CONNECT.
BUILD.
TRANSFORM.

softlogic Finance

ANNUAL REPORT | 2021/22

www.softlogicfinance.lk

As a leading Financial Service provider in Sri Lanka, Softlogic Finance is inspired towards creating an era in Digital Financial services, providing customers with the ultimate solutions to meet their expectations. With over 2 decades in the financial industry we are eager towards creating Digitalization beyond expectations. While assuring the financial success of our stakeholders, we are confident in reaching our goal to be the epitome of Digital Transformation.

CONTENTS

ABOUT US

ABOUT US

The Forward March

As a Softlogic Group entity operating across the country, with a history stretching back more than 25 years, we always have experienced – and always will experience macro-economic uncertainties. We will stay prudent and alive to the potential impacts that can have on our business, as well as on our clients. The relationship between Russia and Ukraine and external debt sustainability of Sri Lanka will remain prominent features of the external environment, but we do not currently expect it to change significantly in the near future. As a corporate citizen that believes in Sri Lanka, we are well prepared for a broad range of outcomes and we will continue to stay focused on serving the needs of our customers in both North and South, and the many points in between.

Despite the pandemic, we built a strong footprint in the most dynamic markets of NBFI sector, serving the verticals that are the engines of the sector growth. As we aspire to be a leading financial partner for the new economy, we will ensure we continue to shape our business to drive success for our clients and for our future. Our valued behaviours of being better together, openness to agile and adopt, seeing through to completion along with the resilience of our colleagues, are critical for us to win in the market. We will continue to build on our culture of excellence, which is client-centric, diverse and inclusive, to deliver on our aspirations to be truly high-performing.

VISION

To be the preferred Non-Banking financial institution in Sri Lanka.

MISSION

To strive to delight our customers through accessible tailor-made financial solutions, served through our well versatile accomplished and highly motivated team, committed to excellence.

To create shareholder value through stability and above- average returns.

To sustain our continued commitment to being a good corporate citizen and make a positive contribution to the community and the environment

VALUES

PERFORMANCE

We are committed to a result-oriented culture. We place customers at the centre of our activities and we hold ourselves responsible to deliver what we promise in keeping with customer needs.

INNOVATION

We constantly challenge conventional wisdom and develop new solutions and bring simplicity and accessibility for customers.

INTEGRITY

We act fairly and honestly. We believe in ethics and transparency in all our dealings.

HUMAN CAPITAL

We benefit from the diversity of our business and our people by working together to achieve success. We treat all our staff with respect and dignity, provide opportunities for their career enhancement and reward them for good performance.

SUCCESS

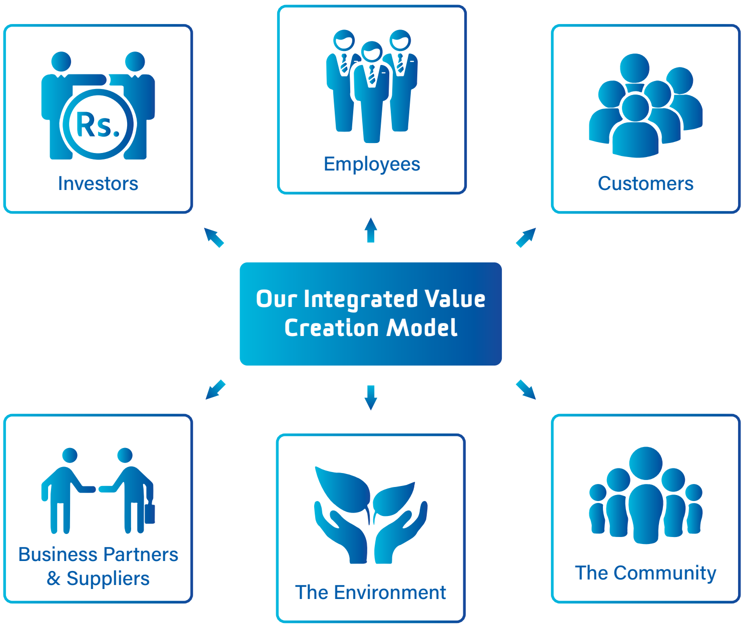
We always strive to be the best in our business and possess a will to win.

CORPORATE RESPONSIBILITY

We care for the community and the environment, taking responsibility to protect them. We are a good corporate citizen and support worthy causes and CSR projects.

