SOFTLOGIC FINANCE PLC

FINANCIAL STATEMENTS

31 MARCH 2022

EY
Building a better working world

Ernst & Young
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SOFTLOGIC FINANCE PLC

Report on the Audit of the Financial statements

Opinion

We have audited the financial statements of Softlogic 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.

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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Impairment allowances for loan, Lease and Hire purchase receivables:

As at 31 March 2022, Loan, Lease and Hire purchase receivables net of impairment allowances amounted to LKR 20.5 Bn and is disclosed in note(s) 21, 22, 23 & 24. These collectively contributed 81% to the Company's total assets.

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

- 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 3.1.9, 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.

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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.

For Loan, Lease and Hire purchase 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 and estimate made 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.

For loans and advances assessed on individual basis for impairment:

- We assessed the reasonableness and timeliness of Management's internal assessments of credit quality based on borrower's particular circumstances.
- We checked the accuracy of the underlying individual impairment calculations.
- We evaluated the reasonableness of key inputs used in the provision for credit impairment made with the particular focus on current economic conditions. Such evaluations were carried out considering value and timing of cash flow forecasts particularly relating to elevated risk industries, status of recovery actions and collateral values.

We assessed the adequacy of the related financial statement disclosures set out in note(s) 21, 22, 23 & 24.

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Key audit matter	How our audit addressed the key audit matter
Financial reporting related IT based Internal controls A significant part of the Company's financial reporting process is primarily reliant on multiple 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.	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.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

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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 1697.

29 June 2022
Colombo

INCOME STATEMENT

Year ended 31 March 2022

	Note	2022 Rs	2021 Rs
Interest income		2,945,415,506	2,443,391,179
Less: Interest expenses		(1,593,117,271)	(1,894,556,639)
Net interest income	7	1,352,298,236	548,834,540
Fee and commission income	8	149,649,072	78,473,105
Other operating income	9	109,212,883	65,413,640
Total operating income		1,611,160,190	692,721,285
Less:Credit loss expense on financial assets and other losses	10	(1,210,260,697)	(491,731,598)
Net operating income		400,899,493	200,989,687
Less: Operating expenses			
Personnel expenses	11	(460,384,590)	(404,341,679)
Other operating expenses	12	(876,260,476)	(808,756,186)
Operating profit / (Loss) before taxes on financial services		(935,745,573)	(1,012,108,179)
Less: Taxes on financial services	13	-	-
Profit / (Loss) before income tax		(935,745,573)	(1,012,108,179)
Less: Income tax expense	14	0	109,257,073
Profit / (Loss) for the year		(935,745,573)	(902,851,105)
Basic/Diluted earnings/ (loss) per share (Rs.)	15	(2.33)	(5.95)
Dividend per share (Rs.)	16	-	-

The Accounting policies and Notes to the Financial Statements from pages 11 to 79 form an integral part of these Financial Statements.

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STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

	Note	2022 Rs.	2021 Rs.
Profit / (Loss) for the year		(935,745,573)	(902,851,105)
Other comprehensive income/ (expenses)			
Other comprehensive income to be reclassified to profit or loss:			
Gain/(Loss) arising on remeasuring available for sale financial investments		3,209,272	(20,566,657)
Other comprehensive income that will not to be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit plan	34.2	8,897,926	(4,647,589)
Deferred tax effect on actuarial gain/(loss)	33	(2,135,502)	1,115,421
		6,762,424	(3,532,168)
Surplus from revaluation of property, plant & equipment		28,470,000	15,600,000
Deferred tax effect on revaluation surplus		(6,832,800)	-
	37	21,637,200	15,600,000
Other comprehensive income / (Expenses) for the year, net of tax		31,608,896	(8,498,825)
Total comprehensive income / (Loss) for the year, net of tax		(904,136,677)	(911,349,930)

The Accounting policies and Notes to the Financial Statements from pages 11 to 79 form an integral part of these Financial Statements.

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Softlogic Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Note	2022 Rs	2021 Rs
Assets			
Cash and bank balances	18	438,009,460	628,089,791
Placements with banks & other finance companies	19	-	204,377,303
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	19.2	-	300,809,707
Securities purchased under repurchase agreements	20	1,457,460,165	1,001,933,146
Factoring receivables	21	710,253,049	564,990,812
Gold loan receivables	22	2,891,741,116	2,250,074,022
Loan receivables	23	5,721,832,163	8,421,603,323
Lease and hire purchase receivables	24	11,262,883,980	5,295,824,671
Other assets	25	1,605,723,052	982,294,769
Equity Instruments at fair value through other comprehensive income	26	30,600	37,460,367
Property, plant & equipment	27	485,845,674	472,580,374
Intangible assets	27.8	123,430,339	156,667,481
Investment Property	28	103,237,000	-
Right of Use Assets	29	141,979,786	111,012,736
Deferred Tax	33	436,374,872	445,343,174
Total Assets		25,378,801,254	20,873,061,678
Liabilities			
Bank overdraft		51,911,762	45,987,503
Due to other customers	30	15,599,352,518	14,598,143,536
Other borrowed funds	31	4,792,533,847	2,593,034,102
Other payables	32	525,122,930	550,598,721
Retirement benefit obligations	34	46,459,268	57,407,951
Total Liabilities		21,015,380,325	17,845,171,813
Equity			
Stated capital	35	6,746,427,723	4,506,759,983
Statutory reserve fund	36	260,448,732	260,448,732
Revaluation reserve	37	160,142,882	138,505,682
Financial Assets - Available For Sale Reserve	38	(0.00)	-2,588,523
Retained earnings	39	(2,803,598,408)	(1,875,236,009)
Total Equity		4,363,420,929	3,027,889,865
Total Liabilities and Equity		25,378,801,254	20,873,061,678
Net asset value per share (Rs.)		8.86	11.27
Commitments and contingencies	43	759,541,937	1,013,805,959

We certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No.7 of 2007.

Ms. Ivon Brohier
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. Approved and signed for and on behalf of the Board by,

A. Russell - Davison
Chairman

M.H.P Wijesekera
CEO/Director

The Accounting policies and Notes to the Financial Statements from pages 11 to 79 form an integral part of these Financial Statements.

29 June 2022
Colombo

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STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022

	Note	Stated Capital Rs	Statutory Reserve Fund Rs	Revaluation Reserve Rs	Available for Sale Reserve Rs	Retained Earnings Rs	Total Rs
Balance as at 31 March 2020		2,604,765,231	260,448,732	126,649,682	(95,187,607)	(855,686,994)	2,040,989,044
Balance as at 01 April 2020		2,604,765,231	260,448,732	126,649,682	(95,187,607)	(855,686,994)	2,040,989,044
Profit for the year		-	-	-	-	(902,851,105)	(902,851,105)
Other comprehensive income, net of tax		-	-	11,856,000	(20,566,657)	(3,532,168)	(12,242,825)
Rights Issue of shares		1,901,994,752	-	-	-	-	1,901,994,752
Gain / (Loss) on share disposal		-	-	-	113,165,741	(113,165,741)	-
Transfer to Statutory Reserve Fund	36	-	-	-	-	-	-
Dividend paid		-	-	-	-	-	-
Balance as at 31 March 2021		4,506,759,983	260,448,732	138,505,682	(2,588,523)	(1,875,236,009)	3,027,889,866
Balance as at 01 April 2021		4,506,759,983	260,448,732	138,505,682	(2,588,523)	(1,875,236,009)	3,027,889,866
Profit for the year		-	-	-	-	(935,745,573)	(935,745,573)
Other comprehensive income, net of tax		-	-	21,637,200	2,588,523	6,762,424	30,988,147
Rights Issue of shares		2,239,667,740	-	-	-	-	2,239,667,740
Gain / (Loss) on share disposal		-	-	-	-	620,749	620,749
Transfer to Statutory Reserve Fund	36	-	-	-	-	-	-
Balance as at 31 March 2022		6,746,427,723	260,448,732	160,142,882	(0)	(2,803,598,408)	4,363,420,929

The Accounting policies and Notes to the Financial Statements from pages 11 to 79 form an integral part of these Financial Statements.

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STATEMENT OF CASH FLOWS

Year ended 31 March 2022

	Notes	2022 Rs.	2021 Rs.
Cash flows from operating activities			
Profit before taxation		(935,745,573)	(1,012,108,179)
Depreciation	27	44,777,797	49,284,402
Amortization	27.8	33,237,142	31,058,252
Profit on disposal of property, plant & equipment		(2,089,326)	(244,334)
(Profit)/Loss on sale of real estate		(28,720,501)	-
Impairment charge	10.1	1,210,260,696	491,731,598
(Gain)/loss from disposal of available for sale investments		620,749	-
Provision for defined benefit plans	34.1	1,089,850	21,176,245
Amortisation expenses on right-of-use assets	12.1	62,628,952	78,531,292
Interest Expenses	7.2	1,593,117,271	1,894,556,639
		2,914,922,630	2,566,094,092
Operating profit before working capital changes		1,979,177,057	1,553,985,914
(Increase)/Decrease in lease and hire purchase receivables		(6,131,945,356)	(3,157,694,928)
(Increase)/Decrease in factoring receivables		(151,392,255)	60,220,586
(Increase)/Decrease in gold loan receivables		(637,944,031)	688,404,842
(Increase)/Decrease in loan receivables		1,652,689,102	2,097,228,399
(Increase)/Decrease in Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)		300,809,707	(50,809,707)
(Increase)/Decrease in Placements with banks, Other Financial companies, Repo investments		(251,149,716)	959,285,132
(Increase)/Decrease in Equity Instruments at fair value through other comprehensive income		40,018,290	185,598,019
(Increase)/Decrease in right of use assets		(93,596,002)	(144,392,048)
(Increase)/Decrease in other assets		(581,695,488)	(52,444,943)
Increase/(Decrease) in due to other customers		1,001,208,982	(2,465,252,615)
Increase/(Decrease) in other payables		54,219,947	210,961,240
		(4,798,776,820)	(1,668,896,023)
Cash generated from operating activities		(2,819,599,763)	(114,910,109)
Interest expense paid		(1,593,117,271)	(1,894,556,639)
Taxes Paid		-	-
Gratuity paid	34.1	(12,038,533)	(10,813,670)
Net cash outflow from operating activities		(4,424,755,566)	(2,020,280,418)
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets	27	(25,456,351)	(24,048,866)
Purchase of investment property	28	(103,237,000)	-
Proceeds from sale of property, plant and equipment		(2,027,419)	383,165
Net cash inflow/(outflow) from investing activities		(130,720,770)	(23,665,701)
Net cash outflow before financing activities		(4,555,476,336)	(2,043,946,119)
Cash flow from financing activities			
Dividends Paid		-	-
Rights issue of shares	35	2,239,667,740	1,901,994,752
Proceeds from bank loans and securitizations loans	31.1	2,245,514,789	3,200,000,000
Repayments of bank loans and securitizations loans	31.1	(2,694,012,933)	(2,926,992,978)
Proceeds from debentures	31.1	900,000,000	-
Proceeds from commercial papers	31.1	2,256,149,865	206,077,301
Repayment commercial papers	31.1	(508,151,976)	-
Repayment of principal portion of lease liabilities	32.2	(79,695,738)	(79,551,342)
Net cash inflow from financing activities		4,359,471,747	2,301,527,734
Net increase/(decrease) in cash and cash equivalents		(196,004,590)	257,581,614
Cash & cash equivalents as at the beginning of the year		582,102,287	324,520,672
Cash and cash equivalents as at end of the year		386,097,698	582,102,287
Analysis of the cash and cash equivalents at the end of the year			
Cash and bank balances	18	438,009,460	628,089,791
Bank overdraft		(51,911,762)	(45,987,503)
		386,097,698	582,102,287

The Accounting policies and Notes to the Financial Statements from pages 11 to 79 form an integral part of these Financial Statements.

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1. CORPORATE INFORMATION

1.1 General

Softlogic Finance PLC ("The Company"), is a public limited liability company incorporated and domiciled in Sri Lanka under the Companies Act No. 17 of 1982. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007 and it is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto and has listed in the Colombo Stock Exchange on 22 January 2009. The registered office of the Company is located at No.13, De Fonseka Place, Colombo 4.

The staff strength of the Company as at 31 March 2022 was **494** (463 as at 31 March 2021).

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing accepting deposits, providing finance lease, hire purchase, vehicle loan facilities, mortgage loans, gold loan, debt factoring, revolving loans and business/personal loans.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking /ultimate parent and the controlling party is Softlogic Capital PLC (formerly known as Capital Holdings Ltd). In the opinion of the Directors, the company's ultimate parent undertaking and controlling party is Softlogic Holdings PLC, which is incorporated in Sri Lanka.

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2. BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of these annual financial statements are noted below.

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007. The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011, Listing Rules of the Colombo Stock Exchange and the CBSL guidelines.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of these Financial Statements as per Sri Lanka Accounting Standards (SLFRS/ LKAS) and the provisions of the Companies Act No.7 of 2007.

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company as at and for the year ended 31 March 2022 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 29 June 2022.

2.4 Basis of Measurement

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

- Financial Assets at fair value through other comprehensive income at fair value (Note 26)
- Freehold land, which is measured at cost at the time of acquisition subsequently, measured at revalued amounts, which are the fair values at the date of revaluation (Note 27)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets (Note 34)

2.5 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs.), which is the currency of the primary economic environment in which Softlogic Finance PLC operates. The Financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee unless indicated otherwise. There was no change in the Company's presentation and functional currency during the year under review.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 48.

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2.7 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 01(Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

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

2.8 Comparative Information

The comparative information is re-classified whenever necessary to conform to the current year's classification in order to provide a better presentation.

2.9 Statement of Cash Flow

The cash flow statement has been prepared by using the indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognised. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 3 months), net of unfavourable bank balances and securities purchased under repurchase agreement (less than three months).

2.10 Events After the Reporting Date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements, other than those disclosed in **Note 44** to the Financial Statements.

2.11 Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with in next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company's control and are reflected in the assumptions if and when they occur.

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

The most significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows.

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2.11.1 Going Concern

The Company's management has made an assessment of 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, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and does not intend either to liquidate or to cease operations.

Further, the Directors have considered the potential downsides that the COVID-19 pandemic could bring to the business operations of the Company, in making this assessment.

Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.11.2 Impairment losses on loans and receivables

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 and the assessment of a significant increase in credit risk. These estimates driven by a number of factors, changes in which can result in different levels of allowances.

The Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgements and estimates include.

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment

- The segmentation of financial assets when their ECL is assessed on a collective basis.

- Development of ECLs, models, including the various formulas and the choice of inputs Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), Exposure at default (EADs) and loss given default (LGDs).

- Selection of forward - looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It is the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary. The above assumptions and judgements are discussed in detail under Note 3.1.9 to the Financial Statements.

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2.11.3 Fair Value of Financial Instruments

The determination of fair value of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instrument is described in Note 41 to the Financial Statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The determination of the fair value of the financial instruments of the Company were not materially affected by the significant volatility in financial markets created by the COVID – 19 pandemics. The fair value hierarchy is also given in Note 40 to the Financial Statements.

2.11.4 Financial Assets and Financial Liabilities Classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception in to different accounting categories. The classification of financial instruments is given in Note 15 "Analysis of Financial Instruments by Measurement Basis". The COVID-19 pandemic has resulted in significant volatility in the financial markets. However, the Company did not require to reclassify any of its financial assets as a result of the significant volatility created by the pandemic. The classification of financial instrument is given in Note 40 "Analysis of Financial Instruments by Measurement Basis".

2.11.5 Taxation

The Company is subject to income tax and judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements.

