Liability	66,576,315	83,375,377	149,951,692

As at 31st March 2021	Within One Year LKR	1 - 5 Years LKR	Total LKR
Lease Liability	72,345,672	88,853,282	161,198,954
Total Lease Liability	72,345,672	88,853,282	161,198,954

31. 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 31st March	Note	Page	2022 LKR	2021 LKR
Accrued Expenses			51,201,312	40,952,038
Loan and Lease Creditor			402,935,510	204,838,920
Others	31.1	223	65,982,697	34,973,732
Loan Risk Assurance Fund			1,891,844	1,787,409
Dividend Payable			74,798,026	-
			596,809,388	282,552,100

31.1 This balance included bonus provision, unidentified direct deposit balance and the other sundry payable items.

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32. CURRENT TAX LIABILITIES

Accounting Policy >>

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

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

As at 31st March	2022 LKR	2021 LKR
Balance as at 1st April	53,665,325	(1,210,738)
Provision for the year	57,567,793	81,541,883
Less: Tax paid	(90,062,673)	(9,874,664)
Tax credits (ESC/WHT)	-	(16,791,156)
Balance as at 31st March	21,170,445	53,665,325

Economic Service Charges (ESC)

As per the provisions of the Economic Service Charge (ESC) Act No. 13 of 2006, and subsequent amendments thereto, the ESC is payable at 0.5% on "Exempt Turnover" and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the three subsequent years. As per Notice published dated January 1, 2020 by the Department of Inland Revenue, ESC was abolished with effect from January 01, 2020.

Withholding tax (WHT) on fixed deposit and saving deposits

As per Section 137 of the Inland Revenue Act No. 10 of 2006 and amendments thereto, a company made Fixed Deposit and Savings Accounts interest income on which WHT had been deducted at 10% per annum at the time of payment or credited to the account. This tax deduction can be claimed as tax credit to the income tax payments. As per Section 84 of the Inland Revenue Act No. 24 of 2017, WHT on interest or discount paid to a person rate was reduced to 5% with effect from 1 April 2016. As per Notice dated February 16, 2020 published by the Department of Inland Revenue, requirement to deduct WHT has been removed effective January 1, 2020.

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33. POST-EMPLOYMENT BENEFIT OBLIGATIONS

Accounting Policy >>

Employee benefit liability includes the provisions for retirement gratuity liability.

Gratuity

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

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.

The plan was amended to comply with the new statutory retirement for the private sector employees by changing the Normal Retirement Age from age 55 to age 60. The change in the PVDBO is recognised immediately in the P&L.

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.

As at 31st March	2022 LKR	2021 LKR
33.1 Provision for Retirement Gratuity		
Balance at 1st April	55,828,613	33,753,016
Amount Charge for the Year	20,456,300	12,491,938
Actuarial (Gains)/Losses	(3,420,601)	13,647,141
(Gain)/Loss Due to Changes in Assumptions	(32,703,154)	6,755,239
Payments Made During the Year	(8,095,000)	(10,818,721)
Balance as at 31st March	32,066,158	55,828,613

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As at 31st March	Note	Page	2022 LKR	2021 LKR
33.2 Expenses on Defined Benefit Plan				
Amount recognised in the Statement of Profit or Loss				
Current Service Cost for the Year			12,639,398	9,211,145
Interest Cost for the Year			4,577,946	3,280,793
Amendments on Retirement Age	33.3	226	3,238,956	-
Total Amount recognised in the Statement of Profit or Loss			20,456,300	12,491,938
Amount recognised in the Statement of other Comprehensive income				
Actuarial (Gains)/ Losses	33.6	226	(3,420,601)	13,647,141
(Gains)/ Losses Due to Changes in Assumptions			(32,703,154)	6,755,239
Total Amount recognised in the Statement of other Comprehensive income			(36,123,755)	20,402,380
Total Expenses on Defined Benefit Plan			(15,667,455)	32,894,318

33.3 Retirement Age

The plan was amended to comply with the new statutory retirement for the private sector employees by changing the Normal Retirement Age from age 55 to age 60. The change in the PVDBO is recognized immediately in the P&L.

33.4 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 2022 and 2021 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'.

33.5 Actuarial Assumptions

	2022	2021
Discount Rate	15.2%	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	12.2 Years	9.5 Years
Mortality	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 60 Years	Retirement age of 55 Years

33.6 Actuarial Gains and Losses

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

33.7 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 2022.

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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 LKR	Sensitivity Effect on Pension Fund Surplus Increase/ (decrease) LKR
+1%		2,507,955	2,507,955
(-1%)		(2,866,967)	(2,866,967)
	+1%	(2,902,632)	(2,902,632)
	(-1%)	2,576,291	2,576,291

34. DEFERRED TAX LIABILITIES

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 part 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.