OUR SUSTAINABILITY POLICY

Our corporate ethos is to build a sustainable business that can withstand the unpredictability of the industrial and economic environment that we operate in. This aggressive drive to achieve sustained business excellence has been deliberately designed to give primacy to the interests of all our stakeholders. In fact, in this quest, the integrated value creation process that we have cultivated through our Business Model has contributed significantly to ensuring that we are geared towards developing and sustaining a holistic growth drive that positively impacts all our stakeholders.



Investors – Our decision making process and our short term and long term financial objectives have always been aligned with the aspirations of our investors so that they receive sustainable returns for their investments. We are committed to providing them with all relevant information in a timely manner so that they are well informed when making investment decisions.

Employees – Our actions have undoubtedly proven that we regard our employees as the lifeblood of our company. We focus on professionally developing them so that they would continue to add strategic value to our business. Further, as a part of our employee value proposition, we offer our employees a rewarding, safe and challenging work environment for them to professionally and personally excel in.

Customers – The expectations of our customers always take the forefront in our business operations. Our financial solutions have been designed with the demands of our customer segments in mind and we are not afraid to aggressively restructure existing products or introduce new solutions to cater to the evolving aspirations of our clientele. We are committed to continuously reengineering our processes and introducing new platforms to conduct business in order to ensure that the customer service levels we offer are never compromised. In short, the entirety of our business operations is committed to fostering a service culture.

Business Partners & Suppliers – Our commitment to fostering and maintaining long term, mutually beneficial relationships with our suppliers and business partners has been instrumental in developing the overall value proposition that we offer our clientele. Our engagement mechanism with them is collaborative and we have committed ourselves to ethical and transparent business practices.

The Environment – All our business decisions and operational activities have been designed to ensure that we operate in an environmentally sustainable manner and invest in environmental conservation initiatives.

The Community – We actively foster long term partnerships and engagements with the communities that we serve and actively immerse ourselves in community development initiatives so that we have an intimate and resilient bond with the communities around us.

OUR REPORTING PHILOSOPHY

Reporting Context

Welcome to our seventh Integrated Annual Report! As a company that is committed to delivering responsible and transparent financial solutions to its customers, our objective is to present actionable and relevant information to all our stakeholders in order to empower them with the ability to make informed decisions about our company. We have adopted the Integrated Reporting methodology propagated by the Integrated Reporting Council in the context of our operations in order to effectively communicate our value creation story to our stakeholders in a multi-dimensional and cohesive manner.

Our focus is on delivering sustainable value creation to all our stakeholders that could withstand the vagaries of the industry that we operate in. This demands an intrinsic awareness and a penetrative insight into our value creation process, our responsibilities to our stakeholders and the economic, social and environmental impacts that our business produces. To this end, we have reported on the key inputs to our value creation process, which we have identified as our value drivers. These have been presented as input capitals in the form of Financial, Customer, Business Partner, Human, Intellectual and Infrastructure Capital. Further, we have laid out our value generating activities and the immediate outputs that result from our value creation process. Special emphasis has been directed towards the economic, social and environmental impacts that our business yields, considering it is our belief that the value we create should tangibly impact all these three spectrums.

Further, we recognize the responsibility that we have during this value creation process to our diverse set of stakeholders. In this context, we have comprehensively discussed the corporate governance and integrated risk management processes that provide adequate checks, balances and safeguards with regard to the myriad interests of our stakeholders.

Reporting Scope

Driven by our responsibility to our stakeholders and the need to address their needs, we have adopted the Integrated Reporting methodology to shed focus on the long-term sustainability of our value creation process.

In order to do this, we have presented financial and non-financial information that would facilitate the assessment of the financial and operational performance of our business. Further, to this end, we have also provided key comparative performance indicators from the previous financial year and the future outlook for all our value creating activities. This continuous enhancement of transparency is further buttressed by the identification of the factors affecting our identified key stakeholders and the sustainability initiatives championed by us, based on the stakeholder identification and engagement processes carried out by the company.

Reporting Boundaries

This Annual Report covers all activities of Softlogic Finance PLC island-wide, during the financial year 2021/21 ending on 31st March 2022. No restatements of any financial or non-financial information have been effected with regard to the previous financial year, unless otherwise specifically stated.

The reported financial statements as at and up-to 31st March 2021 have been prepared in compliance with the applicable Sri Lanka Accounting Standards. All relevant disclosures have been made as per the applicable laws and regulations. Disclosures on Corporate Governance have been made as per the Code of Best Practice on Corporate Governance (Direction No. 03 of 2008) and its amendments issued for finance companies by the Central Bank of Sri Lanka and also in line with the 2013 version of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. Further, disclosures have also been made as per the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 07 of 2007.