The details of deferred tax computation is given in Note 33 to the Financial Statements.

2.11.6 Defined Benefit Plans

The cost of Defined Benefit Pension Plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with 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 expected future salary increase rate for the Company. The sensitivity of assumptions used in actuarial valuations are set out in Note 34 to the Financial Statements.

2.11.7 Fair value of Property, plant & Equipment

The free hold land of the Company is reflected at fair value at the date of revaluation less any accumulated impairment losses. The Company engages independent valuation specialists to determine fair value of free hold land in terms of Sri Lanka Accounting Standard -SLFRS 13, (Fair Value Measurement). The details of freehold land including methods of valuation are given in Note 27 to the Financial Statements.

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2.11.8 Useful Life-time of the Property, Plant, Equipment and Intangible Assets

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

2.11.9 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 43 to the Financial Statements.

3. GENERAL ACCOUTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements except for the changes mentioned in Note 3 to the Financial Statements.

3.1 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

3.1.1 Date of Recognition

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

3.1.2 Initial measurement of Financial Instruments

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

3.1.3 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognised.

3.1.4 Measurement categories of Financial Assets and Financial Liabilities

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

- Amortised cost,
- fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss. (FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

(i) Financial Assets at Amortised cost:

The Company only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

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

Loans and Receivables consist of cash and bank balances, securities purchased under repurchase agreements, factoring receivables, lease receivables, hire purchase receivables, loan receivables, gold loan receivables and other assets.

The details of the above conditions are outlined below.

Business model assessment

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

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

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

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

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

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'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

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

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

(ii) Equity instruments at FVOCI

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

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

Currently, the Company has recorded its non- quoted equity investments FVOCI at cost less ECL if any. The details of equity instruments at FVOCI are given in Note 26 to the Financial Statements.

(iii) Debt issued and other borrowed funds

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

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans, debentures, commercial papers and securitizations.

3.1.5 Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are classified as,

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)
   a. Financial liabilities held for trading
   b. Financial liabilities designated at fair value through profit or loss
(ii) Financial liabilities at amortized cost, when they are held for trading and derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

i. Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognized in Income Statement.

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ii. Financial Liabilities at Amortized Cost

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortized cost under „bank overdraft", „due to other customers", debt issued and other borrowed funds" and „other payables" as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortized cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortization is included in „interest expenses" in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the EIR amortization process.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortized Cost in the form of term loans, short term loans and debentures.

3.1.6 Reclassifications of Financial assets and Financial Liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2021.

3.1.7 Derecognition of Financial Assets and Financial Liabilities

3.1.7.1 Derecognition due to substantial modification of terms and conditions

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

When assessing whether or not to derecognize a loan to a customer, amongst others, the Company considers the following factors.

Change in counterparty
If the modification is such that the instrument would no longer meet the SPPI criterion

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

3.1.7.2 Derecognition other than for substantial modification

(a) Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Company also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The Company has transferred its contractual rights to receive cash flows from the financial asset
  Or
- It retains the rights to cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a „pass-through" arrangement.

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

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

A transfer only qualifies for derecognition if either:

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

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

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

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(b) Derecognition - Financial Liabilities

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

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 recognized in income statement.

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3.1.8 Determination of Fair Value

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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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) market prices in active markets for identical assets or liabilities
-Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
-Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note 40 to the Financial Statements.

3.1.9 Impairment of Financial Assets

3.1.9.1 Overview of the expected credit loss (ECL) principles

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 41.

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.

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

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

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

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

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

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

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

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

3.1.9.2 The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on 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.

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The mechanism of the ECL method is summarised below.

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

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

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

Loan Commitments: When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

Financial Guarantee contracts:
The Company's liability under each guarantee is measured at the higher of the initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability –weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

3.1.9.3 Calculation of ECLs for individually significant loans

The Company first assesses ECLs individually for financial assets that are individually significant to the Company. In the event the Company determines that such assets are not impaired, moves in to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment

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

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

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The likely dividend available on liquidation or bankruptcy

3.1.9.4 Debt instruments measured at fair value through OCI

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

3.1.9.5 Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12 months.

The ongoing assessment of whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

3.1.9.6 Forward looking information

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

- GDP growth
- Unemployment rate
- Interest Rate
- Inflation
- Exchange Rate

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

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3.1.9.7 Reversals of impairment

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

3.1.9.8 Renegotiated Loans

The Company sometimes 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.

When the loan has been renegotiated or modified but not derecognized, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 41. The Company also considers whether the assets should be classified as Stage 3.

If modifications are substantial, the loan is derecognised.

3.1.9.9 Definition of default and cure

The Company consider a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases other than the below mentioned product categories when the borrower becomes 90 days past due on its contractual payments. However, the company has rebutted the default point to 120 days for below impairment modules,

1. SME Loans new portfolio
2. Term Loans new portfolio
3. Leases new portfolio

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

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

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It is the Company's policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria has been present. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

3.1.9.10 Relief Measures to assist COVID-19 affected businesses and individuals by the Central Bank of Sri Lanka (CBSL)

The COVID-19 pandemic has significantly impacted the local economy as the government had to impose travel bans and lockdowns on millions of people. Many people in many locations are still subjected to quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. As a result of the disruption to businesses, some people lost their jobs and many businesses have been adversely affected. The Central Bank of Sri Lanka has provided financial assistance to disrupted industry sectors and the affected businesses /individuals in the form of a debt moratorium through licensed banks/ financial institutions in the country.

(a). Extension of concessions for COVID-19 affected businesses and individuals: Circular No. 9 of 2021

The Central Bank of Sri Lanka issued Circular no: 09 of 2021 instructing Licensed Finance Companies and Specialised Leasing Companies (thereinafter referred to as Non-Bank Financial Institutions (NBFIs)) to extend the concessions for COVID-19 affected businesses and individuals under different qualifying criteria. The eligible borrowers of transportation and tourism sectors, who have availed the concessions under the Circular No. 04 and No. 05 2021, were also eligible to obtain concessions under this scheme. Eligible borrowers for concessions under this scheme shall entitle one of the three options given below.

Option I: Restructuring of credit facilities

NBFIs shall restructure the existing credit facilities (performing and non performing as at 01 October 2021) over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan agreed by both parties. The NBFIs were allowed to charge interest at the original contractual interest rate minus 3% per annum. Further, a minimum of 3 months grace period shall be granted to commence repaying original portion of the instalment as per the restructured terms. In addition, any interest charged on inability to repay the instalment as per agreed terms, shall not exceed 2% per annum and charged only on the amount in arrears.

Option II: Facilitating early settlement

If any eligible borrower is willing to settle the existing credit facilities on or before 31 March 2022, NBFIs shall fully waiveoff future interest, fees and applicable charges.

Option III: Extending the moratorium for performing credit facilities as at 01 October 2021

The NBFIs shall convert the capital and interest falling due during the moratorium period from 01 October 2021 to 31 March 2022 into a term loan of which repayment shall commence from July 2022 with a minimum repayment period of 12 months. However, the borrower shall commence the repayment of the original loan instalment from 01 April 2022.The NBFIs were allowed to charge an interest of the new loan, not exceeding 11.5% per annum.

The finance companies were also allowed to recover interest at the original EIR during the moratorium period and therefore did not recognize any modification loss on account of the COVID-19 moratorium.

The granting of the moratorium is directly related to the cash flow difficulties generated by the occurrence of the COVID-19 pandemic. However, it did not lead to an automatic transfer of these credit facilities into stage 2 or stage 3. A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2 and stage 3. Further, the real impact of the pandemic on ECL allowance is expected to be realised upon the cessation of the moratorium.

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3.1.9.11 Write-off of Financial Assets at Amortised Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Income Statement. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

3.1.9.12 Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letter of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers, Audited Financial Statements and other independent sources.

3.1.9.13 Collateral repossessed

The Company's accounting policy under SLFRS 9 remains same as it was under LKAS 39. The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

3.1.9.14 Offsetting Financial Assets and Liabilities

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 LKAS/ SLFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

3.1.9.15 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

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3.2 Leases

3.2.1 Policy applicable as of 1 January 2019

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a. The Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

b. The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in Note 29 and are subject to impairment in line with the Company's policy as described in Note 3.5 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

3.3 Property, Plant & Equipment and right -of- use assets

3.3.1 Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period.

The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised 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. Right- of -use assets are presented separately in the Statement of Financial Position.

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3.3.2 Measurement

An item of property, plant and 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 asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.3.3 Cost Model

The Company applies the cost model to property, plant &equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

3.3.4 Revaluation Model

The Company applies the revaluation model to the entire class of freehold land and Building. Such properties are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. Freehold land and Building of the Company are revalued every three years or more frequently if the fair values are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. The Company has revalued its freehold land and Building during the financial year 2022 and details of the revaluation are given in **Note 27** to the Financial Statements.

On revaluation of an asset, any increase in the carrying amount is recognised in 'Other comprehensive income 'and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement. In these circumstances, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Income Statement or debited to the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

3.3.5 Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of the day-to-day servicing of property, plant and equipment are charged to the Income Statement as incurred.

3.3.6 Repairs and Maintenance

Repairs and maintenance are charged to the 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 during the remaining useful life of the related asset.

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3.3.7 Capital Work -in -Progress

Capital work in progress is stated at cost. It would be transferred to the relevant asset when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is stated at cost less any accumulated impairment losses.

3.3.8 Borrowing Costs

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the company capitalizes the borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets 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 profit or loss in the period in which they occur.

3.3.9 De-recognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the year the asset is derecognised.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.3.10 Depreciation

Depreciation is recognized in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant &equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The company has changed the usable period of motor vehicle from 4 years to 5 years considering the sale & repurchase agreement of its majority of motor vehicle assets.

The rates of depreciations based on the estimated useful lives are as follows:

	2022	2021
Buildings	5.00 % p.a.	5.00 % p.a.
Office Equipment	20.00 % p.a.	20.00 % p.a.
Furniture and fittings	15.00% p.a.	15.00% p.a.
Office Partitioning	15.00% p.a.	15.00% p.a.
Motor Vehicles	20.00% p.a.	20.00% p.a.

Right-of-use assets are depreciated on a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term.

3.3.11 Change in Estimates

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

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3.3.12 Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Company has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company assesses on an annual basis, the accounting classification of its properties taking into consideration the current use of such properties. The Company has one Investment property during the financial year 2022 and details of the Investment property is given in Note 28 to the Financial Statements.

3.4 Intangible Assets

The Company's intangible assets include the value of computer software.

3.4.1 Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible assets.

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

3.4.2 Subsequent Expenditure

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

3.4.3 Useful Economic life, Amortization and Impairment

The useful lives of intangible assets are assessed to be either finite or indefinite.

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–end. 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. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

3.4.4 Amortization

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual value over their estimated useful life as follows:

The Class of Intangible Assets	Useful Life	Amortisation Method
Computer software	5 Years	Straight line method
Core Computer Software	10 Years	Straight line method

The unamortized balances of Intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

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3.4.5 Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is derecognised.

3.5 Impairment of Non-Financial Assets

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

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

3.6 Dividend Payable

Dividends on ordinary shares are recognised as a liability and deducted in equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard – LKAS 10 on 'Events after the reporting period'.

3.7 Retirement Benefit Obligations

3.7.1 Defined Benefit Plan - Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

The Company measures the present value of the promised retirement benefits for gratuity which is a defined benefit plan with the advice of an independent professional actuary using projected unit credit actuarial cost method as required by Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The item is stated under other liabilities in the Statement of Financial Position.

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.

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Interest Cost

Interest cost is the expected increase due to interest at the end of the year. (The benefits are one year closer to settlement).

Funding Arrangements

The Gratuity liability is not externally funded.

3.7.2 Defined Contribution Plans

The Company also contributes defined contribution plans. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively of the employee's total earnings (as defined in the Employees' Provident Fund) to the Employees' Provident Fund.

Employees' Trust Fund

The Company contributes 3% of the employee's total earnings (as defined in the Employees' Trust Fund) to the Employees' Trust Fund.

3.8 Statutory Reserve Fund

The reserves recorded in the equity on the Company's Statement of Financial Position includes the 'Statutory reserve fund' which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly, 20% of the net profit for the period is transferred to the Statutory reserve fund during the financial year.

3.9 Provisions

Provisions are recognised 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 Sri Lanka Accounting Standard – LKAS 37 on 'provision, contingent liabilities and contingent assets.

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 obligations at that date.

The expense relating to any provision is presented in the income statement net of any reimbursement.

3.10 Segment Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment.

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

- Leasing and Hire purchase
- Vehicle Loans
- Gold Loans
- Other Loans & Receivables
- Other

Management 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 operating profits or losses, which in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on collective basis and not allocated to operating segments.

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Company's total revenue in 2022 & 2021.

The income profit total assets and total liabilities of the Company's operating segments are presented in Note 47 to the Financial Statements.

3.11 Recognition of Interest Income Interest Expense

3.11.1 Interest Income / Expense

Interest income and interest expense is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The EIR (and therefore, the amortised cost of the asset/liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income/expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset/liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income/interest expense. The adjustment is subsequently amortised through Interest income/Interest expense in the income statement.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate under net interest income.

3.11.2 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

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3.12 Fee and Commission Income and Expenses

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Company's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Company first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

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

a) Fee Income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period.

b) Fee Income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

3.13 Other operating income

(a) Dividend Income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

(b) Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognised when received.

(c) Other Income

Other income is recognised on an accrual basis.

3.14 Personnel Expenses

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

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3.15 Taxes

As per Sri Lanka Accounting Standard -LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

3.15.1 Current tax

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, using the tax rates and tax laws enacted or substantially enacted on the reporting date and any adjustment to the tax payable in respect of prior years.

Accordingly, provision for taxation is based on the profit for the year 2018 adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017(Inland Revenue Act No.10 of 2006 and amendments thereto up to 31 March 2022) and the amendment thereto, at the rate specified in **Note 14** to the Financial Statements.

3.15.2 Deferred tax

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

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised 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 in the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of current tax liabilities and deferred tax liabilities / (assets) are given in **Note 33** to the Financial Statements respectively.

3.15.3 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

3.15.4 Nation Building Tax (NBT) on Financial Services

NBT on financial services is calculated in accordance with Nation Building Tax (NBT) Act No 9 of 2009 and subsequent amendments thereto with effect from 01 January 2014. NBT on financial services is calculated as 2% of the value addition used for the purpose of VAT on financial services. This tax was abolished by the government with effect from 1st December 2019.

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3.15.5 Debt Repayment Levy

According to the Finance Act No.35 of 2018, every financial institution shall pay 7% on the value addition attributable to the supply of financial services by such institution as DRL with effect from 01 October 2018.DRL is calculated based on the value addition used for the purpose of VAT on financial services. This tax was abolished by the government with effect from 1st January 2020.

3.15.6 Withholding Tax (WHT) on Dividends

Withholding Tax arises from the distribution of dividends by the Company and is recognised at the time the liability to pay the related dividend is recognised. As per Notice dated 18 February 2020 published by the Department of Inland Revenue, requirement to deduct WHT on dividends has been removed effective 1 January 2020.

3.15.7 Economic Service Charge (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 liable gross turnover of the Company 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. This tax was abolished by the government with effect from 1st January 2020.

3.16 Regulatory provisions

3.16.1 Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Companies Direction No.2 of 2010 "Insurance of Deposit Liabilities" issued on 27 September 2010 and subsequent amendments thereto, all Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No.1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1 October 2010.The said Scheme was renamed as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No. 1 of 2013.

The deposits to be insured shall include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act (Corporate Governance) Direction No.3 of 2008 for Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of the month with in a period of 15 days from the end of the respective month.