Year ended 31st March 2022	Deferred Tax Assets LKR	Deferred Tax Liabilities LKR	Statement of Profit or Loss LKR	Statement of comprehensive income LKR	Statement of changes in equity LKR
Accelerated depreciation for tax purposes	-	4,060,739	6,382,141	-	-
Finance leases	-	5,113,132	9,766,291	-	-
Right-of Use Assets	-	(40,437)	(4,372,350)	-	-
Revaluation Reserve	-	44,556,707	(4,458,900)	-	-
Defined benefit plans - Profit or loss	4,489,262	-	(4,574,754)	(4,334,851)	(4,334,851)
Impairment Provision	28,791,143	-	1,580,979	-	-
	33,280,405	53,690,141	4,323,406	(4,334,851)	(4,334,851)
Deferred tax effect on Profit or loss and other comprehensive income	-	-	4,323,406	(4,334,851)	-
Recognised under equity	-	-	-	-	(4,334,851)
Net Deferred tax liability	-	20,409,737	-	-	-

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34. DEFERRED TAXATION (CONTD.)

Year ended 31st March 2021	Deferred Tax Assets LKR	Deferred Tax Liabilities LKR	Statement of Profit or Loss LKR	Statement of comprehensive income LKR	Statement of changes in equity LKR
Accelerated depreciation for tax purposes	-	10,442,880	(18,177,426)	-	-
Finance leases	-	14,879,423	(1,596,778)	-	-
Right-of Use Assets	-	(4,412,787)	(5,458,611)	-	-
Revaluation Reserve	-	40,097,807	23,454,622	(4,332,000)	(4,332,000)
Defined benefit plans - Profit or loss	13,398,867	-	948,548	4,896,571	4,896,571
Impairment Provision	27,210,164	-	2,765,783	-	-
	40,609,031	61,007,323	1,936,139	564,571	564,571
Deferred tax effect on Profit or loss and other comprehensive income	-	-	1,936,139	564,571	-
Recognised under equity	-	-	-	-	564,571
Net Deferred tax liability	-	20,398,293	-	-	-

The Company applied 14% and 24% income tax rate determinate of deferred tax in 2021/22 based on the expected realization of brought forwarded deferred tax assets and liability and recognized an adjustment to deferred tax expenses amounting Rs. 17,247,836/-.

35. STATED CAPITAL

Issued and Fully Paid-Ordinary shares

As at 31st March	Number of Shares	2022 LKR	Number of Shares	2021 LKR
At the beginning of the year	104,141,506	1,696,113,020	67,500,006	890,000,020
Issued during the year	45,454,546	1,000,000,012	36,641,500	806,113,000
At the end of the year	149,596,052	2,696,113,032	104,141,506	1,696,113,020

35.1 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.

During the year SDF has issued 45,454,546 ordinary shares to the public as IPO and listed in the CSE as at 14 December 2021.

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 5% of its net profit after taxation to the Reserve Fund as Company's Capital Funds were not less than 25% of the total deposit liabilities.

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.

Company	Statutory Reserve LKR	Revaluation Reserve LKR	Total LKR
As at 01 April 2020	67,406,125	42,796,761	110,202,886
Transfers to/(from) during the year	36,671,349	-	36,671,349
Revaluation of Land & Building	-	13,718,000	13,718,000
As at 31 March 2021	104,077,474	56,514,761	160,592,235
As at 01 April 2021	104,077,474	56,514,761	160,592,235
Transfers to/(from) during the year	10,773,312	-	10,773,312
Revaluation of Land & Building	-	-	-
As at 31 March 2022	114,850,787	56,514,761	171,365,549

37. RETAINED EARNINGS

As at 31st March	2022 LKR	2021 LKR
Balance as at 1 April	324,679,970	195,476,359
Profit for the Year	215,466,246	183,356,743
Other Comprehensive Income	31,788,904	(15,505,809)
Transfer to Statutory Reserves Fund	(10,773,312)	(36,671,349)
Expenses related to the Share Issue	(49,047,249)	(1,975,974)
Dividend Paid	(74,798,026)	-
Balance as at 31 March	437,316,534	324,679,970

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.

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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.

As at 31st March	Note	Page	2022 LKR	2021 LKR
Contingent Liabilities	38.1	230	4,290,100	7,689,916
Commitments	38.2	230	-	-
Total			4,290,100	7,689,916

38.1 Contingent Liabilities

In the normal course of business, the Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Company. However no material losses are anticipated as a result of these transactions.