External Assurance

External Assurance for the Financial Statements and its accompanying notes has been obtained from Messrs. Ernst and Young and their independent opinion is stated in the Independent Auditor's Report in Pages 119 to 122.

FINANCIAL HIGHLIGHTS

	2021/22	2020/21	Change
Financial Results for the Year Ended 31st March (Rs. Mn)			
Total Gross Income	3,204	2,587	24%
Interest Income	2,945	2,443	21%
Interest Expenses	1,593	1,895	-16%
Net Interest Income	1,352	549	146%
Other Income	259	144	80%
Total Operating Income	1,611	693	133%
Total Operating Expenses	1,337	1,213	10%
Impairment Charges	1,210	492	146%
Profit / (Loss) Before Tax (PBT)	(936)	(1,012)	-8%
Taxation (Income Tax & VAT & NBT on Financial Services)	-	109	-100%
Profit / (Loss) After Tax (PAT)	(936)	(903)	4%
Financial Position as at 31st March (Rs. Mn)			
Total Assets	25,379	20,873	22%
Loans and receivables	9,324	11,237	-17%
Lease and hire purchase receivables	11,263	5,296	113%
Customer Deposits	15,599	14,598	7%
Total Borrowed Funds	4,793	2,593	85%
Shareholders' Funds	4,363	3,028	44%
Financial Ratios & Indicators			
Cost to Income Ratio (%)	82.96	175.12	-53%
Return / (Loss) on Average Assets (ROA) - before tax (%)	(4.05)	(4.75)	-15%
Return / (Loss) on Average Equity (ROE) - after tax (%)	(25.32)	(35.62)	-29%
Earnings / (Loss) Per Share (EPS) (Rs.)	(2.33)	(5.95)	-61%
Earnings / (Loss) Yield (%)	(24.79)	(59.50)	-58%
Net Assets Value Per Share (Rs.)	8.86	11.27	-21%
Market Price Per Share (Closing) (Rs.)	9.40	10.00	-6%
Market Capitalization (Rs.) (Mn.)	4,632	2,688	72%
Price to Earnings (Times)	(4.03)	(1.68)	140%
Total Available Liquid Assets (Rs.) (Mn.)	1,810	1,874	-3%
Required Minimum Amount of Liquid Assets (Rs.) (Mn.)	1,791	905	98%
Debt to Equity Ratio (Times)	4.82	5.89	(1.07)
Interest Cover (Times)	0.41	0.47	(0.06)
Core Capital Ratio (%) (Minimum Requirement 7.0%) (6.5% in 2021)	7.11	(3.93)	281%
Total Risk Weighted Capital Ratio (%) (Minimum Requirement 11.0%) (10.5% in 2021)	12.14	(3.93)	409%
Dividend per Share (Rs.)	-	-	-
Dividend Payout Ratio (%)	-	-	-

CHAIRMAN'S STATEMENT

The roll-out of vaccines around the world and post-pandemic economic recovery mean we entered 2022 in a better state than we might have expected a year ago. There are clearly still significant challenges ahead, supply chain bottlenecks caused by war in Ukraine, local political uncertainties, high energy and food prices, surging consumer demand and higher wages have combined to drive up inflation. Central bank has already begun to respond by tightening monetary policy and this is likely to continue in 2022 and beyond.

In the first half of 2021, pandemic took a huge toll on our customers, our people, the communities we serve and our shareholders. Throughout this period, our colleagues around the country – led by our Chief Executive Priyantha Wijesekera and the Management Team – have continued to focus on protecting the interests of shareholders, while ensuring the wellbeing of colleagues and supporting our customers and communities. The spirit our colleagues have shown throughout, despite the often-difficult circumstances, has been exemplary and I am extremely proud of how we have all come out of 2021.

Improved Financial Performance

Later in this report, Priyantha and Ivon Brohier, our Chief Financial Officer, will set out more detail on our financial performance as we navigated the second year of the pandemic. Overall, our results show evidence of resilience, with performance improving against a difficult backdrop. All of our business verticals were profitable in 2021, supported by the post-pandemic economic recovery, demonstrating the value of our route to market network. However, as a consequence of supporting high level of impairment for the legacy book, our net earnings suffered recording a net loss of Rs 936 million. This result was mitigated by low levels of impairment in the new book and a return to positive income momentum in the second half of 2021.