3.16.2 Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

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3.17 Earnings per Share (EPS)

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. 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 if any.

3.18 Commitments and Contingencies

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on 'Provisions, Contingent liabilities and Contingent assets'.

Financial guarantees and undrawn loan commitments

The Company issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the Financial Statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and ECL Provision under SLFRS 9.

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

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. From These contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments are disclosed in Note 43.

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

The Company applied for the first-time certain standards and amendments, if applicable, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

On 4 December 2020, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued COVID19-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, On 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.

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However, the amendments to Sri Lanka Accounting Standard - SLFRS 16 (Leases): COVID-19 Related Rent Concessions also did not have a material impact on the Financial Statements of the Company.

4.2 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

On 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:
According to SLFRS 9 and LKAS 39, when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. By the Phase 1 amendments, when determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

Prospective assessments:
A hedging relationship qualifies for hedge accounting only if there is an economic relationship between the hedged item and the hedging instrument (described in SLFRS 9) or the hedge is expected to be highly effective in achieving off-setting (described in LKAS 39). An entity must demonstrate such prospective assessments on a regular basis. By the Phase 1 amendments, when performing prospective assessments, 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 assessment:
To apply hedge accounting under LKAS 39, an entity must demonstrate that the actual results of the hedge are within a range of 80% - 125%. This requirement is commonly known as the 'LKAS 39 retrospective assessment. By the Phase 1 amendments, an entity is not required to undertake the LKAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.

Separately identifiable risk components:
While there are some differences between SLFRS 9 and LKAS 39 regarding designation of risk components, both Standards require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. An entity may designate an item in its entirety or a component of an item as a hedged item in a hedging relationship. SLFRS 9 and LKAS 39 require the component to be separately identifiable to qualify as a hedged item. By the Phase 1 amendments, for hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement 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 the following practical expedients.

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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

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The requirements under phase 1 amendments have to be applied retrospectively. However, the reliefs only apply to hedging relationships that existed at the beginning of the reporting period in which an entity first applies those requirements or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements. It follows that it is not possible to apply the reliefs retrospectively to hedge relationships that were not previously designated as such.

The requirements under phase 2 amendments have to be applied retrospectively. Hedge relationships are not designated retrospectively. However, discontinued hedging relationships must be reinstated if, and only if

- The hedging relationship was discontinued solely due to changes required by the Reform, and, therefore, the entity would not have been required to discontinue that hedging relationship if the Phase 2 Amendments had been applied at that time and

- At the date of initial application of the Phase 2 Amendments, that discontinued hedge relationship continues to meet all the qualifying criteria for hedge accounting, after taking account of the Phase 2 Amendment

The Company is in the process of assessing potential impact of implementation of the aforementioned amendments.

The Company has applied all relevant accounting standards which have been issued up to 31 December 2021 in the preparation of the Financial Statements for the year ended 31 March 2022

5. SRI LANKA ACCOUNTING STANDARDS NOT YET EFFECTIVE AS AT 31 MARCH 2022

5.1 Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1.1 SLFRS 17 Insurance Contracts

On 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, issued on 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 contracts

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.

The Financial Statements of the Company is not expected to have a material impact from SLFRS 17 - Insurance Contracts.

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

On 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 lossmaking. 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.

The Financial Statements of the Company is not expected to have a material impact from the Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Costs of Fulfilling a Contract.

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

On 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.

The Financial Statements of the Company is not expected to have a material impact from the Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use.

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

On 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.

The Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework is not applicable to the Company.

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The following amendments to the existing accounting standards which have been issued by the Institute of Chartered Notes to the Financial Statements Accountants of Sri Lanka are also effective for annual periods beginning on or after 1 January 2022.

- SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards – Subsidiary as a first-time adopter
- SLFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- LKAS 41 Agriculture – Taxation in fair value measurements

5.2 Finance Business Act Directions issued by the Central Bank of Sri Lanka

The Central Bank of Sri Lanka issued the Finance Business Act Direction No. 1 of 2020 (Classification and Measurement of Credit Facilities) with the intention of harmonizing regulatory reporting framework with the Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) and establishing consistent and prudent practices in the Licensed Finance Companies (LFCs). This Direction is effective for financial years beginning on or after 01 April 2022.

1. Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 and Phase 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments support companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021. The Company is in process of assessing the potential impact of implementation of the aforementioned amendments.

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7. NET INTEREST INCOME

7.1 Interest Income

	2022 Rs.	2021 Rs.
Interest income on lease receivables	1,538,029,477	671,907,076
Interest income on hire purchase receivables	284,843	4,659,569
Interest income on factoring receivables	90,485,998	84,946,037
Interest income on SME and other loan receivables	635,476,550	790,458,582
Interest income on personal loan receivables	35,817,766	37,143,508
Interest income on gold loan receivables	535,796,246	574,971,269
Interest income on revolving loan receivables	17,523,908	138,918,295
Interest income on government securities	88,743,147	104,251,811
Interest income on placements with banks	3,257,573	36,135,031
Total interest income	2,945,415,506	2,443,391,179

Day 1 Loss on granting moratorium for lease rentals and loan repayments in compliance with the circulars issued by the Central Bank of Sri Lanka of Rs 301.759 Mn was recognized in financial year 2020/21, as a reduction from revenue. The loss recognized is the difference between the gross carrying amount of the financial asset and the present value of the modified cashflow discounted at the financial asset's original effective interest rate.

7.2 Interest Expenses

	2022 Rs.	2021 Rs.
Due to customers		
Interest expenses on time deposits	1,318,445,213	1,677,574,608
Interest expenses on savings deposits	6,009,073	4,324,591
Due to banks		
Interest expenses on bank borrowings	77,390,020	109,280,700
Other borrowed funds		
Interest expenses on securitised borrowings	146,353,102	103,376,739
Interest expenses on debentures	44,919,863	-
Total interest expenses	1,593,117,271	1,894,556,639
Net interest income	1,352,298,236	548,834,540

8. NET FEE AND COMMISSION INCOME

	2022 Rs.	2021 Rs.
Documentation and processing fees	106,302,606	60,935,507
Sundry Income	43,346,466	17,537,598
Total fee and commission income	149,649,072	78,473,105

9. OTHER OPERATING INCOME

	2022 Rs.	2021 Rs.
Profit on disposal of property, plant and equipment	2,089,326	244,334
Profit from sale of real estates	28,720,501	-
Recovery of bad debts written off	28,733,736	20,372,514
Income from hiring vehicles & properties	35,860,000	33,042,900
Income on Money market investment / unit trust	12,395,053	10,259,625
Dividend income	1,414,267	1,494,267
Total other operating income	109,212,883	65,413,640

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10. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

10.1 The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2022 recorded in the income statement.

	2022 Rs. Stage 1	2022 Rs. Stage 2	2022 Rs. Stage 3	2022 Rs. Total
Lease & Hire Purchase receivables	13,412,787	95,545,212	35,801,735	144,759,733
Gold Loans	1,244,144	667,079	(5,634,286)	(3,723,062)
Factoring	2,486,702	5,328,204	(1,684,887)	6,130,019
Loan receivables	(11,190,636)	(34,267,981)	947,904,358	902,445,741
Other Receivable	-	-	(118,419,651)	(118,419,651)
Write offs	-	-	279,067,917	279,067,917
	5,952,996	67,272,514	1,137,035,185	1,210,260,696

10.2 The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2021 recorded in the income statement.

	2021 Rs. Stage 1	2021 Rs. Stage 2	2021 Rs. Stage 3	2021 Rs. Total
Lease & Hire Purchase receivables	11,234,942	9,566,330	34,473,955	55,275,227
Gold Loans	(144,391)	(299,547)	2,834,510	2,390,572
Factoring	(6,278,883)	(9,597,436)	(9,246,907)	(25,123,225)
Loan receivables	(24,891,501)	(27,739,610)	476,846,929	424,215,819
Other Receivable	-	-	18,049,427	18,049,427
Write offs	-	-	16,923,778	16,923,778
	(20,079,833)	(28,070,262)	539,881,693	491,731,598

11. PERSONNEL EXPENSES

	2022 Rs.	2021 Rs.
Salaries and bonus	365,767,306	322,329,200
Contribution to defined contribution plan	52,700,109	47,252,683
Gratuity charge for the year	9,987,776	16,528,656
Recovery incentives & staff development cost	16,088,136	3,050,665
Others	15,841,263	15,180,475
	460,384,590	404,341,679

12. OTHER OPEARATING EXPENSES

		2022 Rs.	2021 Rs.
Directors' emoluments		10,423,232	7,981,905
Auditors' remuneration		3,500,000	3,000,000
Non Auditors' remuneration		775,000	600,000
Professional & legal expenses		1,437,366	13,550,418
Deposit insurance premium		21,671,115	23,063,616
Secretarial Fee		3,163,407	3,041,969
Office administration & establishment expenses		603,496,862	546,038,199
Depreciation & amortization expenses	12.1	140,643,891	158,873,945
Advertising expenses		56,237,017	29,394,765
Share issue expenses		729,212	892,024
Other expenses		34,183,374	22,319,345
		876,260,476	808,756,186

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12. DEPRECIATION & AMORTIZATION EXPENSES

	2022 Rs.	2021 Rs.
Depreciation on property, plant and equipment	44,777,797	49,284,402
Amortization of intangible assets	33,237,142	31,058,252
Amortisation expenses on right-of-use assets	62,628,952	78,531,292
	140,643,891	158,873,945

13. TAXES ON FINANCIAL SERVICES

	2022 Rs.	2021 Rs.
Value added tax on financial services	-	-
Nation building tax on financial services	-	-
Debt repayment levy on financial services	-	-
	-	-

14. INCOME TAX EXPENSE

14.1 The major components of income tax expense for the year ended 31st March are as follows.

Income statement	2022 Rs.	2021 Rs.
Current tax expense		
Income tax for the year	-	-
Under/ (Over) provision of current taxes in respect of previous years	-	-
	-	-
Deferred tax expense		
Effect of changes in income tax rates	-	48,387,811
Deferred taxation charge (refer note 33)	-	(157,644,884)
	-	(109,257,073)

14.2 **A reconciliation of the Accounting Profit to Current Tax Expense is as follows.**

	2022 Rs.	2021 Rs.
Accounting profit before income taxation	-	-
At the statutory income tax rate	-	-
Tax effect of non deductible expenses	-	-
Tax effect of other allowable credits	-	-
Tax effect of lease capital generation	-	-
Tax effect of losses claimed	-	-
Under/ (Over) provision of current taxes in respect of previous years	-	-
Effect of changes in income tax rates	-	48,387,811
Deferred tax expense	-	(157,644,884)
	-	(109,257,073)

The Company's income is taxed at the rate of 24% in year 2022.

15. EARNINGS / (LOSS) PER ORDINARY SHARE - BASIC/DILUTED (Rs.)

	2022	2021
Profit attributable to ordinary shareholders (Rs.)	(935,745,573)	(902,851,105)
Weighted	401,912,977	151,853,720
Basic/Diluted earnings/(Loss) per ordinary share (Rs.)	(2.33)	(5.95)

15.1 **Weighted Average Number of Ordinary Shares (basic)**

	Outstanding No: of Shares 2022	Outstanding No: of Shares 2021	Weighted Average No: of Shares 2022	Weighted Average No: of Shares 2021
Number of shares in issue as at 1 April	268,760,128	103,369,280	268,760,128	103,369,280
Add: New shares from Rights Issue	223,966,774	165,390,848	133,152,849	48,484,440
Number of shares in issue/weighted average number of ordinary shares at 31st March	492,726,902	268,760,128	401,912,977	151,853,720

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements, which would require the restatement of EPS.

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16. DIVIDEND PAID

	2022	2021
Paid during the year	-	-
Number of Ordinary Shares	492,726,902	268,760,128
Dividends per Ordinary Share (Rs.)	-	-

17. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

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

17.1 Analysis of Financial Instruments by Measurement Basis

As at 31 March 2022	Financial Assets Recognized through Profit or Loss Rs	Financial Assets Recognized through OCI Rs	Amortised Cost Rs	Total Rs
Financial Assets				
Cash and bank balances	-	-	438,009,460	438,009,460
Securities purchased under repurchase agreements	-	-	1,457,460,165	1,457,460,165
Factoring receivables	-	-	710,253,049	710,253,049
Gold loan receivables	-	-	2,891,741,116	2,891,741,116
Loan Receivables	-	-	5,721,832,163	5,721,832,163
Lease & hire purchase receivables	-	-	11,262,883,980	11,262,883,980
Equity instruments at fair value through OCI	-	30,600	-	30,600
Other Assets	-	-	1,041,889,120	1,041,889,120
Total Financial Assets	-	30,600	23,524,069,052	23,524,099,652
Financial Liabilities				
Bank overdraft			51,911,762	51,911,762
Due to other customers			15,599,352,518	15,599,352,518
Debt issued and other borrowed funds			4,792,533,847	4,792,533,847
Other payables			525,122,930	525,122,930
Total Financial Liabilities			20,968,921,057	20,968,921,057

As at 31 March 2021	Financial Assets Recognized through Profit or Loss Rs	Financial Assets Recognized through OCI Rs	Amortised Cost Rs	Total Rs
Financial Assets				
Cash and bank balances	-	-	628,089,791	628,089,791
Placements with banks & other finance companies	-	-	204,377,303	204,377,303
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	300,809,707	-	-	300,809,707
Securities purchased under repurchase agreements	-	-	1,001,933,146	1,001,933,146
Factoring receivables	-	-	564,990,812	564,990,812
Gold loan receivables	-	-	2,250,074,022	2,250,074,022
Loan Receivables	-	-	8,421,603,323	8,421,603,323
Equity instruments at fair value through OCI	-	37,460,367	-	37,460,367
Other Assets	-	-	437,449,506	437,449,506
Total Financial Assets	300,809,707	37,460,367	18,804,342,575	19,142,612,649
Financial Liabilities				
Bank overdraft	-	-	45,987,503	45,987,503
Due to other customers	-	-	14,598,143,536	14,598,143,536
Debt issued and other borrowed funds	-	-	2,593,034,102	2,593,034,102
Other payables	-	-	550,598,721	550,598,721
Total Financial Liabilities	-	-	17,787,763,862	17,787,763,862

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18. CASH AND BANK BALANCES

	2022 Rs.	2021 Rs.
Cash in hand	82,668,814	81,186,304
Balances with local banks	355,340,646	546,903,487
	438,009,460	628,089,791

19. PLACEMENTS WITH BANKS & OTHER FINANCE COMPANIES

	2022 Rs.	2021 Rs.
Placements with banks	-	204,827,995

19.1 The movement in provision for expected credit losses are as follows.

	2022 Rs.	2021 Rs.
Balance as at 01st April	450,692	450,692
Charge/(Reversal) for the year	(450,692)	-
Balance as at 31st March	-	450,692
Net of Placements with banks & other finance companies	-	204,377,303

19.2 Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)

	2022 Rs.	2021 Rs.
Unquoted unit investment in unit trusts	-	300,809,707
	-	300,809,707

20. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

	2022 Rs.	2021 Rs.
Securities purchased under repurchase agreements	1,457,460,165	1,001,933,146
	1,457,460,165	1,001,933,146

21. FACTORING RECEIVABLES

	2022 Rs.	2021 Rs.
Gross factoring receivable	733,918,644	582,526,389
Less : Allowance for expected credit losses	(23,665,595)	(17,535,577)
	710,253,049	564,990,812

21.1 Analysis of Factoring Receivables on Maximum Exposure to Credit Risk
As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross factoring receivable	504,055,664	69,881,140	159,981,840	733,918,644
Allowance for expected credit losses(ECL)	(10,578,073)	(8,813,216)	(4,274,307)	(23,665,595)
	493,477,591	61,067,923	155,707,534	710,253,049

21.2 Analysis of Factoring Receivables on Maximum Exposure to Credit Risk
As at 31 March 2021

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross factoring receivable	289,851,110	17,619,915	275,055,364	582,526,389
Allowance for expected credit losses(ECL)	(8,091,371)	(3,485,012)	(5,959,194)	(17,535,577)
	281,759,739	14,134,903	269,096,171	564,990,812

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21. FACTORING RECEIVABLES (Contd...)