As at 31st March	2022 LKR	2021 LKR
Guarantees issues to other institution	2,250,000	2,250,000
Cases pending against the Company	2,040,100	5,439,916
Total contingent Liabilities	4,290,100	7,689,916

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39. NET ASSETS VALUE PER SHARE

As at 31st March	2022 LKR	2021 LKR
Amounts Used as the Numerators:		
Total Equity Attributable to Equity Holders	3,304,795,115	2,181,385,226
Number of Ordinary Shares Used as Denominators:		
Total Number of Ordinary Shares in Issue	149,596,052	104,141,506
Net Assets Value per Share (LKR)	22.09	20.95

40. ASSETS PLEDGE

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2022 LKR	2021 LKR	
Rental receivable on Micro Business and Personal Loan	Bank Overdraft	212,405,639	200,635,188	Loans and Receivables
Rental receivable on SME Loan	Term Loan	534,539,745	658,861,762	Loans and Receivables
Rental receivable on Lease	Term Loan	2,180,465,181	417,597,464	Lease Rental Receivable
Rental receivable on Micro Business	Term Loan	11,127,524	5,190,828	Loans and Receivables
Rental receivable on Lease	Securitization	575,549,517	674,529,430	Lease Rental Receivable
		3,514,087,605	1,956,814,673	

38.2 Commitments

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

41. COMPARATIVE INFORMATION

Comparative information is reclassified wherever necessary to confirm with the current year's classification in order to provide better presentation.

Income Statement

There were no reclassification during the financial year.

Statement of Financial Position.

There were no reclassification during the financial year.

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42. 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.

As at 31st March 2022	Within 12 Months LKR	After 12 Months LKR	Total LKR
Assets			
Cash and Cash Equivalents	92,132,395	-	92,132,395
Financial Investments	532,667,038	-	532,667,038
Other Financial Assets	814,391	-	814,391
Financial Assets at Amortised Cost - Loans and Receivables	3,360,588,881	1,750,006,212	5,110,595,093
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,586,148,460	3,182,018,536	4,768,166,996
Other Non Financial Assets	147,056,219	15,066,283	162,122,503
Investment Property	-	234,257,500	234,257,500
Property, Plant and Equipment	-	139,267,592	139,267,592
Right-of-use Lease Assets	-	129,533,191	129,533,191
Intangible Assets	-	4,927,786	4,927,786
Total Assets	5,719,407,384	5,455,077,100	11,174,484,484
Liabilities			
Due to Banks and Other Institutions	1,244,017,378	1,076,167,451	2,320,184,829
Financial Liability at Amortised Cost - Due to Customers	3,769,807,649	959,289,470	4,729,097,119
Current Tax Liabilities	21,170,445	-	21,170,445
Lease Liability	-	149,951,692	149,951,692
Post Employment Benefit Liability	-	32,066,158	32,066,158
Deferred Tax Liabilities	-	20,409,737	20,409,737
Total Liabilities	5,629,912,744	2,239,776,625	7,869,689,369
Net Assets/(Liability)	89,494,640	3,215,300,475	3,304,795,115

As at 31st March 2021	Within 12 Months LKR	After 12 Months LKR	Total LKR
Assets			
Cash and Cash Equivalents	130,870,989	-	130,870,989
Financial Investments	374,591,188	-	374,591,188
Other Financial Assets	779,506	-	779,506
Financial Assets at Amortised Cost - Loans and Receivables	2,750,743,074	2,203,588,095	4,954,331,169
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,268,320,657	1,684,047,367	2,952,368,025
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
Financial Liability at Amortised Cost - Due to Customers	3,734,554,903	817,390,281	4,551,945,183
Lease Liability	54,317,803	106,881,151	161,198,954
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
Deferred Tax Liabilities	-	20,398,293	20,398,293
Total Liabilities	5,141,390,497	1,713,822,081	6,855,212,578
Net Assets/(Liability)	(460,623,376)	2,642,008,603	2,181,385,226

43. 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:

43.1 Transactions with Key Managerial Personnel (KMPs) and their family members

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.

43.1.1 Key Management Personnel Compensation

Year ended 31 March	2022 LKR	2021 LKR
Short Term Employment Benefits	9,453,000	6,225,000
Directors Fees & Expenses	9,924,000	7,576,000
Total Key Management Personnel Compensation	18,324,000	13,801,000

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.

43.1.2 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.

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

As at 31st March	2022 LKR	2021 LKR
Deposit accept during the year	644,116	785,000
Deposit repayment during the year	(713,580)	(832,347)
	(69,464)	(47,347)

For the year ended 31st March

Items in Statement of Profit or Loss

Interest accrued during the period	32,985	29,753
	32,985	29,753

43.1.3 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.

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43. RELATED PARTY TRANSACTIONS (CONTD.)

43.1.4 Transactions with Group Entities

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

43.1.4.1 Transactions with Parent Company

Sarvodaya Economic Enterprises Development (Gte) Ltd (SEEDS)**

**Before the Initial Public Offer (IPO), SEEDS has 54% ownership of the Company and identified as parent company of the Sarvodaya Development Finance Limited and then after the IPO, we have identified as related party company with more than 10% ownership of the SDF.

There is no transaction carried out with SEEDS during the reporting period.