The company also improved its liquidity position with Tier 1 capital improving to 7.14% and the total Capital Ratio to 12%.

Progress

While the pandemic brought about considerable challenges and, as a result, the turnaround is taking longer than previously anticipated, it is clear to us that the strategic priorities we set out at the start of 2020 are right. Our asset backed lending portfolio increased by 87.6% whilst, our work to digitise Softlogic Finance in order to play a prominent role in the new economy has continued at pace. We are transforming our ability to onboard, serve and exceed the expectations of lower-mainstream to premium customers. In secured lending verticals, our flagship product leasing has marked a sharp growth of 113% and our gold loan business is making a difference where it matters the most in the economy by enabling economic participation across the all-customer segments whilst also representing a growing source of income for us. There is more to do, but good momentum exists across our businesses. Our focus is now on executing against the priorities at pace, and we are making progress on each of them.

During the year, we refocused our Brand promise, 'We believe in your belief,' is equally applicable to our different stakeholders. For our people, it can mean enabling to develop new skills and advance in their careers. For our shareholders, it can mean seizing opportunities to create sustainable returns and value. For our suppliers, it can mean supporting them to grow their businesses and strengthen their own supply chains. And for the communities we serve, it can mean being a responsible citizen and helping them to realise their potential.

During the year, we continued to invest in the future of the company, including stepping up our innovation and technology investment, and we expect to develop exciting set of transformative business development opportunities and partnerships.

Governance

With Delta variant spreading across the country, leading to mobility restrictions, we held our AGM in August 2021, where our shareholders were invited to attend virtually. During the year, Members of the Board attended a number of subsidiary board committee meetings which were also held online. We have come to appreciate the benefits of this new way of working, which include more regular dialogue, less travel and reduced costs that allow for constructive engagement and discussions with stakeholders which we continue to value highly.

External environment

In its April World Economic Outlook, International Monetary Fund revised global growth projections for 2022 to 3.6% from its previous estimation of 6.1% in 2021, as economic damage from the war in Ukraine is expected to contribute to a significant slowdown GDP growth, and add to inflation. Given the current fiscal challenges, in June World Bank estimated Sri Lankan economy to contract by 7.8% in 2022. After declaring a preemptive foreign debt default in April 2022, there also remains a great deal of uncertainty given the wide range of responses from the government to the different challenges it currently faces. As a result, we expect government to take action, with the aim of shoring up growth.

However, we are well prepared for a broad range of outcomes. As a Softlogic Group entity operating across the country, with a history stretching back more than 25 years, we always have experienced – and always will experience macro-economic uncertainties. We will remain alive to the potential impacts that can have on our business, as well as on our clients. The relationship between Russia and Ukraine and external debt sustainability of

CHAIRMAN'S STATEMENT

Sri Lanka will remain prominent features of the external environment, but we do not currently expect it to change significantly in the near future. As a corporate citizen that believes in Sri Lanka, we will continue to engage with regulator and remain focused on serving the needs of our customers in both North and South, and the many points in between.

Our ambition

We built a strong footprint in the most dynamic markets of NBFI sector, serving the verticals that are the engines of the sector growth. As we aspire to be a leading financial partner for the new economy, we will ensure we continue to shape our business to drive success for our clients and for our future. We have a huge opportunity to build a better future with our customers and communities. Our valued behaviours of being better together, openness to agile and adopt, seeing through to completion along with the resilience of our colleagues, are critical for us to win in the market. We will continue to build on our culture of excellence, which is client-centric, diverse and inclusive, to deliver on our aspirations to be truly high-performing.

Whilst uncertainties persist in macro-economic landscape, we see plenty of opportunities that are compelling. We expect policy support to scale back, as the Central Banks tighten its policy to counter inflation leading to rising interest rates. We continue to see accelerated change across the business ecosystem, from the digital space, to shifts in interest towards registered vehicle market, and upward movement in policy rates and gold prices, these are just some of the reasons why we are optimistic at the prospects of the company.

The Board will continue to oversee the task of striking the right balance between the opportunities and risks that we see. I am confident that, with the actions we have outlined to continue driving and indeed accelerating our strategic priorities, we will create long-term and sustainable value for our stakeholders.

> ***During the year, we continued to invest in the future of the company, including stepping up our innovation and technology investment***

Thank you

Finally, I would like to reiterate how grateful I am to all my colleagues for the great dedication and care they have shown to our customers and to each other over the past year. Their tremendous efforts have, above everything else, made us what we are today and will shape what we become tomorrow.