21.3 Allowance for Expected Credit Losses/Impairment Provision subject to collective impairment

	2022 Rs.	2021 Rs.
Balance as at 01st April	17,535,577	42,658,802
Charge/ (Reversal) to income statement	6,130,019	(25,123,225)
Balance as at 31st March	23,665,595	17,535,577

21.4 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	8,091,371	3,485,012	5,959,194	17,535,577
Charge/ (Reversal) to income statement (Note 10.1)	2,486,702	5,328,204	(1,684,887)	6,130,019
Balance as at 31st March 2022	10,578,073	8,813,216	4,274,307	23,665,595

21.5 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2020	14,370,254	13,082,447	15,206,101	42,658,802
Charge/ (Reversal) to income statement (Note 10.2)	(6,278,883)	(9,597,436)	(9,246,907)	(25,123,225)
Balance as at 31st March 2021	8,091,371	3,485,012	5,959,194	17,535,577

22. GOLD LOAN RECEIVABLES

	2022 Rs.	2021 Rs.
Gold loan receivables	2,903,406,495	2,265,462,464
Less : Allowance for expected credit losses/ collective impairment(Note 22.1)	(11,665,379)	(15,388,441)
	2,891,741,116	2,250,074,022

22.1 Analysis of Gold Loan Receivables on Maximum Exposure to Credit Risk As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold loan receivable subject to collective impairment	1,653,000,689	623,405,302	627,000,504	2,903,406,495
Allowance for expected credit losses(ECL)	(2,600,347)	(1,677,044)	(7,387,987)	(11,665,379)
	1,650,400,342	621,728,257	619,612,517	2,891,741,116

22.2 Analysis of Gold Loan Receivables on Maximum Exposure to Credit Risk As at 31 March 2021

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold loan receivable subject to collective impairment	1,320,735,340	466,400,154	478,326,970	2,265,462,464
Allowance for expected credit losses(ECL)	(1,356,203)	(1,009,965)	(13,022,273)	(15,388,441)
	1,319,379,137	465,390,189	465,304,697	2,250,074,022

22.3 Allowance for Expected Credit Losses/Impairment Provision subject to collective impairment

	2022 Rs.	2021 Rs.
Balance as at 01st April	15,388,441	12,997,869
Charge/ (Reversal) to income statement	(3,723,062)	2,390,572
Balance as at 31st March	11,665,379	15,388,441

22.4 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	1,356,203	1,009,965	13,022,273	15,388,441
Charge/ (Reversal) to income statement (Note 10.1)	1,244,144	667,079	(5,634,286)	(3,723,062)
Balance as at 31st March 2022	2,600,347	1,677,044	7,387,987	11,665,379

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22. GOLD LOAN RECEIVABLES (Contd...)

22.5 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2020	1,500,594	1,309,513	10,187,763	12,997,869
Charge/ (Reversal) to income statement (Note 10.2)	(144,391)	(299,547)	2,834,510	2,390,572
Balance as at 31st March 2021	1,356,203	1,009,965	13,022,273	15,388,441

23. LOAN RECEIVABLES

	2022 Rs.	2021 Rs.
Revolving loan receivables	654,423,235	1,517,562,199
Vehicle loan receivables	679,110,404	994,882,333
Personal/Business loan receivables	7,030,012,235	7,735,924,002
Gross loan receivables	8,363,545,874	10,248,368,533
Less : Allowance for expected credit losses/ individual impairment (Note 23.3)	(1,273,207,117)	(532,593,003)
Less : Allowance for expected credit losses/ collective impairment (Note 23.4)	(1,368,506,594)	(1,294,172,207)
	5,721,832,163	8,421,603,323

23.1 Analysis of Loan Receivables on Maximum Exposure to Credit Risk As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross loan receivables- subject to collective impairment	1,128,393,858	534,615,313	6,700,536,703	8,363,545,874
Allowance for expected credit losses(ECL)	(20,499,793)	(63,242,808)	(2,557,971,109)	(2,641,713,710)
	1,107,894,065	471,372,505	4,142,565,594	5,721,832,164

23.2 Analysis of Loan Receivables on Maximum Exposure to Credit Risk As at 31 March 2021

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross loan receivables- subject to collective impairment	1,385,919,142	769,447,044	8,093,002,348	10,248,368,533
Allowance for expected credit losses(ECL)	(31,690,430)	(97,510,789)	(1,697,563,991)	(1,826,765,210)
	1,354,228,712	671,936,255	6,395,438,357	8,421,603,323

23.3 Allowance for Expected Credit Losses/Impairment Individually impaired loans

	2022 Rs.	2021 Rs.
Balance as at 01st April	532,593,003	224,623,192
Charge/ (Reversal) to income statement	972,747,671	324,893,590
Write off during the year	(144,636,318)	(16,923,778)
Transfers / Movements	(87,497,240)	-
Balance as at 31st March	1,273,207,116	532,593,003

23.4 Allowance for Expected Credit Losses/Impairment Loans subject to collective impairment

	2022 Rs.	2021 Rs.
Balance as at 01st April	1,294,172,207	1,121,165,524
Charge/ (Reversal) to income statement	74,334,388	173,006,683
Balance as at 31st March	1,368,506,594	1,294,172,207

23.5 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	31,690,430	97,510,789	1,697,563,991	1,826,765,210
Charge/ (Reversal) to income statement (Note 10.1)	(11,190,636)	(34,267,981)	947,904,358	902,445,741
Transfers / Movements	-	-	(87,497,240)	(87,497,240)
Balance as at 31st March 2022	20,499,793	63,242,808	2,557,971,109	2,641,713,710

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23. LOAN RECEIVABLES (Contd...)

23.6 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2020	56,581,930	125,250,399	1,220,717,061	1,402,549,391
Charge/ (Reversal) to income statement (Note 10.2)	(24,891,501)	(27,739,610)	420,086,254	367,455,144
Transfers / Movements	-	-	56,760,675	56,760,675
Balance as at 31st March 2021	31,690,430	97,510,789	1,697,563,991	1,826,765,210

24. LEASE & HIRE PURCHASE RECEIVABLES
At Amortized cost

	2022 Rs.	2021 Rs.
Total lease & hire purchase rentals receivable	15,705,438,095	7,354,287,106
Less: Unearned interest income	(4,087,996,041)	(1,852,861,155)
Gross lease & hire purchase receivable	11,617,442,055	5,501,425,951
Less: Allowance for expected credit losses/ collective impairment (Note 24.3 & 24.4)	(354,558,075)	(205,601,280)
Net lease receivable (Note 24.1 & 24.2)	11,262,883,980	5,295,824,671

24.1 Maturity Analysis of net Lease & Hire Purchase Receivable
As at 31 March 2022

	1 Year Rs.	1- 5 Year Rs.	Over 5 Years Rs.	Total Rs.
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	1,272,722,459	14,297,115,903	135,599,733	15,705,438,095
Less: Unearned lease interest income	(80,232,038)	(3,957,154,449)	(50,609,553)	(4,087,996,041)
Gross lease receivable	1,192,490,420	10,339,961,454	84,990,180	11,617,442,055
Less: Allowance for expected credit losses				(354,558,075)
Net lease receivable				11,262,883,980

24.2 Maturity Analysis of net Lease & Hire Purchase Receivable
As at 31 March 2021

	1 Year Rs.	1- 5 Year Rs.	Over 5 Years Rs.	Total Rs.
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	907,070,207	6,447,216,899	-	7,354,287,106
Less: Unearned lease interest income	(56,997,542)	(1,795,863,613)	-	(1,852,861,155)
Gross lease receivable	850,072,665	4,651,353,286	-	5,501,425,951
Less: Provision for collective impairment				(205,601,280)
Net lease receivable				5,295,824,671

24.3 Analysis of Lease & Hire purchase Receivables on Maximum Exposure to Credit Risk
As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross receivables- subject to collective impairment	6,487,353,697	3,762,231,523	1,367,856,835	11,617,442,055
Allowance for expected credit losses (ECL)	(37,044,922)	(131,673,093)	(185,840,060)	(354,558,075)
	6,450,308,776	3,630,558,429	1,182,016,775	11,262,883,980

24.4 Analysis of Lease & Hire purchase Receivables on Maximum Exposure to Credit Risk
As at 31 March 2021

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross receivables- subject to collective impairment	3,746,709,755	885,195,684	869,520,512	5,501,425,951
Allowance for expected credit losses (ECL)	(23,632,135)	(36,127,882)	(145,841,263)	(205,601,280)
	3,723,077,620	849,067,803	723,679,249	5,295,824,671

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24. LEASE & HIRE PURCHASE RECEIVABLES (Contd..)

24.5 Allowance for Expected Credit Losses/Impairment

Loans subject to collective impairment	2022 Rs.	2021 Rs.
Collective Impairment		
Balance as at 01st April	156,521,582	128,881,165
Charge/ (Reversal) to income statement	99,778,254	27,640,417
Balance as at 31st March	256,299,836	156,521,582
Individual Impairment		
Balance as at 01st April	49,079,698	21,444,887
Charge/ (Reversal) to income statement	65,107,793	27,634,811
Write off during the year	(20,126,314)	-
Transfers / Movements	4,197,062	-
Balance as at 31st March	98,258,239	49,079,698

24.6 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 31st March 2021	23,632,135	36,127,882	145,841,263	205,601,280
Charge/ (Reversal) to income statement (Note 10.1)	13,412,787	95,545,212	35,801,735	144,759,733
Transfers / Movements	-	-	4,197,062	4,197,062
Balance as at 31st March 2022	37,044,922	131,673,093	185,840,060	354,558,075

24.7 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 31st March 2020	12,397,193	26,561,551	111,367,309	150,326,053
Charge/ (Reversal) to income statement (Note 10.2)	11,234,942	9,566,330	34,473,955	55,275,227
Balance as at 31st March 2021	23,632,135	36,127,882	145,841,263	205,601,280

25. OTHER ASSETS

		2022 Rs.	2021 Rs.
Financial Assets			
Repossessed vehicle stock		26,944,566	38,414,074
Less: Provision for repossessed stock	Note 25.1	(26,944,566)	(38,414,074)
Real Estate stock		829,599,483	191,696,539
Less: Impairment for Real state stock	Note 25.2	(16,999,847)	(16,999,847)
Amount due from Related Companies	Note 25.3	1,497,484	4,000,799
Other receivables		227,792,000	258,752,015
		1,041,889,120	437,449,506
Non Financial Assets			
Deposits & Prepayments		125,463,714	178,409,088
Inventories		2,596,211	1,615,808
Income tax receivable		254,052,137	254,052,137
Taxes receivable		181,721,868	110,768,230
		563,833,931	544,845,263
		1,605,723,052	982,294,769

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25. OTHER ASSETS (Contd...)

25.1 Provision for Repossessed Stock

	2022 Rs.	2021 Rs.
Balance as at 01st April	38,414,074	38,414,074
Charge/ (Reversal) to income statement	8,712,208	-
Write off during the year	(20,181,716)	-
Balance as at 31st March	26,944,566	38,414,074

25.2 Impairment for Real State Stock

	2022 Rs.	2021 Rs.
Balance as at 01st April	16,999,847	16,999,847
Charge/ (Reversal) to income statement	(12,375,882)	-
Write off during the year	(94,123,569)	-
Transfers / Movements	106,499,451	-
Balance as at 31st March	16,999,847	16,999,847

25.3 Amount due from Related Companies

	2022 Rs.	2021 Rs.
Softlogic Retail (Pvt) Ltd	597,484	1,142,484
Softlogic Communication (Pvt) Ltd	-	-
Softlogic Life PLC	900,000	2,858,315
	1,497,484	4,000,799

26. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2022 Rs.	2021 Rs.
Equity instruments at fair value through OCI - Quoted	26.1	-	37,429,767
Equity instruments at fair value through OCI - Unquoted	26.2	30,600	30,600
		30,600	37,460,367

26.1 FINANCIAL INSTRUMENTS -QUOTED

2022

	No of Shares	Rs. Cost	Market Value
National Development Bank PLC	-	-	-
Asiri Hospitals PLC	-	-	-

2021

	No of Shares	Rs. Cost	Market Value
National Development Bank PLC	-	-	-
Asiri Hospitals PLC	1,467,834	40,018,290	37,429,767

26.2 Financial Instruments -Un.Quoted

2022

	No of Shares	Rs. Cost	Market Value
Cargills Bank Ltd	-	-	-
Credit Information Bureau of Sri Lanka	100	30,600	30,600

2021

	No of Shares	Rs. Cost	Market Value
Cargills Bank Ltd	-	-	-
Credit Information Bureau of Sri Lanka	100	30,600	30,600

In financial year 2021/2022, the Company received dividends of Rs.1,414,267/- (Financial year 2020/2021 - Rs. 1,494,267/-) from these quoted & unquoted equity investments, and recorded as other operating income.

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27. PROPERTY, PLANT AND EQUIPMENT

27.1 Cost/Valuation

	Balance as at 31.03.2021 Rs.	Additions / Reclassifications Rs.	Revaluation surplus/ Transfers Rs.	Disposals Rs.	Balance as at 31.03.2022 Rs.
Owned Assets					
Freehold Land	228,000,000	-	6,300,000	-	234,300,000
Freehold Building	85,400,000	-	17,900,000	-	103,300,000
Officer Partitioning	165,293,508	6,755,375	-	-	172,048,883
Furniture & Fittings	84,386,514	2,194,253	167,714	-	86,748,481
Office equipment	289,544,308	23,157,533	(167,714)	(167,187)	312,366,940
Motor vehicles	11,750,131	-	-	(430,125)	11,320,006
Motor Vehicles (Hiring)	123,930,810	-	(2,380,810)	-	121,550,000
Sub Total	988,305,272	32,107,161	21,819,190	(597,312)	1,041,634,311
Leased Assets					
Furniture & Fittings	3,590,487	-	-	(3,590,487)	-
Office equipment	707,000	-	-	(707,000)	-
Motor vehicles	-	-	-	-	-
Motor Vehicles (Hiring)	3,631,213	-	-	(3,631,213)	-
Sub Total	7,928,700	-	-	(7,928,700)	-
Total Assets	996,233,972	32,107,161	21,819,190	(8,526,012)	1,041,634,311

27.2 Accumulated Depreciation

	Balance as At 31.03.2021 Rs.	Charge for the year Rs.	Disposals Rs.	Balance as at 31.03.2022 Rs.
Owned Assets				
Freehold Land	-	-	-	-
Freehold Building	-	4,270,000	(4,270,000)	0
Officer Partitioning	126,573,426	13,808,326	-	140,381,751
Furniture & Fittings	77,715,777	2,791,372	-	80,507,149
Office equipment	259,995,948	14,977,714	(13,932)	274,959,730
Motor vehicles	11,750,131	-	(430,125)	11,320,006
Motor Vehicles (Hiring)	39,689,615	8,930,385	-	48,620,000
Total Cost/ Valuation	515,724,897	44,777,797	(4,714,057)	555,788,637
Leased Assets				
Furniture & Fittings	3,590,487	-	(3,590,487)	-
Office equipment	707,000	-	(707,000)	-
Motor vehicles	-	-	-	-
Motor Vehicles (Hiring)	3,631,213	-	(3,631,213)	-
Sub Total	7,928,700	-	(7,928,700)	-
Total Depreciation	523,653,598	44,777,797	(12,642,758)	555,788,637

The Company has obtained a valuation for its freehold land located at 13, De Fonseka Place, Colombo 04 from a professionally qualified independent valuer on 31.03.2022.