Year ended 31st March	2022 LKR	2021 LKR
	-	-
Gentosa Total Assets Inc.		
Year ended 31st March	2022 LKR	2021 LKR
Items in Statement of Financial Position		
Deposit Accepted during the period including interest capitalisation	-	16,042,952
Interest payable on Deposits	-	-
Capital Repayment during the Year	-	379,749,118
Interest Paid during the Year	-	9,824,287
	-	405,616,358
Items in Statement of Profit or Loss		
Interest Accrued During the Period	-	16,374,968
	-	16,740,033

44. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the reporting date, the Board of Directors of the Company recommended the payment of a final dividends of 50 cents per share for the year ended 31 March 2022. This final dividend is yet to be approved at the Annual General Meeting to be held on 29th June 2022. In accordance with Sri Lanka Accounting Standards - LKAS 10 (Events After the Reporting Period), this proposed final dividend has not been recognised as liability as at 31 March 2022.

The Company has paid interim dividends of 50 cents per share for the year ended 31 March 2022 on 26th May 2022 which has been approved by the Board of Directors on 30 March 2022. Total payable amount of Rs 74,798,026/- recorded as liability as at reporting date.

There were substantive changes in interest rates after reporting date mainly due to monetary policy rate revision happening continuously. However, the company has taken action to mitigate the risk on interest rate subsequently.

There are no other events occurring after the reporting date which require adjustments to or disclosure in the financial statements other than disclosed above.

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45. 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.

45.1 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 2022.

However, the company has raised LKR 950 Mn (Net of Direct Expenses) new capital during the financial year through a Initial Public Offer (IPO) and the meet the CBSL minimum core capital requirement of LKR 2.5 Bn as of 31 December 2021.

46. FAIR 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.

Determination of fair value and fair value hierarchy

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 - quoted (unadjusted) prices in active markets for identical assets or liabilities

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

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

Valuation model

For all Financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the Financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

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.

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46. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

46.1 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.

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy

As at 31st March 2022	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Non financial assets - Investment property					
Land and building	31/03/2022	-	-	234,257,500	234,257,500
		-	-	234,257,500	234,257,500
Non financial assets - Property, Plant and Equipment					
Land	31/03/2022	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

As at 31st March 2021	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Non financial assets - Investment property					
Land and building	31/03/2021	-	-	215,678,750	215,678,750
		-	-	215,678,750	215,678,750
Non financial assets - Property, Plant and Equipment					
Land	31/03/2021	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

Non Financial Assets measured at fair value

Level 3 Fair Value Measurement

	2022		2021	
	Investment Property LKR	Freehold Land LKR	Investment Property LKR	Freehold Land LKR
Balance as at 1 April	215,678,750	36,100,000	126,094,500	18,050,000
Revaluation reserve credit to revaluation reserve	-	-	-	18,050,000
Total gain/(loss) recognised in profit or loss:	18,578,750	-	89,584,250	-
Balance at 31 March	234,257,500	36,100,000	215,678,750	36,100,000

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 March 2022 and 31 March 2021 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

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Type of instrument	Date of valuation	Fair value	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
As at 31st March 2022						
Property, Plant and Equipment						
Land	31/03/2022	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Investment Property						
Land	31/03/2022	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Building	31/03/2022	136,877,500	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	*

Type of instrument	Date of valuation	Fair value	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
As at 31st March 2021						
Property, Plant and Equipment						
Land	31/03/2021	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Investment Property						
Land	31/03/2021	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	*
Building	31/03/2021	118,298,750	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,000	*

*Significant increase/(decrease) in any of these inputs in isolation would result in a significantly higher/(lower) fair value

46.2 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.

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46. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTD.)

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.

As at 31st March 2022	Fair Value				Carrying Value LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	
Financial Assets					
Cash and Cash Equivalents	92,132,395	-	-	92,132,395	92,132,395
Financial Investments	-	532,667,038	-	532,667,038	532,667,038
Other Financial Assets	-	814,391	-	814,391	814,391
Financial Assets at Amortised					
Cost - Loans and Receivables	-	5,402,718,385	-	5,402,718,385	5,110,595,093
Financial Assets at Amortised					
Cost - Lease Rentals Receivables	-	5,360,739,718	-	5,360,739,718	4,768,166,996
	92,132,395	11,296,939,532	-	11,389,071,927	10,504,375,912
Financial Liabilities					
Due to Banks and Other Institutions	-	2,320,184,829	-	2,320,184,829	2,320,184,829
Due to Customers	-	4,729,097,119	-	4,729,097,119	4,729,097,119
Lease Liabilities	-	149,951,692	-	149,951,692	149,951,692
	-	7,199,233,640	-	7,199,233,640	7,199,233,640

As at 31st March 2021	Fair Value				Carrying Value LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	
Financial Assets					
Cash and Cash Equivalents	130,870,989	-	-	130,870,989	261,741,978
Financial Investments	-	374,591,188	-	374,591,188	749,182,376
Other Financial Assets	-	779,506	-	779,506	1,559,012
Loans and Receivables	-	5,011,615,239	-	5,011,615,239	5,011,615,239
Lease Rentals Receivables	-	3,405,226,261	-	3,405,226,261	3,405,226,261
	130,870,989	8,792,212,195	-	8,923,083,184	9,429,324,867
Financial Liabilities					
Due to Banks and Other Institutions	-	1,729,624,109	-	1,729,624,109	1,729,624,109
Due to Customers	-	4,551,945,183	-	4,551,945,183	4,551,945,183
Lease Liabilities	-	161,198,954	-	161,198,954	161,198,954
	-	6,442,768,246	-	6,442,768,246	6,442,768,246

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.

47. RISK MANAGEMENT

47.1 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.

In the course of its business activities, Sarvodaya Development Finance PLC is constantly exposed to risks that include but are not limited to following risk types;

- Credit Risk
- Liquidity Risk
- Market Risk
- Capital Management and
- Operational Risk"

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RISK MANAGEMENT FRAMEWORK

At Sarvodaya Development Finance PLC, the management of risks, 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 PLC is vital to the scope of risk management when fulfilling requirements of its customers and other stakeholders.

Board Integrated Risk Management Committee (BIRMC)

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, Board Integrated Risk Management Committee (BIRMC). The Board has delegated its authority to the BIRMC for the overall Risk Management approach and for approving the risk management strategies and principles. BIRMC 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.

Sarvodaya Development Finance PLC 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 Company has put in place structures and processes to address these risks which are vested to functional departments. Additionally, the BIRMC carries out independent risk evaluations (both qualitative and quantitative) and the results are shared with the Management team of the Company as well as the Board of Directors.

The following Management Committees, each with a defined responsibility, support the BIRMC by executing their respective management mandates.

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47. RISK MANAGEMENT (CONTD.)

Assets and Liability Management Committee (ALCO)

ALCO is chaired by the CEO and has representatives from the Treasury, Operation, Credit, Risk, Compliance and Finance 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 BIRMC.

Credit Committee

“There are two Credit Committees, namely Board Credit Committee (BCC) and Management Credit Committee (MCC). BCC is comprised of four Non-Executive Directors and chaired by an Independent Non-Executive Director. The Board is vested with the ultimate authority to approve credit facilities, whereas BCC formulate credit policies for the company and overlook the credit function by ensuring the asset quality whilst approving high value credit facilities.

MCC is comprised of the CEO, Head of Credit, Head of Finance, Head of Recoveries, and Head of Risk. The Board is vested with the ultimate authority to approve credit facilities, whereas BCC formulate credit policies for the company and overlook 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.”

Management Committee (MANCOM)

MANCOM oversees the overall strategy and the new developments in the risk environments to take timely precautions and corrective measures. The Committee comprises of senior level staff and headed by the CEO.

The Company's Board has established the 'three lines of defence' mechanism to provide the foundation for the cohesive governance of risk at all levels of the business.

Risk Management Department (RMD)

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 RMD is headed by the Head of Risk who directly reports to the Chair of BIRMC and also has an administrative reporting to the CEO. The RMD accompanies with other control functions (most notably Internal Audit, Compliance and Finance) of the Company that might uncover risk management issues. Each of the control functions has a different focus and potential overlap between them is kept a minimum, while ensuring that the approaches taken are complementary and lead to consistent, effective and timely escalation of risks.

48.2 Credit Risk

Overview

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 customer. Credit risk constitutes the Company's largest risk exposure category which is managed by evaluating the credit worthiness of the clients 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 delegated authority (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.

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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 Pandemic 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 elevated 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 deferring payments and waiving off certain fees.

The Company's risk management ensures and continuously 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 achieved.

Credit risk - impairment provision as per ECL for financial assets

Locally, the spread of COVID-19 has created negative impacts on many firms, mainly through potential disruptions in manufacturing supply chains, domestic consumption, tourism and exports, posing downside risks to their earnings prospects. This has in turn affected the capacity of such firms to meet contractual obligations that leads to an increase in NPLs.

Expected Credit Loss at 31 March 2022 was estimated based on a range of forecast economic conditions prevailing as at that date. As the situation continues to evolve and timelines for a normalization of economic activity remains yet an unknown, the impact to our core markets and the Company's financial results cannot be reasonably estimated or reliably measured based on reasonable and supportable information that is available at the current stage.

Impairment Assessment

For accounting purposes, the Company uses a collective model for the recognition of losses on impaired financial assets.

Collectively assessed allowance

Allowances are assessed collectively for losses on leases and loans. Detailed Note on impairment method has disclosed in note 22 on page 208.

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47.2.1 Maximum Exposure to Credit Risk

As at 31st March	2022				Total LKR
	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	
Assets					
Cash and Cash Equivalents	92,132,395	-	-	-	92,132,395
Loans and Receivable (Gross)	512,461,047	-	-	4,951,002,521	5,463,463,569
Lease Rentals Receivables (Gross)	-	-	-	4,965,814,166	4,965,814,166
Financial Investments	532,667,038	-	-	-	532,667,038
Other Financial Assets	779,506	-	-	-	779,506
Total Financial Assets	1,138,039,986	-	-	9,916,816,688	11,054,856,674