27.3 Net Book Values

	2022 Rs.	2021 Rs.
Freehold Land	234,300,000	228,000,000
Freehold Building	103,300,000	85,400,000
Officer Partitioning	31,667,132	38,720,083
Furniture & Fittings	6,241,331	6,670,737
Office equipment	37,407,210	29,548,360
Motor vehicles	-	-
Motor Vehicles (Hiring)	72,930,000	84,241,195
Total carrying amount of Owned Assets	485,845,674	472,580,374
Leased Assets		
Furniture & Fittings	-	-
Office equipment	-	-
Motor vehicles	-	-
Motor Vehicles (Hiring)	-	-
Total carrying amount of Leased Assets	-	-
Total carrying amount of Assets	485,845,674	472,580,374

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27 PROPERTY, PLANT & EQUIPMENT (Contd...)

27.4 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 32.11 Mn (2021 Rs.12.85 Mn).

Cost of fully depreciated assets of the Company which are still in use as at 31 March 2022 is Rs. 576.32 Million (2021 - Rs. 402.46 Mn).

27.5 Fair Value Related Disclosures of freehold Land & Building

Freehold land & building located at No13, De Fonseka Place, Colombo 04 is carried at the revalued amount, the independent valuers provide the fair value of land and buildings one year from carrying amounts according to the Company policy. Therefore the fair value exist in the recent valuation (31 March 2022) which was carried out by G.W.G. Abeygunawardene FRICS (Chartered Valuation Surveyor) professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard-SLFRS 13 (Fair Value Measurement).

Fair value hierarchy

The fair value of the Company's freehold land & building is categorised into Level 3 of the fair value hierarchy.

Level 3 fair value

The following table shows a reconciliation from the beginning balances to the closing balances for the fair value measurements to the Company's freehold land & building.

	Freehold land	Freehold building
Balance at 31 March 2021	228,000,000	85,400,000
Acquisition	-	-
Changes in fair value	6,300,000	17,900,000
Balance at 31 March 2022	234,300,000	103,300,000

27.6 Valuation Techniques and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of freehold land, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Range (weighted average) 2022	Range (weighted average) 2021
Market Comparable Method	Estimated price per perch (Land extent: 12 perches)	Rs. 18 Million - Rs.30 Million	Rs. 15 Million - Rs.20 Million
	Price per sq. ft for building	Between Rs. 7,250/= to Rs. 8,000/=	Between Rs. 6,400/= to Rs. 8,900/=

The following table demonstrates the sensitivity of the Other Comprehensive income on Income statement to reasonably possible changes in perches price & sqft price by 500 basis points, with all other variables held constant. The sensitivity of the OCI statement is the effect of the assumed changes in perches price & sqft price for one year

	Changes in basis points	Effect on OCI Rs.
2022		
Movement in land price	+500 b.p	11,715,000
	-500 b.p	(11,715,000)
2021		
Movement in price of sqft	+500 b.p	5,165,000
	-500 b.p	(5,165,000)

27.7 The Carrying Value of Company's Revalued Freehold Land, If It Was Carried at Cost, Would be as Follows.

	2022		2021	
	Cost Rs	**Carrying value Rs**	**Cost Rs**	**Carrying value Rs**
Freehold land	62,181,178	62,181,178	62,181,178	62,181,178
Freehold building	92,480,006	56,373,398	92,480,006	60,997,399

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27. PROPERTY, PLANT AND EQUIPMENT (Contd...)

27.8 Intangible Assets

	2022 Rs.	2021 Rs.
Cost as at 01April	271,781,313	266,091,396
Additions, improvements & Transfers	-	5,689,918
Cost as at 31 March	271,781,313	271,781,313
Amortisation as at 01 April	115,113,832	84,055,580
Amortisation for the year	33,237,142	31,058,252
Accumulated amortisation as at 31 March	148,350,974	115,113,832
Net book value as at 31 March	123,430,339	156,667,481

28. INVSTMENT PROPERTY

	2022 Rs.	2021 Rs.
Balance as at the Beginning of the Year	103,237,000	-
Additions Resulting from Acquisitions	-	-
Balance as at the End of the Year	103,237,000	-

28.1 Information on Investment Properties of the Company – Extents and Locations

Location	No of Buildings	Extent	Buildings SQFT	Fair Value of the Investment Property Rs.
Udawela Village, within the Rambukwella East Grama Niladari Division in Palispatthuwa East of Medadumbara Korale in Kandy District Central Province	8 Buildings	22A, 1R, 25.4P	23,765 sqft	129,000,000

29. RIGHT OF USE ASSETS

	2022 Rs.	2021 Rs.
Cost as at 01April	189,544,028	176,873,492
Additions and improvements	93,596,002	12,670,536
Cost as at 31 March	283,140,030	189,544,028
Accumulated Amortisation as at 01 April	78,531,292	-
Amortisation expenses for the year	62,628,952	78,531,292
Accumulated amortisation as at 31 March	141,160,244	78,531,292
Net book value as at 31 March	141,979,786	111,012,736

30. DUE TO OTHER CUSTOMERS

	2022 Rs.	2021 Rs.
Fixed deposits	15,472,161,334	14,502,809,533
Saving deposits	127,191,184	95,334,004
	15,599,352,518	14,598,143,536

31. OTHER BORROWED FUNDS

	2022 Rs.	2021 Rs.
Bank Loans	552,913,326	653,504,471
Securitizations	1,376,938,838	1,724,604,120
Commercial Papers	1,962,681,682	214,925,511
Loans received from parent company - Subordinated Debt	900,000,000	-
	4,792,533,847	2,593,034,102

The company has not had any default of principal, interest or other breaches with regard to any liability during 2021 & 2022.

31.1 Movement in other Borrowed Funds

	2021 Rs.	Grantings/ Accrual Rs.	Repayments Rs.	2022 Rs.
Long-term borrowings (Note 31.2)	199,980,000	-	100,020,000	99,960,000
Short-term borrowings (Note 31.2)	450,000,000	1,550,000,000	1,550,000,000	450,000,000
Commercial Papers	206,077,301	2,256,149,865	508,151,976	1,954,075,190
Debentures	-	900,000,000		900,000,000
Securitizations	1,667,654,313	695,514,789	1,073,654,313	1,289,514,789
Capital outstanding of debt issued and	2,523,711,615	5,401,664,654	3,231,826,289	4,693,549,980
Interest Payable	69,322,487			98,983,867
Total Borrowings	2,593,034,102			4,792,533,847

31.2 Institutional wise

	Tenor	Amortised cost 2022 Rs.	Amortised cost 2021 Rs.
Short term loans			
Commercial Bank	6 months	250,000,000	250,000,000
Seylan Bank PLC	3 months	200,000,000	200,000,000
		450,000,000	450,000,000
Long term loans			
Hatton National Bank PLC	36 Months	99,960,000	199,980,000
Union Bank PLC	48 Months	-	-
		99,960,000	199,980,000
		549,960,000	649,980,000

The above short term loans and long term loans were institution wise aggregated value.

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31. OTHER BORROWED FUNDS (Contd...)

31.2.1 Loans - on maturity

Detail analysis of loans obtained as follows

Lending Institution	Nature of Facility	Interest rate	Repayment Term	2022 Rs. 000	2021 Rs. 000	Carrying value of Collaterals Rs.	Security
Union Bank PLC	Term Loan	AWPLR + 3.75%, Floor rate of 15.5%	48 monthly installments commencing from June 2018, However early Settlement completed on July 2020	-	-	-	Mortgage over Loan receivables of Softlogic Finance PLC
NSB Trust	Securitisation	15.00%	31 monthly installments commencing from November 2018		18,672	-	Mortgage over Lease receivables of Softlogic Finance PLC
HNB Trust 2	Securitisation	16.75%	24 monthly installments commencing after grace period of 6 months starting from July 2019	-	69,577	-	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC
HNB Trust 3	Securitisation	16.25%	24 monthly installments commencing after grace period of 6 months starting from September 2019	-	35,669	-	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC
HNB Trust 4	Securitisation	16.00%	24 monthly installments commencing after grace period of 5 months starting from November 2019	-	85,282	-	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC
HNB Trust 6	Securitisation	10.25%	24 monthly installments commencing after grace period of 5 months starting from December 2020	179,753	513,921	281	Mortgage over Gold Loan receivables of Softlogic Finance PLC
HNB Trust 7	Securitisation	10.00%	18 monthly installments commencing after grace period of 6 months starting from March 2021	486,005	1,001,484	647	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC

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31. OTHER BORROWED FUNDS (Contd...)

31.2.1 Loans - on maturity

Detail analysis of loans obtained as follows

Lending Institution	Nature of Facility	Interest rate	Repayment Term	2022 Rs. 000	2021 Rs. 000	Carrying value of Collaterals Rs.	Security
HNB Trust 8	Securitisation	10.48%	24 monthly installments commencing after grace period of 7 months starting from July 2021	143,487	-	196	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC
HNB Trust 9	Securitisation	10.09%	24 monthly installments commencing after grace period of 7 months starting from September 2021	208,421	-	287	Mortgage over Lease receivables of Softlogic Finance PLC
HNB Trust 10	Securitisation	10.78%	24 monthly installments commencing after grace period of 7 months starting from November 2021	207,378	-	289	Mortgage over Lease receivables of Softlogic Finance PLC
HNB Trust 11	Securitisation	14.94%	15 monthly installments commencing after grace period of 12 months starting from February 2022	151,894	-	225	Mortgage over Lease receivables of Softlogic Finance PLC
HNB	Term Loan	AWPLR+2.00%	36 monthly installments commencing from March 2020	100,709	201,105	140	Mortgage over Lease & Vehicle Loans receivables of Softlogic Finance PLC
Commercial Bank of Ceylon PLC	Revolving Loan	AWPLR+3.00%	monthly interest payment & capital payment every 6 months	251,831	251,380		
Seylan Bank PLC	Revolving Loan	AWPLR+2.50%	monthly interest payment & capital payment every 3 months	200,373	201,020	313	Mortgage over Lease receivables for Rs. 375 Mn
Softlogic Capital PLC	Subordinated Loan	WAYR of 364 days T-Bill Rate + 4.25%(Subject to annual review)	Quarterly interest payment upto 5 years commencing from October 2021	900,000	-	-	

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32. OTHER PAYABLES

	2022 Rs.	2021 Rs.
Non Financial Liabilities		
Accrued expenses	105,148,802	64,178,881
Related Party Payables (Note 32.1)	24,488,875	21,868,996
Deposit insurance premium	1,882,399	1,756,484
Dividend Payable	598,465	598,465
Lease Liability (Note 32.2 & 32.3)	134,712,424	121,564,040
Other payables	258,291,960	340,631,855
	525,122,924	550,598,721

32.1 Related Party Payables

	2022 Rs.	2021 Rs.
Softlogic BPO Services (Pvt) Ltd	2,344,140	-
Softlogic Information Technologies (Pvt) Ltd	429,250	-
Softlogic Life PLC	18,939,735	17,546,070
Softlogic Capital Ltd	894,526	4,322,927
Softlogic Holdings PLC	1,881,223	-
	24,488,875	21,868,996

32.2 Movement of Lease Liabilities During the Year is as Follows.

	2022 Rs.	2021 Rs.
Balance as at 01 April	121,564,040	174,215,505
Additions	74,554,266	2,090,230
Accretion of interest	18,289,857	24,809,646
Payments during the year	(79,695,738)	(79,551,342)
Balance as at 31 March	134,712,424	121,564,040

32.3 Gross Maturity Analysis of Lease Liabilities

	2022 Rs.	2021 Rs.
Less than one year	54,962,230	64,965,265
One to five years	125,110,976	90,305,799
More than five years	-	-
Total lease liabilities as at 31 March	180,073,206	155,271,065

33. DEFERRED TAX LIABILITIES/(ASSETS)

	2022 Rs.	2021 Rs.
Deferred tax assets	496,448,813	585,273,373
Deferred tax liabilities	(60,073,941)	(139,930,199)
Total net deferred tax	436,374,872	445,343,174

Summary of Net Deferred Tax Liability

	2022		2021	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Deferred tax assets on:				
Accelerated depreciation for tax purpose - Own assets	46,459,268	11,150,224	57,407,951	13,777,908
Disallowed impairment and CBSL provision	1,188,019,045	285,124,571	1,684,503,296	404,280,791
Revaluation of land & building	821,819,829	197,236,759	696,727,808	167,214,674
Accelerated depreciation for tax purpose - Lease assets	12,238,578	2,937,259	-	-
	2,068,536,721	496,448,813	2,438,639,054	585,273,373
Deferred tax liabilities on:				
Gratuity Provision As At 31.03.2022	221,838,087	53,241,141	179,476,951	43,074,468
Unutilised Tax Losses	28,470,000	6,832,800	11,400,000	2,736,000
Right to use assets	-	-	392,165,545	94,119,731
	250,308,087	60,073,941	583,042,497	139,930,199
Net Deferred tax liabilities/assets	1,818,228,633	436,374,872	1,855,596,558	445,343,174

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34. RETIREMENT BENEFIT OBLIGATIONS

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 March 2022 by Messrs. Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Actuarial Cost Method", recommended by Sri Lanka Accounting Standard-LKAS 19 (Employee Benefits).

34.1 Defined Benefit Obligation Reconciliation

		2022 Rs.	2021 Rs.
Balance as at 01st April		57,407,951	47,045,376
Amount recognised in the income statement	34.2	9,987,776	16,528,656
Amounts recognised in other comprehensive income	34.3	(8,897,926)	4,647,589
Benefits paid by the plan		(12,038,533)	(10,813,670)
Balance as at 31st March		46,459,268	57,407,951

34.2 Amount Recognised in the Income Statement

	2022 Rs.	2021 Rs.
Current service cost for the year	6,709,932	11,685,778
Interest on the defined benefit liability	3,277,844	4,842,878
	9,987,776	16,528,656

34.3 Amounts Recognised In Other Comprehensive Income (OCI)

	2022 Rs.	2021 Rs.
Actuarial (gain)/loss due to changes in assumptions		
- Experience adjustment (Financial and Demographic)	-3,350,000	(94,305)
- Financial Assumptions	-5,405,521	3,767,563
- Demographic Assumptions	-142,405	974,331
Liability experience (gain) losses arising during the year	-	-
Total amount recognized in OCI	-8,897,926	4,647,589

34.4 Assumptions

	2022	2021
Discount rate *	14.00%	6.71%
Future salary increment rate *	10.00%	7.00%
Mortality	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Retirement age **	60	55
Expected average future working life of the active participants (in years)	3.7	4.1
The weighted average duration of the defined benefit obligation	3.5	4.4

*Discount rate used for the actuarial valuation was revised during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the change in market interest rates.

**The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

34.5 Distribution of Present Value of Defined Benefit Obligation In Future Years

	2022 Rs.	2021 Rs.
Within the next 12 months	10,759,078	9,548,874
between 1 to 2 years	15,547,575	16,433,110
between 3 to 5 years	11,992,619	16,707,235
between 6 to 10 years	6,329,784	11,050,821
beyond 10 years	1,830,212	3,667,911
Total	46,459,268	57,407,951

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34. RETIREMENT BENEFIT OBLIGATIONS (Contd..)