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

47.2 Credit Risk

As at 31st March	2021				Total LKR
	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	
Assets					
Cash and Cash Equivalents	130,870,969	-	-	-	130,870,969
Loans and Receivable (Gross)	539,822,681	-	-	4,750,285,607	5,290,108,288
Lease Rentals Receivables (Gross)	-	-	-	3,090,996,132	
Financial Investments	374,591,188	-	-	-	
Other Financial Assets	779,506	-	-	-	
Total Financial Assets	1,046,064,364	-	-	7,841,281,739	

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

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47.2.2 Analysis of Risk Concentration

47.2.2.1 Industry Analysis

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

As at 31st March	2022					Total Financial Assets LKR
	Cash and Cash Equivalents LKR	Loans and Receivable LKR	Lease Rental Receivable LKR	Financial Investments LKR	Other Financial Assets LKR	
Agriculture & Fishing	-	2,223,347,911	3,553,462,141	-	-	5,776,810,052
Manufacturing	-	322,348,247	326,592,322	-	-	648,940,570
Tourism	-	23,115,059	1,708,710	-	-	24,823,770
Transport	-	9,287,478	108,823,916	-	-	118,111,394
Constructions	-	879,941,218	34,277,312	-	-	914,218,530
Trades	-	243,311,618	18,134,474	-	-	261,446,092
New Economy	-	4,770,773	1,601,784	-	-	6,372,556
Infrastructure	-	31,472,375	731,825	-	-	32,204,200
Government	-	-	-	532,667,038	-	532,667,038
Other Services	-	1,365,640,967	721,561,550	-	-	2,087,202,517
Total	92,132,395	5,110,595,093	4,768,166,996	532,667,038	814,391,105,044	10,504,375,913

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47.2.2.2 Geographical distribution of loans and receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows;

	Term Loan and receivables	Lease receivable	Total
	Past Due But Not Impaired LKR	Past Due But Not Impaired LKR	Past Due But Not Impaired LKR
As at 31 March 2022			
Central	523,152,931	539,828,434	1,062,981,365
Eastern	576,772,425	578,229,047	1,155,001,472
North Central	422,267,689	1,023,412,127	1,445,679,816
Northern	657,167,431	488,973,408	1,146,140,838
North Western	189,083,108	82,949,765	272,032,873
Sabaragamuwa	541,763,951	334,449,570	876,213,521
Southern	729,470,827	443,147,528	1,172,618,355
Uva	514,349,446	581,902,941	1,096,252,387
Western	1,309,435,762	892,921,346	2,202,357,108
Total	5,463,463,569	4,965,814,166	10,429,277,735
As at 31 March 2021			
Central	463,475,972	373,481,486	836,957,458
Eastern	608,487,443	319,305,448	927,792,891
North Central	531,860,960	498,267,628	1,030,128,588
Northern	565,131,232	338,183,435	903,314,667
North Western	230,278,554	44,398,376	274,676,930
Sabaragamuwa	524,907,151	224,720,863	749,628,014
Southern	643,451,495	314,216,965	957,668,460
Uva	408,256,314	339,943,189	748,199,504
Western	1,314,259,166	638,478,743	1,952,737,909
Total	5,290,108,288	3,090,996,132	8,381,104,420

47.2.3 Fair value of collateral and credit enhancements held

As a general principle, the Company endeavors to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values.

The main types of collateral obtained are, as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles.
- For retail lending, mortgages over residential properties and transfer of ownership over the vehicles.

The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. As Company's focus on corporate customers is mainly based on their credit worthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant customer for impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

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The following table shows the fair value of collateral and credit enhancements held by the Company.

Company	31 March 2022		31 March 2021	
	Maximum exposure to credit risk LKR	Net exposure LKR	Maximum exposure to credit risk LKR	Net exposure LKR
Cash and cash equivalents (excluding cash in hand)	40,872,038	-	83,332,388	-
Financial Investments	532,667,038	-	374,591,188	-
Other Financial Assets	814,391	814,391	779,506	779,506
Loans and Receivables	5,463,463,569	-	5,290,108,288	-
Lease Rental Receivable	4,965,814,166	-	3,090,996,132	-
	11,003,631,202	814,391	8,839,807,502	779,506

47.2.4 Sensitivity of impairment provision on loans and receivables

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income
	Stage 1	Stage 2	Stage 3	Total	
	" Past Due But Not Impaired "	" Past Due But Not Impaired "	" Past Due But Not Impaired "	" Past Due But Not Impaired "	
As at 31 March 2022					
PD 1% increase across all age buckets	7,713,435	2,043,273	-	9,756,708	9,756,708
PD 1% decrease across all age buckets	(7,713,435)	(2,043,273)	-	(9,756,708)	(9,756,708)
LGD 5% increase	72,450,170	43,437,724	80,598,462	196,486,356	196,486,356
LGD 5% decrease	(72,450,170)	(43,437,724)	(80,598,462)	(196,486,356)	(196,486,356)
Probability weighted Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	233,452	107,326	-	340,779	340,779
- Base case 10% decrease, worst case 5% increase and best case 5% increase	(233,452)	(107,326)	-	(340,779)	(340,779)

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47. RISK MANAGEMENT (CONTD.)