34.6 Sensitivity assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Gratuity liability is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Variable	Rate Change	2022 Sensitivity Effect on gratuity liability-Increase/(Decrease) in the Liability (Rs. Mn.)	2022 Sensitivity Effect on Comprehensive Income-(Charged)/ Reversal (Rs. Mn.)	2021 Sensitivity Effect on gratuity liability-Increase/ (Decrease) in the Liability (Rs. Mn.)	2021 Sensitivity Effect on Comprehensive Income-(Charged)/ Reversal (Rs. Mn.)
Discount rate	1.00%	(1.39 Million)	(1.39 Million)	(2.3 Million)	(2.3 Million)
Discount rate	-1.00%	1.49 Million	1.49 Million	2.5 Million	2.5 Million
Salary Increment rate	1.00%	1.74 Million	1.74 Million	2.7 Million	2.7 Million
Salary Increment rate	-1.00%	(1.65 Million)	(1.65 Million)	(2.5 Million)	(2.5 Million)

35. STATED CAPITAL

	2022 No. of shares	2022 Rs	2021 No. of shares	2021 Rs
Issued and Fully Paid-Ordinary shares				
Ordinary shares as at 01st April	268,760,128	4,506,759,983	103,369,280	2,604,765,231
Rights issue	223,966,774	2,239,667,740	165,390,848	1,901,994,752
Ordinary shares as at 31st March	492,726,902	6,746,427,723	268,760,128	4,506,759,983

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

36. STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 20% of the net profit for the year transferred to Reserve Fund as long as the capital funds are not less than 10% of total deposit liabilities.

As at 31 March	2022 Rs	2021 Rs
Balance as at 01st April	260,448,732	260,448,732
Transfer during the year	-	-
Balance as at 31st March	260,448,732	260,448,732

37. REVALUATION RESERVE

Revaluation Reserve represents the fair value changes of freehold land & Building as at the date of revaluation.

As at 31 March	2022 Rs	2021 Rs
Balance as at 01st April	138,505,682	126,649,682
Revaluation surplus (net of tax)	21,637,200	11,856,000
Balance as at 31st March	160,142,882	138,505,682

38. FINANCIAL ASSETS - AVAILABLE FOR SALE RESERVE

As at 31 March	2022 Rs	2021 Rs
Balance as at 01st April	(2,588,523)	(95,187,607)
Change during the year (net of tax)	2,588,523	92,599,084
Balance as at 31st March	(0)	(2,588,523)

Equity instruments at fair value through OCI/ Financial Assets - Available for Sale

Equity instruments at fair value through OCI/Available for sale financial assets primarily consist of quoted equity securities. Quoted equity securities are carried at fair value since it is the most reasonable value available to represent the price of such securities

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39. RETAINED EARNINGS

This 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.

As at 31 March	2022 Rs	2021 Rs
Balance as at 01st April	(1,875,236,009)	(855,686,995)
Dividends Paid	-	-
Net change in other comprehensive income	6,762,424	(3,532,168)
Gain / (Loss) on share disposal	620,749	(113,165,741)
Transferred from current years' profit	(935,745,573)	(902,851,106)
Balance as at 31st March	(2,803,598,409)	(1,875,236,009)

40. FAIR VALUE OF ASSET AND LIABILITIES

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value
For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

Equity instruments at fair value through OCI
Equity instruments at fair value through OCI financial assets primarily consist of quoted equity securities. Unquoted equity securities are carried at cost since it is the most reasonable value available to represent the price of such securities.

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 market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices.

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 the comparison, by class, of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value and non financial assets carried at fair value in the financial statements.

	2022 Rs.					2021 Rs.				
		Fair value measurement using					Fair value measurement using			
FINANCIAL ASSETS	Carrying value	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total Fair Value	Carrying value	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Cash and bank balances	438,009,460	438,009,460	-		438,009,460	628,089,791	628,089,791			628,089,791
Placements with banks & other finance companies	-	-	-	-	-	204,377,303		204,377,303		204,377,303
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	-	-	-	-	-	300,809,707		300,809,707		300,809,707
Securities purchased under repurchase agreements	1,457,460,165	-	1,457,460,165	-	1,457,460,165	1,001,933,146		1,001,933,146		1,001,933,146
Factoring receivables	710,253,049	-	-	710,253,049	710,253,049	564,990,812			564,990,812	564,990,812
Gold loan receivables	2,891,741,116	-	-	2,891,741,116	2,891,741,116	2,250,074,022			2,250,074,022	2,250,074,022
Loan receivables	5,721,832,163	-	-	5,662,886,967	5,662,886,967	8,454,723,905			8,308,120,979	8,308,120,979
Lease and hire purchase receivables	11,262,883,980	-	-	10,215,642,862	10,215,642,862	5,262,704,090			5,555,528,589	5,555,528,589
Other Financial assets	1,041,889,120	-	-	1,041,889,120	1,041,889,120	434,395,836			434,395,836	434,395,836
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	-	30,600	37,460,367	37,429,767	30,600		37,460,367
TOTAL FINANCIAL ASSETS	23,524,099,652	438,009,460	1,457,490,765	20,522,413,114	22,417,913,339	19,139,558,979	665,519,558	1,507,150,756	17,113,110,239	19,285,780,552
FINANCIAL LIABILITIES										
Due to customers	15,599,352,518	-	-	15,164,560,790	15,164,560,790	14,598,143,536			14,119,605,535	14,119,605,535
Other borrowed funds	4,844,445,609	-	4,844,445,609	-	4,844,445,609	2,639,021,605	-	2,639,021,605	-	2,639,021,605
TOTAL FINANCIAL LIABILITIES	20,443,798,127	-	4,844,445,609	15,164,560,790	20,009,006,399	17,237,165,141	-	2,639,021,605	14,119,605,535	16,758,627,140

There were no transfers between levels of fair value hierarchy during 2022 and 2021.

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41. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company is exposed to the following risks from financial instruments.

01) Market Risk
02) Credit Risk
03) Liquidity Risk
04) Operational Risk

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee and the Audit Committee. Board Integrated Risk Management Committee consists of non-executive and executive members who report regularly to the board of directors on their activities. There are several executive management sub committees such as Credit Committee, Asset and Liability Committee (ALCO), IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the Company's risk management policies and procedures. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Objectives and policies

Integrated Risk Management Committee (IRM) with the ultimate objective of to deliver superior shareholder value between risk and return. This Committee consists of one independent non executive director, one executive director & Head of Risk Management. Integrated risk management committee oversees market risk, operational risk and credit risk. ALCO committee monitors the market risk in broader aspects including the liquidity risk. Company is exposed to liquidity risk mainly due to interest rate fluctuations in the market. Credit committee involves in monitoring of credit risk by analysing the credit risk using several measurement criteria like 20 largest exposures, 10 largest 3-6 months arrears, 10 largest non performing advances and sectorial exposure. For some of these measures Company has stipulated risk tolerance level and continually monitor the credit exposure in order to ensure superior credit quality.

The Company's principal financial liabilities comprised of borrowings, public deposits, other payables and bank overdrafts. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has various financial assets such as lease & hire purchase rental receivables, other investments, loans, investments in government securities and bank & cash balances, which arise directly from its operations.

Responding to COVID-19 pandemic risks

The Company's risk measurement and reporting functions were further strengthened during the year amidst the COVID-19 pandemic. The credit risk of the Company's loan book increased as the loan repayments were impacted by the lock downs and movement restrictions imposed locally and globally. Further, the Company monitored the liquidity position with concern as it was under pressure due to the payment holidays offered under moratoriums. The operational risks too increased owing to the work from home arrangements etc. during the lock down periods.

In this back drop, the Company took additional measures to ensure that the risks caused by the pandemic are adequately managed.

Continuous reviews of the limits, policies and performance were carried out during the period. Some of these include;

• Reviewed risk elevated industries in the context of COVID-19 pandemic.
• Assessed the impact of the COVID-19 lock downs and moratoriums (payment holidays) on the portfolio staging.
• Used of a range of additional stress tests to assess the impact on Company's performance and capital.
• Strengthened Cyber Security Management in light of the increase in use of digital platforms.

The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity price will affect the Company's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimising return.

Financial assets subject to market risk	**2022 Carrying amount**	**2021 Carrying amount**
	Rs.	**Rs.**
Equity Instruments at fair value through other comprehensive income	30,600	37,460,367
	30,600	37,460,367

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41. FINANCIAL RISK MANAGEMENT (Contd...)

Financial liabilities subject to market risk	**2022 Carrying amount Rs.**	**2021 Carrying amount Rs.**
Due to banks	2,515,595,009	868,429,981
Other borrowed funds	2,276,938,838	1,724,604,120
	4,792,533,847	2,593,034,102

Market risk - Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's board of directors reviews and approves all equity investment decisions.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increase shown.

	Change in equity price	**Effect on equity Rs.**
31 March 2022.		
Quoted shares – (Colombo Stock Exchange)	+ 10%	-
	-10%	-
31 March 2021.		
Quoted shares – (Colombo Stock Exchange)	+ 10%	2.935.668
	-10%	(2.935.668)

Market risk - Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

Fixed interest rate instruments:	**31 March 2022 Rs.**	**31 March 2021 Rs.**
Financial assets	25.075.773.232	19.804.093.786
Financial liabilities	18.505.339.471	14.850.208.341
Floating interest rate instruments:		
Financial assets	Nil	Nil
Financial liabilities	1.839.474.789	2.317.634.313

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's financial liabilities with floating interest rates.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates by 500 basis points, with all other variables held constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 March. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	Changes in basis points	**Effect on profit Rs.**
2022		
Floating interest rate instruments	+500 b.p	91.973.739
	-500 b.p	(91.973.739)
2021		
Floating interest rate instruments	+500 b.p	115.881.716
	-500 b.p	(115.881.716)

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41. FINANCIAL RISK MANAGEMENT (Contd...)

Interest Rate Risk exposure on financials assets and Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2022	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	> 3 years Rs.	Non-interest bearing Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	355,340,646	-	-	-	82,668,814	438,009,460
Equity Instruments at fair value through other comprehensive income	-	-	-	-	30,600	30,600
Placements with banks & other finance companies	-	-	-	-	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	-	-	-	-	-	-
Securities purchased under repurchase agreements	1,457,460,165	-	-	-	-	1,457,460,165
Lease and hire purchase receivables	264,667,945	779,522,424	2,025,925,590	8,192,768,021	-	11,262,883,980
Loans and receivables	5,709,109,346	1,301,187,270	1,409,908,287	903,621,424	-	9,323,826,328
Other Financial Assets	-	-	1,041,889,120			1,041,889,120
	7,786,578,101	2,080,709,694	4,477,722,998	9,096,389,445	82,699,414	23,524,099,652
Financial Liabilities						
Due to customers	5,452,488,512	7,630,039,427	2,161,158,115	355,666,463	-	15,599,352,518
Other borrowed funds	2,286,230,407	1,464,367,249	193,847,953	900,000,000	-	4,844,445,609
	7,738,718,919	9,094,406,677	2,355,006,068	1,255,666,463	-	20,443,798,127
Interest Rate sensitivity gap	47,859,182	(7,013,696,983)	2,122,716,930	7,840,722,981	82,699,414	3,080,301,525

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41. FINANCIAL RISK MANAGEMENT (Contd...)

Interest Rate Risk exposure on financials assets and Liabilities (Contd..)

As at 31 March 2021	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	> 3 years Rs.	Non-interest bearing Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	546,903,487	-	-	-	81,186,304	628,089,791
Equity Instruments at fair value through other comprehensive income	-	-	-	-	37,460,367	37,460,367
Placements with banks & other finance companies	204,377,303	-	-	-	-	204,377,303
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	300,809,707	-	-	-	-	300,809,707
Securities purchased under repurchase agreements	1,001,933,146	-	-	-	-	1,001,933,146
Lease and hire purchase receivables	268,561,839	488,966,240	2,633,783,562	1,904,513,030	-	5,295,824,671
Loans and receivables	6,504,477,619	1,539,533,512	2,328,744,009	863,913,018	-	11,236,668,158
Other Financial Assets	-	-	437,449,506			437,449,506
	8,827,063,100	2,028,499,752	5,399,977,077	2,768,426,048	118,646,671	19,142,612,649
Financial Liabilities						
Due to customers	3,203,666,853	8,153,292,596	3,033,861,462	207,322,627	-	14,598,143,536
Other borrowed funds	782,298,014	1,068,495,647	788,227,944	-	-	2,639,021,605
	3,985,964,866	9,221,788,243	3,822,089,406	207,322,627	-	17,237,165,141
Interest Rate sensitivity gap	4,841,098,234	(7,193,288,491)	1,577,887,672	2,561,103,422	118,646,671	1,905,447,508

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41. FINANCIAL RISK MANAGEMENT(Contd...)

Credit risk

Credit risk mainly comprises of default risk and concentration risk and this is one of the major risk element in the industry due to the nature of the business. 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 receivables to customers and investment debt securities. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure such as individual obligator default risk and sector risk. For risk management purposes, credit risk arising on trading assets is managed independently and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Credit risk - Default risk

Default risks the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It arises from lending, trade finance, treasury and other activities undertaken by the Company. The Company has in place standards, policies and procedures for the control and monitoring of all such risks.

Credit risk - Concentration risk

The Company seeks to manage its credit risks exposure through diversification of its lending, investing and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific businesses. It also obtains security when appropriate. The types of collateral obtained include cash, mortgages over properties and pledge over equity instruments.

Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Credit Committee and Credit Risk Committee. Company Credit Risk monitoring Unit reporting to Risk Committee through the Chief Risk Officer who is responsible for management of the Company's credit risk, including:

-Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting.

-Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the board of directors as appropriate.

-Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

-Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer. Refer Concentration of credit risk.

-Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.

-Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

-Regular audits of business units and Company credit processes are undertaken by Internal Audit.

Significant increase in credit risk

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

The Company is focused on supporting customers who are experiencing financial difficulties because of the COVID 19 pandemic and has offered a range of industry-wide financial assistance measures including the debt moratorium initiated by the Central Bank of Sri Lanka. As per industry guidance given by the Central Bank and the Institute of Chartered Accountants of Sri Lanka, eligibility for the debt moratorium does not automatically result in a significant increase in credit risk (SICR) which moves an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). Accordingly, as explained in Note 4.1.9, a case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk has been moved to stage 2.

Post-model adjustments

Post-model adjustments represent the adjustments in relation to data and model limitations as a result of the Covid-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level. They include the effect of government and other support programs.

Management overlays

Analyzed the current position of the customers who were applied only the 01st Moratorium relief and expect the same patten will continue with the customers who applied for the 02nd Moratorium relief and make the bucket movement by considering the worst case. Furthermore, the company has identified tourism industry that carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in this industry have been classified to stage 2 and stage 3 unless such exposures are individually significant and has specifically identified as stage 1 and stage 2 respectively.

The company calculates expected credit losses based on three probability-weighted scenarios. During the year, due to the uncertainties created by COVID-19 pandemic, the company assigned relevant weightages to the worst case scenario by evaluating current economic condition.

This approach ensures the volume of exposures in stage 2 and stage 3 reflects a forward-looking view of the economy and not just what is observable as at the reporting date.

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41. FINANCIAL RISK MANAGEMENT(Contd...)

Assessment of Expected Credit Losses

Analysis of the total allowance for expected credit losses is as follows.