47.3 Liquidity Risk & Funding Management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit this risk, the Company's Management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing liquidity and funding to ensure future cash flows. The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows 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 flow 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 developments related to the pandemic both locally and globally and incorporated them when making management decisions.

Furthermore, the Company maintains the Statutory Liquid Assets Ratio (SLAR) at its required level as a method to measure and control daily liquidity risk.

47.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

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

As at 31st March 2022	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Cash Equivalents	92,132,395	-	-	-	-	92,132,395
Financial Investments	-	377,724,430	154,942,608	-	-	532,667,038
Financial Assets at Amortised Cost						
- Loans and Receivables	1,013,272,177	447,091,523	1,314,576,694	3,621,707,553	-	6,396,647,946
Financial Assets at Amortised Cost						
- Lease Rentals Receivables	1,798,825,766	697,175,460	1,762,871,472	2,756,716,744	-	7,015,589,442
Total Financial Assets	2,904,230,337	1,522,382,745	3,232,813,834	6,378,424,297	-	14,037,851,213
Financial Liabilities						
Due to Banks and Other Institutions	356,243,354	339,313,692	548,460,332	1,070,053,993	6,113,458	2,320,184,829
Due to Customers	1,137,725,441	927,953,764	1,851,927,917	744,685,141	66,804,856	4,729,097,119
Lease Liability	-	67,899,858	68,113,951	13,937,883	-	149,951,692
Total Financial Liabilities	1,493,968,796	1,335,167,314	2,468,502,200	1,828,677,018	72,918,314	7,199,233,640
Total Net Financial Assets/(Liabilities)	1,410,261,542	187,215,431	764,311,634	4,549,747,279	(72,918,314)	6,838,617,573

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As at 31st March 2021	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Cash Equivalents	130,870,989	-	-	-	-	130,870,989
Financial Investments	-	298,608,188	75,983,000	-	-	374,591,188
Other Financial Assets	-	276,735	502,771	-	-	779,506
Financial Assets at Amortised Cost						
- Loans and Receivables	552,261,393	1,237,591,845	1,509,830,199	2,707,493,996	-	6,007,177,433
Financial Assets at Amortised Cost						
- Lease Rentals Receivables	123,172,283	579,904,815	1,155,513,651	2,362,771,220	125,405	4,221,487,374
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
Financial Assets at Amortised Cost						
- 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
Lease Liability	-	53,094,632	94,318,893	13,785,429	-	161,198,954
Total Financial Liabilities	1,393,158,892	1,306,563,641	2,200,398,655	1,453,114,673	89,532,386	6,442,768,246
Total Net Financial Assets/(Liabilities)	(586,854,227)	809,817,942	541,430,966	3,617,150,543	(89,406,981)	4,292,138,244

47.3.2 Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

As at 31st March 2022	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	2,250,000	-	-	2,250,000
Cases pending against the company	-	-	-	2,040,100	-	2,040,100
Total Commitments and guarantees	-	-	2,250,000	2,040,100	-	4,290,100

As at 31st March 2021	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	2,250,000	-	-	2,250,000
Cases pending against the company	-	-	-	5,439,916	-	5,439,916
Total Commitments and guarantees	-	-	2,250,000	5,439,916	-	7,689,916

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47. RISK MANAGEMENT (CONTD.)

47.3.2 Contractual Maturities of Commitments & Contingencies

There are no significant contingencies and significant capital commitments as at 31 March 2022 and as at 31 March 2021.

47.4 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 member LKR 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.

Additionally, the Operational Risk Self-Assessment (ORSA) process which has facilitated both management and staff to assume responsibility for internal controls. It also acts as a bottom-up feedback mechanism which supports proactivity in risk management.

47.5 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 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 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.

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47.5.1 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:

- Repricing 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.

47.5.2 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.

As at 31st March 2022	Up to 03 Months LKR	03-12 Months LKR	01-03 Years LKR	03-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total as at 31.03.2022 LKR
Assets							
Cash and Cash Equivalents	40,872,038	-	-	-	-	51,260,357	92,132,395
Financial Investments	377,724,430	154,942,608	-	-	-	-	532,667,038
Other Financial Assets	391,331	423,060	-	-	-	-	814,391
Financial Assets at Amortised							
Cost - Loans and Receivables	2,047,763,612	1,312,825,269	1,419,131,496	330,874,716	-	-	5,110,595,093
Financial Assets at Amortised							
Cost - Lease Rentals Receivables	624,936,125	961,212,336	2,364,195,807	817,822,729	-	-	4,768,166,996
Total Financial Assets	3,091,687,536	2,429,403,273	3,783,327,303	1,148,697,445	-	51,260,357	10,504,375,912
Financial Liabilities							
Due to Banks and							
Other Institutions	695,557,046	548,460,332	912,743,973	157,310,021	51,508	6,061,950	2,320,184,829
Financial Assets at Amortised							
Cost - Due to Customers	1,917,879,732	1,851,927,917	613,423,272	131,261,869	66,804,856	147,799,473	4,729,097,119
Lease Liability	17,176,000	50,723,858	68,113,951	13,937,883	-	-	149,951,692
Total Financial Liabilities	2,630,612,778	2,451,112,107	1,594,281,195	302,509,773	66,856,364	153,861,423	7,199,233,640
Interest Sensitivity Gap	461,074,757	(21,708,834)	2,189,046,108	846,187,672	(66,856,364)	(102,601,066)	3,305,142,272

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AS at 31st March 2021	Up to 03 months LKR	03-12 months LKR	01-03 years LKR	03-05 years LKR	Over 05 years LKR	Non Interest bearing LKR	Total as at 31.03.2021 LKR
Assets							
Cash and Cash Equivalents	83,332,388	-	-	-	-	47,538,601	130,870,989
Financial Investments	298,608,188	75,983,000	-	-	-	-	374,591,188
Other Financial Assets	276,735	502,771	-	-	-	-	779,506
Financial Assets at Amortised Cost - Loans and Receivables	1,070,000,970	1,000,407,001	2,079,502,193	117,097,321	-	-	4,954,531,109
Financial Assets at Amortised Cost - Lease Rentals Receivables	533,468,140	735,597,833	892,285,560	790,898,815	117,677	-	2,952,368,025
Total Financial Assets	2,586,349,426	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
Financial Assets at Amortised Cost - 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
Lease Liability	13,444,945	39,649,687	94,318,893	13,785,429	-	-	161,198,954
Total Financial Liabilities	2,489,236,731	2,145,729,449	1,262,662,077	284,771,490	83,470,436	176,898,063	6,442,768,246
Interest Sensitivity Gap	97,112,695	(247,178,164)	1,709,125,676	623,824,646	(83,352,760)	(129,359,462)	1,970,172,631

48. FINANCIAL REPORTING BY SEGMENT

For management purposes, the Company is organised into business units based on its products and services and has three reportable segments, as follows:

Lease

This segment includes Leasing products offered to the customers.

Loan

This segment includes SME, Micro, Personal and Gold loans offered to the customers

Other Business

This segment include all other business activities that Company engaged other than above segments

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. Also, the Company's financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.

Transfer prices between operating se

For the year ended 31 March

Statement of Profit or loss

Interest income Net fee and commission income	867,285,943 39,033,121	26,294,533	23,941,200	7,059,908	(193,131)	501,302	63,301,210	33,030,002
Other operating income	15,599,390	11,250,522	9,659,627	21,511,206	19,247,802	90,176,835	44,506,819	122,938,563
Gross income	922,721,061	593,508,169	951,563,129	1,021,595,870	56,125,088	128,435,165	1,930,409,278	1,743,539,205
Interest expenses	(250,214,030)	(213,217,770)	(275,289,246)	(364,913,136)	(36,612,832)	(45,216,115)	(562,116,108)	(623,347,022)
Total operating income	672,507,031	380,290,399	676,273,883	656,682,734	19,512,256	83,219,050	1,368,293,170	1,120,192,183
Credit loss expenses	(59,019,063)	(8,397,145)	(126,032,417)	(42,487,510)	(7,567,108)	(9,207,207)	(192,618,588)	(60,091,862)
Net Operating Income	613,487,969	371,893,255	550,241,466	614,195,224	11,945,148	74,011,843	1,175,674,582	1,060,100,321
Other Expenses	(311,430,749)	(203,111,218)	(342,640,803)	(347,616,203)	(45,570,433)	(43,072,865)	(699,641,985)	(593,800,286)
Depreciation and Amortization	(44,855,202)	(37,661,058)	(49,350,369)	(64,455,298)	(6,563,485)	(7,986,608)	(100,769,057)	(110,102,964)
Segment Result	257,202,017	131,120,978	158,250,293	202,123,723	(40,188,770)	22,952,369	375,263,540	356,197,071

Tax on financial services							(106,552,907)	(89,362,305)
Income tax expenses							(53,244,387)	(83,478,023)

Profit attributable to

share holders	257,202,017	131,120,978	158,250,293	202,123,723	(40,188,770)	22,952,369	215,466,246	183,356,743
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As at 31 March

Statement of Financial Position

Segment assets	4,965,814,166	3,090,996,132	5,463,463,569	5,290,108,288	745,206,749	655,493,384	11,174,484,484	9,036,597,804
Total Assets	4,965,814,166	3,090,996,132	5,463,463,569	5,290,108,288	745,206,749	655,493,384	11,174,484,484	9,036,597,804
Segment liabilities	3,710,813,892	2,474,773,376	3,658,456,408	3,898,036,862	500,419,068	482,402,341	7,869,689,368	6,855,212,578
Total liabilities	3,710,813,892	2,474,773,376	3,658,456,408	3,898,036,862	500,419,068	482,402,341	7,869,689,368	6,855,212,578