At 31 March 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Placements with banks & other finance companies	-	-	-	-
Factoring receivables	10,578,073	8,813,216	4,274,307	23,665,595
Gold loan receivables	2,600,347	1,677,044	7,387,987	11,665,379
Loan receivables	20,499,793	63,242,808	2,557,971,109	2,641,713,710
Lease and hire purchase receivables	37,044,922	131,673,093	185,840,060	354,558,075
Other assets	-	-	43,944,413	43,944,413
Total impairment for expected credit losses	70,723,135	205,406,162	2,799,417,876	3,075,547,173

At 31 March 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Placements with banks & other finance companies	450,692	-	-	450,692
Factoring receivables	8,091,371	3,485,012	5,959,194	17,535,577
Gold loan receivables	1,356,203	1,009,965	13,022,273	15,388,441
Loan receivables	31,690,430	97,510,789	1,697,563,991	1,826,765,210
Lease and hire purchase receivables	23,632,135	36,127,882	145,841,263	205,601,280
Other assets	-	-	55,413,921	55,413,921
Total impairment for expected credit losses	65,220,831	138,133,648	1,917,800,642	2,121,155,121

Movement of the total allowance for expected credit losses during the period	**2022** **Rs**	**2021** **Rs**
Balance as at 01st April	2,121,155,121	1,589,825,626
Net charge to profit or loss (Note 10)	1,210,260,696	491,731,598
Write-off during the year	279,067,917	16,923,778
Other movements	23,199,273	56,521,675
Balance as at 31st March	3,075,547,173	2,121,155,121

The table below shows the maximum exposure to credit risk for the components of statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

	31 March 2022		**31 March 2021**	
	Maximum exposure to credit risk	**Net exposure**	**Maximum exposure to credit risk**	**Net exposure**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Cash and cash equivalents	438,009,460	355,340,646	628,089,791	546,903,487
Equity Instruments at fair value through other comprehensive income	30,600	30,600	37,460,367	37,460,367
Placements with banks & Securities purchased under repurchase agreements	1,457,460,165	-	1,507,120,156	-
Lease and hire purchase receivables	11,617,442,055	-	5,501,425,951	-
Loans and receivables	12,000,871,013	6,432,085,211	13,096,357,386	8,986,594,136
Other Financial Assets	1,041,889,120	229,289,484	437,449,506	262,752,814
Total Financial Assets	26,555,702,412	7,016,745,941	21,207,903,156	9,833,710,804

Concentration of credit risk

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances as the reporting date is shown below.

Concentration by sector (Gross)	**2022** **Rs.**	**2021** **Rs.**
Agriculture	2,439,290,850	1,632,021,280
Manufacturing	2,229,309,289	2,385,169,259
Tourism	756,205,268	582,168,602
Transport	821,981,462	610,061,137
Construction	986,233,458	643,781,425
Trading	5,850,993,826	4,768,071,618
Services	3,324,006,725	2,522,576,349
Other	7,210,292,190	5,453,933,668
	23,618,313,067	18,597,783,337

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41. FINANCIAL RISK MANAGEMENT(Contd...)

The Provisional breakdown for factoring, gold loans, leases, hire purchases and loans as follows.

	2022 Rs.	2021 Rs.
Central Province	3,914,199,742	3,374,101,660
North Central Province	1,292,112,231	953,529,874
North Western Province	1,820,020,733	1,339,812,197
Northern Province	522,667,745	489,862,043
Sabaragamuwa Province	1,634,904,235	1,024,886,235
Southern Province	2,843,295,625	2,114,466,991
Uva Province	385,228,724	313,180,283
Western Province	11,205,884,031	8,987,944,056
Eastern Province	-	-
	23,618,313,067	18,597,783,337

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation and is to maintain a balance between continuity of funding and flexibility through the use of borrowings, public deposits and bank overdrafts.

The table below summarises the maturity profiles of the Company's financial liabilities based on contractual undiscounted payments.

Analysis of financial assets and liabilities by remaining contractual maturities

At 31 March 2022	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	> 3 years Rs.	Total Rs.
Financial assets					
Cash and cash equivalents	438,009,460	-	-	-	438,009,460
Placements with banks & other finance companies	-	-	-	-	-
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	-	-	-	-	-
Securities purchased under repurchase agreements	1,460,300,824	-	-	-	1,460,300,824
Lease and hire purchase receivables	266,543,261	857,879,145	2,471,753,775	11,754,703,839	15,350,880,020
Loans and receivables	5,709,980,473	1,334,410,467	1,632,820,116	1,045,681,812	9,722,892,867
Other Financial Assets	-	-	1,041,889,120	-	1,041,889,120
Total financial assets	7,874,834,019	2,192,289,612	5,146,463,010	12,800,385,651	28,013,972,292
Financial Liabilities					
Due to customers	5,634,893,274	8,159,055,611	2,552,380,663	391,903,780	16,738,233,328
Other borrowed funds	2,937,594,218	970,801,536	403,487,046	1,042,460,137	5,354,342,937
Total financial liabilities	8,572,487,492	9,129,857,147	2,955,867,709	1,434,363,917	22,092,576,265

At 31 March 2021	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	> 3 years Rs.	Total Rs.
Financial assets					
Cash and cash equivalents	628,089,791	-	-	-	628,089,791
Placements with banks & other finance companies	204,377,303	-	-	-	204,377,303
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	300,809,707	-	-	-	300,809,707
Securities purchased under repurchase agreements	1,001,933,146	-	-	-	1,001,933,146
Lease and hire purchase receivables	237,687,160	543,717,879	3,549,772,029	2,784,388,176	7,115,565,245
Loans and receivables	6,542,513,585	1,613,122,761	2,927,943,036	1,057,752,796	12,141,332,177
Other Financial Assets	-	-	434,395,836	-	434,395,836
Total financial assets	8,915,410,692	2,156,840,640	6,912,110,902	3,842,140,971	21,826,503,205
Financial Liabilities					
Due to customers	3,393,161,443	8,736,379,954	2,462,050,036	1,450,605,135	16,042,196,568
Other borrowed funds	675,974,751	1,324,795,373	820,499,272	-	2,821,269,396
Total financial liabilities	4,069,136,194	10,061,175,327	3,282,549,308	1,450,605,135	18,863,465,963

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41. FINANCIAL RISK MANAGEMENT (Contd...)

Sensitivity of impairment provision on loans and advances to other customers

The company has estimated the impairment provision on loans and advances to other customers as at 31st March 2022, subject to various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position.

The following table demonstrates the sensitivity of the impairment provision of the company as at 31st March 2022 to a feasible change in PDs, LGDs and all other information. The loss rate is calculated as follows,

Loss rate = EAD x PD x LGD x DCF x EFA

Sensitivity on ECL	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
Loss rate 1% increase across all age buckets	92,537,759	49,320,750	49,031,310	190,889,818	190,889,818
Loss rate 1% decrease across all age buckets	(48,704,972)	(44,763,741)	(49,031,310)	(142,500,023)	(142,500,023)

The key measure used by the Company for managing liquidity risk is the ratio of liquid assets to deposits from customers and other liabilities. For this purpose liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. Details of the reported ratio of net liquid assets to the liabilities from customers at the reporting date and during the year were as follows:

	2022 Rs.	2021 Rs.
As at 31 March		
Average for the year	10.30%	10.78%
Maximum for the year	14.61%	16.61%
Minimum for the year	7.18%	8.37%

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio as at 31st March is given below:

	2022 Rs.	2021 Rs.
Cash in Hand & Bank Balances	438,009,460	628,089,791
Deposits in Commercial Banks free from lien	-	204,377,303
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	1,457,460,165	1,001,933,146
Total Liquid Assets as at end of March	1,895,469,625	1,834,400,240

The table below sets out the availability of assets held by the Company on the basis of being encumbered or unencumbered.

	2022		2021	
	Encumbered Rs.	Unencumbered Rs.	Encumbered Rs.	Unencumbered Rs.
Cash and cash equivalents	-	438,009,460	-	628,089,791
Equity Instruments at fair value through other comprehensive income	-	30,600	-	37,460,367
Placements with banks & Securities purchased under repurchase agreements	-	1,457,460,165	-	1,206,310,449
Lease and hire purchase receivables	1,681,584,007	9,581,299,973	1,517,085,330	3,745,618,760
Loans and receivables	422,168,003	8,901,658,324	1,186,099,697	10,083,689,042
Other non financial assets	-	1,169,949,046	-	614,420,732
Intangible assets	-	123,430,339	-	156,667,481
Property, plant & equipment	-	485,845,674	-	472,580,374

* Encumbered- Pledged as collateral in borrowings

Capital management

Capital comprises of equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. During the year company issued further 223,966,774 new shares by way of Rights issue (Five (05) new Ordinary Shares for every Six (06) Ordinary Shares held by shareholder) at a price of Rs. 10.00 per share on August 2021, and raised Rs. 2,239,667,740.00 in order to comply with the Finance Business Act Direction No 03 of 2018 of the Central Bank of Sri Lanka.

Softlogic Finance PLC is fully compliant with the Capital adequacy ratio Both Tier 1 & Tier 2 as set out in the Direction No.03 of 2018 of Finance Business Act as of 31 March 2022 with another capital infusion of Rs. 900 Mn on Oct 2021 by way of Subordinated Loan from Softlogic Capital PLC. However due to the implementation of Direction no 01 of 2020 Classification & Measurement of Credit Facilities w.e.f 01.04.2022, Company Capital adequacy requirement (Both Tier 1 & Tier 2) are below the minimum requirement since April 2022 onwards and as of May 2022 Tier 1 ratio reported as 4.69% & Tier 2 ratio reported as 9.59%.

	2022 Rs.	2021 Rs.
SLFRS 9 based impairment provisions recorded in the Financial Statements	3,031,602,760	2,065,290,507
Regulatory provisions reported to Central Bank without Interest in Suspense	4,089,176,719	4,017,192,636
Interest in Suspense reported to Central Bank *	924,417,336	995,202,342
Total Regulatory provisions	5,013,594,055	4,987,646,646
Impairment Provision Gap	1,981,991,295	2,922,356,138
Profit / (Loss) as reported in accordance with the Central Bank provisioning method	(29,158,480)	(1,142,988,125)
Capital Adequacy Ratios (As per Central Bank Direction 03 of 2018 Capital Adequacy Requirements)		
Tier 1 Ratio - (Minimum Requirement - 7%)	7.1%	-3.6%
Total Capital ratio - (Minimum Requirement - 11%)	12.1%	-3.6%

* IFRS Interest in suspense of Rs. 424,472,436.17 was considered and netted from CBSL Interest in suspense amount during the year

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42. UTILISATION OF FUNDS RAISED VIA CAPITAL MARKET

42.1 The company has raised funds via the capital market through a rights issue on 20th December 2019. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	ıount utilised in Rs.	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To Settle the utilized overdraft facilities of the company	474,880,432	Within 2 months from the completion of the Rights Issue	474,880,432	79%	474,880,432	100%	N/A
(b)	To expand the lending activities of the company	127,614,800	Within 2 months from the completion of the Rights Issue	127,614,800	21%	127,614,800	100%	N/A
		602,495,232		602,495,232	100%	602,495,232		

42.2 The company has raised funds further via the capital market through a rights issue on 15th December 2020. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	ıount utilised in Rs.	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To repay maturity liabilities	1,901,994,752	Within 6 months from the completion of the Rights issue	1,901,994,752	100%	1,901,994,752	100%	N/A
(b)	To increase the secured lending portfolio to the required regulatory levels (i) Leasing (ii) Other lending							N/A
		1,901,994,752		1,901,994,752	100%	1,901,994,752		

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42. UTILISATION OF FUNDS RAISED VIA CAPITAL MARKET (Contd...)

42.3 The company has raised funds further via the capital market through a rights issue on 26th August 2021. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	ıount utilised in Rs.	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To improve the Capital adequacy ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(b)	To repay maturity liabilities, utilize in the lending and other business operations.	2,239,667,740	Within 6 months from the completion of the Rights issue	2,239,667,740	100%	2,239,667,740	100%	N/A
(c)	To increase the secured lending portfolio to the required regulatory levels (i) Leasing (ii) Other lending *							
		2,239,667,740		2,239,667,740	100%	2,239,667,740		

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43. COMMITMENTS AND CONTINGENCIES

	2022 Rs.	2021 Rs.
Contingent Liabilities		
Guarantees issued to banks and other institutions	-	2,500,000
Commitments		
Commitment for unutilised facilities	759,541,937	772,189,810
Capital Commitment for Software	-	239,116,150
	759,541,937	1,013,805,959

The Company has formal controls and policies for managing tax commitments. Once professional advice has been obtained and the amount of assessment/penalties reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending tax commitments as at 31 March 2022 which would have a material impact on the Financial Statements to disclose.

Analysis of commitment and contingencies by remaining contractual maturities

At 31 March 2022

	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Contingent Liabilities					
Guarantees issued to banks and other institutions	-	-	-	-	-
	-	-	-	-	-
Commitments					
Commitment for unutilised facilities	730,935,061	20,606,776	-	8,000,100	759,541,937
Software Project commitment	-	-	-	-	-
	730,935,061	20,606,776	-	8,000,100	759,541,937

At 31 March 2021

	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	More than 3 years Rs.	Total Rs.
Contingent Liabilities					
Guarantees issued to banks and other institutions	-	2,500,000	-	-	2,500,000
	-	2,500,000	-	-	2,500,000
Commitments					
Commitment for unutilised facilities	757,657,833	6,531,877	-	8,000,100	772,189,810
Software Project commitment	29,482,050	16,830,000	102,804,100	90,000,000	239,116,150
	787,139,882	23,361,877	102,804,100	98,000,100	1,011,305,959

43.1 Litigation against the Company

Set out below are the unresolved legal claims against the Company as at March 31, 2022 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome.

1. Case filed against Softlogic Finance PLC at the District Courts of Colombo under case No. DMR 3743/19, by one of our customers, namely Ms. Ketagodage Dona Vijitha Mallika, claiming damages of Rs.100 Mn for the reputational loss and mental distress she suffered.

2. Case filed against Softlogic Finance PLC at the District Court of Colombo under case No. DMR 3689 /21 by one of our customers, claiming that the Deed of Transfer executed over his property in favor of Softlogic Finance is invalid and claims damages of Rs.70 Mn.

44. EVENTS AFTER THE BALANCE SHEET DATE

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements.

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45. TRANSFER OF FINANCIAL ASSETS (Lease and HP receivable)

Under the securitization arrangement, the Company retains the contractual right to receive the cash from lease receivable, but assume a contractual obligation to pay the cash flows to investors of the trust certificates. Said securitization will lead to a transfer of lease receivables to investors. However, will not qualified for a derecognition. Risks of defaults of the lease receivable and the right to receive the cash flows from the lease receivables are vested with the Company.

Carrying Value of assets and associated liabilities

	2022	2021
Lease and hire purchase receivables	1,681,584,007	1,517,085,330
Securtization payable	422,168,003	1,186,099,697

46. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

The Company carried out transactions in ordinary course of business on an arm's length basis with parties who are defined as Related Parties as per the Sri Lanka

Accounting Standard - LKAS 24 'Related Party Disclosures'.

The pricing applicable to such transactions is based on the assessment of risk and pricing method of the company and is comparable with what is applied to

transactions between the company/ group and its unrelated customers.

46.1 Transactions with Key Management Personnel (KMPs)

Key managerial personnel includes COO, board of directors of the Company and of it's Holding Company.

	2022 Rs.	2021 Rs.
Short-term employee benefits	46,064,789	41,130,681
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	46,064,789	41,130,681

46.1.1 Transaction, arrangements and agreements involving KMPs and their close members of the family (CMFS)

The following table provides the total amount of transactions which have been entered in to with key managerial personnel and their close family members

Statement of financial position	Reported under	2022 Rs.	2021 Rs.
Assets			
Personal Loans	Loan receivables	-	936,049
Lease	Lease and hire purchase receivables	2,559,591	3,167,822
Liabilities			
Time Deposits	Due to customers	-	-
Statement of comprehensive income			
Interest income on lease & loan receivables	Interest income	617,575	329,008
Interest expense on customer deposits	Interest expenses	-	8,575
Other Transactions			
Dividend Paid on shareholding		-	-

46.1.2 Transaction summary of KMP during the year

	Personal Loans		Lease	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Opening Balance	936,049	-	3,167,822	-
New loans granted	-	1,000,000	-	3,500,000
Interest charged	179,162	72,735	438,414	256,273
Loan repayments	(1,115,211)	(136,686)	(1,046,645)	(588,451)
Other adjustments	-	-	-	-
Closing Balance	-	936,049	2,559,591	3,167,822

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46. RELATED PARTY DISCLOSURES (Contd...)

46.2 Transactions with Group Companies

The Company enters into transactions with group companies and the following tables shows the outstanding balances and corresponding transactions during the period ended March 31, 2022. These transactions are on the same terms and conditions as those entered into by other customers.

Company	Relationship	F/Y	(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits	Income Earned	Cost Incurred	Plant & Equip. Purchased / (sold)	Sale of equity shares under FVTOCI	Nature and Terms of the Transaction
Softlogic Corporate Services (Pvt) Ltd	Affiliated Company	2021/22	-	-	-	-	3,163,407	-	-	> Cost for secretarial services provided > ROC charges
	Affiliated Company	2020/21	-	-	-	-	2,729,561	-	-	> Cost for secretarial services provided
Softlogic Stock Brokers (Pvt) Ltd	Affiliated Company	2021/22	-	738	-	13,074	-	-	-	> Leasing facility granted at market rate for a period of 12 months
	Affiliated Company	2020/21	-	81,786	-	4,362	530,568	-	-	> Stock broker fees > Leasing facility granted at market rate for a period of 12 months
Softlogic Holdings PLC	Ultimate Parent Company	2021/22	1,881,223	-	680,813,733	-	14,797,415	-	-	> Accepting of commercial papers at market rate > payment for fuel & fuel cards > Reimbursement of directors annual insurance liability premium > Business promotion expenses
	Ultimate Parent Company	2020/21	-	-	-	-	2,988,834	-	-	> Reimbursement of directors annual insurance liability premium > Payment for fuel & fuel cards > Top Jabs annual subscription renewal 2021
Softlogic Retail (Pvt) Ltd	Affiliated Company	2021/22	(597,484)	-	284	-	1,185,013	-	-	> Cost for staff mobile phone vouchers. > Maintaining savings accounts at a Interest rate of 5%
	Affiliated Company	2020/21	(1,142,484)	-	271	8,003,289	115,769	1,019,439	-	> Purchasing fixed assets. > Maintaining savings accounts at a Interest rate of 4.5% > Loan granted & settled during the year @ 18% p.a for a period of 12 months.
Softlogic Communications (Pvt) Ltd	Affiliated Company	2021/22	-	-	-	-	-	-	-	
		2020/21	-	-	-	-	373,866	-	-	> Purchasing of tabs for recovery staff
Softlogic Brands (Pvt) Ltd	Affiliated Company	2021/22	-	-	313,499	7,228,567	14,803	-	-	> Maintaining savings accounts at a interest rate of 5% & terminated loans granted at a rate of 18% p.a for a period of 12 months
		2020/21	-	152,565,312	752,186	30,110,796	7,656	-	-	> Maintaining savings accounts at a interest rate of 4.5% Loans granted at a rate of 18% p.a for a period of 12 months
Softlogic Information Technologies (Pvt) Ltd	Affiliated Company	2021/22	429,250	-	-	-	237,650	19,819,000	-	> Equipment maintenance > Purchase of fixed assets
	Affiliated Company	2020/21	-	-	-	-	12,500	4,229,460	-	> Cost of fixing of networking cabling > Purchase of fixed assets

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46. RELATED PARTY DISCLOSURES (Contd...)

46.2 Transactions with Group Companies

Softlogic Life Insurance PLC	Affiliated Company	2021/22	18,039,735	-	-	2,753,896	20,955,607	-	-	> Business promotional activities - Covid 19 insurance coverage for for gold loan customers > Staff insurance premium for 2022 & CEO's international health insurance payment > Insurance commission income
	Affiliated Company	2020/21	16,646,070	-	-	-	21,948,839	-	-	> Business promotional activities - Covid 19 insurance coverage for for gold loan Customers > Staff insurance premium for 2021
Softlogic BPO Services (Pvt) Ltd	Affiliated Company	2021/22	2,344,140	2,094,452	-	355,652	28,954,606	-	-	> Cost of hardware maintain services & its related services > Cost for staff discount cards, > Board pack maintenance > Loan granted at a rate of 15% p.a for a period of 60 months
	Affiliated Company	2020/21	-	2,532,612	-	205,515	21,684,605	-	-	> Cost of hardware maintain services & its related services > Cost for staff discount cards, > Loans granted at a rate of 15% p.a for a period of 60 months
Softlogic Computers (Pvt) Ltd	Affiliated Company	2021/22	-	-	-	-	527,945	-	-	> Maintenance cost
	Affiliated Company	2020/21	-	-	-	-	-	795,085	-	> Purchase of computers & related
Softlogic Capital PLC	Parent Company	2021/22	894,526	-	1,401,250,219	-	59,611,286	-	-	> Accepting of commercial papers at market rate > Outsource call center charges > Business promotion Expenses > Annual maintenance charges for www.softlogicfinance.lk > Reimbursement of combined products package cost incurred on behalf of Softlogic Finance > Subordinated loan received at a rate of WAYR of 364 days T-Bill Rate + 4.25% for a period of 60 months & upfront fee
	Parent Company	2020/21	4,322,927	-	-	-	3,437,968	825,000	78,110,256	> Sold of 1,067,500 NDB voting shares at a market price of Rs. 74/= per share in open market > Outsource call center charges > Reimbursement of Web development charges
Nextage (Pvt) Ltd	Affiliated Company	2021/22	-	-	-	-	-	-	-	-
	Affiliated Company	2020/21	-	-	-	-	33,786	-	-	> Advertising & agency services
Central Hospital Ltd	Affiliated Company	2021/22	-	-	-	-	17,600	-	-	> Purchasing Diesel
	Affiliated Company	2020/21	-	-	-	-	69,000	-	-	> Obtaining auditorium facilities
Softlogic Asset Management	Affiliated Company	2021/22	-	-	17,032,300	445,626	1,213,473	-	-	> Accepting of fixed deposits at market rate > Interest cost incurred on fixed deposit placed > Invest in Softlogic Invest Money market fund
	Affiliated Company	2020/21	-	-	40,000,000	491,895	2,419,689	-	-	> Accepting of fixed deposits at market rate > Interest cost incurred on fixed deposit placed > Invest in Softlogic Invest Money market fund

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46. RELATED PARTY DISCLOSURES (Contd...)

46.2 Transactions with Group Companies

Future Automobiles (Pvt) Ltd	Affiliated Company	2021/22	-	-	-	-	5,701,341	-	-	> Vehicle repair services
	Affiliated Company	2020/21	-	-	-	-	3,450,227	-	-	> Vehicle repair services
Softlogic Mobile Distributors (Pvt) Ltd	Affiliated Company	2021/22	-	-	-	-	-	296,765	-	> Purchasing tabs
	Affiliated Company	2020/21	-	-	-	-	-	254,202	-	> Purchasing tabs for E-lease app
Suzuki Motors Lanka (Pvt)Ltd	Affiliated Company	2021/22	-	-	-	-	13,559	-	-	> Interest cost on fixed deposit
	Affiliated Company	2020/21	-	-	1,573,891	-	164,960	-	-	> Accepted fixed deposit at a rate of 10.19% p.a. for one year period > Interest cost on fixed deposit
Asiri Surgical Hospital	Affiliated Company	2021/22	-	-	-	-	385,501	-	-	> Rapid antigen test
	Affiliated Company	2020/21	-	-	-	-	-	-	-	-
Asiri Hospital Matara	Affiliated Company	2021/22	-	-	-	-	13,000	-	-	> PCR test
	Affiliated Company	2020/21	-	-	-	-	-	-	-	-
Asiri Hospital Kandy	Affiliated Company	2021/22	-	-	-	-	110,500	-	-	> Rapid antigen test
	Affiliated Company	2020/21	-	-	-	-	-	-	-	-
Asiri Hospital Galle	Affiliated Company	2021/22	-	-	-	-	30,000	-	-	> Rapid antigen test
	Affiliated Company	2020/21	-	-	-	-	-	-	-	-
Softlogic Restaurants (Pvt) Ltd	Affiliated Company	2021/22	-	-	-	-	55,230	-	-	> Payment for refreshments
	Affiliated Company	2020/21	-	-	-	-	-	-	-	-
Odel PLC	Affiliated Company	2021/22	-	-	-	-	217,500	-	-	> Payment for microfiber woven tie
	Affiliated Company	2020/21	-	-	-	-	-	-	-	-

* All above transactions are Normal business activity of the company and arm's length transaction

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47. BUSINESS SEGMENT INFOMRATION

The company's segmental reporting is based on the following operating segments: Leasing & Hire purchase, Vehicle Loans, Gold Loans, Other Loans and Receivables.

Management 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 operating profit or loss, and in certain respects, are measured differently from operating profits or losses in the financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

	Leasing & Hire Purchases		Vehicle Loans		Gold Loans		Loans and Receivables		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Interest income	1,538,314,320	676,566,645	142,040,066	247,581,446	535,796,246	574,971,269	637,264,156	803,884,976	92,006,719	140,386,842	2,945,415,506	2,443,391,179
Interest expenses	-	-	-	-	-	-	-	-	(1,593,117,271)	(1,894,556,639)	(1,593,117,271)	(1,894,556,639)
Net interest income	1,538,314,320	676,566,645	142,040,066	247,581,446	535,796,246	574,971,269	637,264,156	803,884,976	(1,501,116,551)	(1,754,169,797)	1,352,298,236	548,834,540
Fee and commission income	78,157,839	21,728,934	7,216,695	7,951,443	27,222,445	18,466,049	32,377,771	25,817,949	4,674,323	4,508,730	149,649,072	78,473,105
Net trading income/(loss)	-	-	-	-	-	-	-	-	1,414,267	1,494,267	1,414,267	1,494,267
Other operating income	-	-	-	-	-	-	-	-	107,798,615	63,919,373	107,798,615	63,919,373
Total operating income	1,616,472,158	698,295,579	149,256,760	255,532,889	563,018,691	593,437,318	669,641,927	829,702,925	(1,387,229,346)	(1,684,247,426)	1,611,160,190	692,721,285
Impairment charges for loan and advances	(164,886,047)	(57,545,635)	15,472,644	7,054,914	3,723,062	(2,390,572)	(1,064,570,356)	(438,850,305)	-	-	(1,210,260,697)	(491,731,597)
Net operating income	1,451,586,111	640,749,944	164,729,404	262,587,803	566,741,753	591,046,746	(394,928,429)	390,852,620	(1,387,229,346)	(1,684,247,426)	400,899,493	200,989,688
Depreciation for property, plant and equipment	(19,871,984)	(12,504,229)	(1,153,296)	(2,252,431)	(5,102,124)	(5,312,759)	(10,195,333)	(18,966,254)	(8,455,059)	(10,248,728)	(44,777,797)	(49,284,401)
Amortisation of intangible assets	(14,750,345)	(7,879,968)	(856,055)	(1,419,446)	(3,787,145)	(3,348,017)	(7,567,673)	(11,952,234)	(6,275,923)	(6,458,587)	(33,237,142)	(31,058,253)
Personal cost	-	-	-	-	-	-	-	-	(460,384,590)	(404,341,679)	(460,384,590)	(404,341,679)
Other operating expenses	40,745,184	(220,386,918)	3,762,202	(80,647,948)	14,191,584	(187,292,925)	16,879,155	(261,859,986)	2,436,814	(45,730,045)	78,014,939	(795,917,823)
Segment profit before VAT on financial services	1,457,708,966	399,978,829	166,482,254	178,267,978	572,044,067	395,093,045	(395,812,280)	98,074,146	(1,859,908,105)	(2,151,026,466)	(59,485,097)	(1,079,612,468)
VAT and NBT on financial services	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit before tax	1,457,708,966	399,978,829	166,482,254	178,267,978	572,044,067	395,093,045	(395,812,280)	98,074,146	(1,859,908,105)	(2,151,026,466)	(59,485,097)	(1,079,612,469)
Income tax reversal/(expenses)	-	-	-	-	-	-	-	-	-	109,257,073	-	109,257,073
Profit for the year	1,457,708,966	399,978,829	166,482,254	178,267,978	572,044,067	395,093,045	(395,812,280)	98,074,146	(1,859,908,105)	(2,041,769,393)	(59,485,096)	(970,355,393)
Total assets	11,262,883,980	5,295,824,671	653,656,119	953,955,403	2,891,741,116	2,250,074,022	5,778,429,093	8,032,638,733	4,792,090,947	4,340,568,848	25,378,801,254	20,873,061,678
Total Liabilities	9,326,436,975	4,527,601,298	541,271,899	815,572,642	2,394,559,095	1,923,673,591	4,784,933,845	6,867,407,404	3,968,178,512	3,710,916,877	21,015,380,325	17,845,171,813

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48. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

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

	2022 Within 12 Months Rs.	2022 After 12 Months Rs.	2022 Total as at 31 March 2022 Rs.	2021 Within 12 Months Rs.	2021 After 12 Months Rs.	2021 Total as at 31 March 2021 Rs.
Assets						
Cash and cash equivalents	438,009,460	-	438,009,460	628,089,791	-	628,089,791
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	37,460,367	-	37,460,367
Placements with banks & other finance companies	-	-	-	204,377,303	-	204,377,303
Securities purchased under repurchase agreements	1,457,460,165	-	1,457,460,165	1,001,933,146	-	1,001,933,146
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	-	-	-	300,809,707	-	300,809,707
Lease and hire purchase receivables	1,044,190,368	10,218,693,611	11,262,883,980	757,528,079	4,538,296,592	5,295,824,671
Loans and receivables	7,010,296,616	2,313,529,711	9,323,826,328	8,044,011,131	3,192,657,027	11,236,668,158
Other assets	-	1,605,723,052	1,605,723,052	-	982,294,769	982,294,769
Deferred tax asset	-	436,374,872	436,374,872	-	445,343,174	445,343,174
Intangible assets	-	123,430,339	123,430,339	-	156,667,481	156,667,481
Investment Property	-	103,237,000	103,237,000	-	-	-
Right of Use Assets	-	141,979,786	141,979,786	-	111,012,736	111,012,736
Property, plant & equipment	-	485,845,674	485,845,674	-	472,580,374	472,580,374
Total Assets	9,949,987,209	15,428,814,044	25,378,801,253	10,974,209,523	9,898,852,154	20,873,061,678
Liabilities						
Bank Overdrafts	51,911,762	-	51,911,762	45,987,503	-	45,987,503
Due to customers	13,082,527,939	2,516,824,579	15,599,352,518	11,356,959,448	3,241,184,088	14,598,143,536
Other borrowed funds	3,698,685,894	1,093,847,953	4,792,533,847	1,804,806,158	788,227,944	2,593,034,102
Other non financial liabilities	-	525,122,930	525,122,930	-	550,598,721	550,598,721
Retirement benefit obligations	-	46,459,268	46,459,268	-	57,407,951	57,407,951
Deferred tax liabilities	-	-	-	-	-	-
Total liabilities	16,833,125,596	4,182,254,729	21,015,380,325	13,207,753,109	4,637,418,704	17,845,171,813

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