My sincere gratitude goes out to our valuable customers and our business partners for their loyal patronage and unwavering support during 2021 and look to a journey of shared prosperity in 2022. I am particularly grateful to our shareholders, who continued to uphold their trust and confidence in us to provide the strength in our journey towards reaching a prominent market position in the NBFI sector.

In closing, my sincere appreciation goes out to the Central Bank of Sri Lanka, the Colombo Stock Exchange and other agencies for the significant contributions that they make towards the maintenance of prudent, forward focused best practices and regulatory measures which ensure a strong NBFI sector that benefits all stakeholders.

I take the opportunity to welcome Mr Dinesh P Renganathan the successor Chairperson of the Company and I'm sure that the immense wealth of experience of Mr Dinesh P Renganathan holds in the business and his in depth knowledge of the Company will steer the Company to greater heights. I wish my colleague Mr Dinesh P Renganathan all success.

(Sgd.)
Aaron Russell-Davison
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

Back to growth and improving returns

Our performance in the second half of the year ended, gives us confidence that we are on track to achieve our strategic and financial objectives. We saw a return to income growth, which we believe signals the start of a sustainable recovery, and we finished the year with good business momentum in both assets and liability segments. Continued low levels of credit impairment in our new lending book have helped us increase net operating income by 99% to Rs. 400 million. Confidence in our newly acquired asset quality and earnings trajectory, encouraged our shareholders to inject fresh capital of Rs. 2.2 billion during 2021, and we are soundly positioned for the year ahead while improving our core capital ratio to 7.14%.

Confidence in our promise

Last year, we refreshed our brand promise. 'We believe in your belief' was the outcome of extensive consultation with colleagues and customers across the country. This infuses everything we do, connecting our strategy with opportunities to drive growth and deliver our societal ambitions. I have been delighted by the way it has been embraced across Softlogic Finance - and in the many conversations I have had with colleagues, I have been greatly encouraged by how they see their roles contributing towards it.

'We believe in your belief' draws heavily on Softlogic Group's DNA, and it also encapsulates what we need to focus on to succeed now and in the future. Opportunities have always come in many shapes and forms, some of which have required us to change and evolve to make the most of them. We need to keep believing and challenging ourselves to find and capture these opportunities. This is how we will help our customers to grow and succeed over the long term.

As we do so, we will be guided by the beliefs underpinning our promise - we value new ideas and creativity, we succeed together as a team, we take responsibility and we get it done. These are the behaviours that will help us to identify and unlock new opportunities - and together they represent the kind of organisation we want Softlogic Finance to be.

With our brand promise firmly on mind, we made rapid progress in 2021 against all of our strategic pillars: focus on our strengths to drive secured lending, energise for growth through a performance driven culture, digital adoption to enhance efficiency and deliver superior service. Delivering against them contributed to an improved financial performance, which was supported by post-pandemic economic recovery.

Strategy and Financial Performance

The long-term fundamentals of the business verticals in which we operate have not changed. These markets, notably leasing and gold loans, will drive future growth of NBFI sector over the coming years. We are confident we have the right strategy to capture the opportunities that will arise from those trends, and we can see evidence that it is working. As economy opened up, we have helped more and more of our customers to believe in themselves to broaden their immediate horizons and look towards new opportunities. In 2021, we helped 3,481 customers to buy vehicles. We lent Rs. 2.9 billion to help our factoring customers to run and grow their businesses. We see opportunities to accelerate this growth through further investments in to digitization and partnerships.

Returning to normality supported our 2021 financial performance. But the legacy book continued to increase the impairment provisions required, which inevitably squeezed our margins and reduced income and returns sharply. As a consequence, the company recorded a net loss of Rs. 936 million. However, our lending book grew by 26% to Rs. 23.6 billion for the year. Our funding, liquidity and capital all remain strong. We grew deposits by Rs. 1 billion, with growth across all our regions. We continued in the growth trajectory mapped out in 2020, to create sustainable returns for shareholders by driving underlying growth across business verticals.
We have much more to do, but I am encouraged by what we have achieved so far

Within the NBFI sector, the specific asset and revenue pools that we are targeting are also growing, especially the gold loans business, which now accounts for 10% of sector's asset base, recorded an 82% annual growth in 2021 and 39% compound annual growth during last five years. The improvements in external conditions, however, are not guaranteed and substantial uncertainties persist, in particular regarding political wavering both home and abroad, the evolution of inflation due to supply side constrains and persistent pressure on exchange rates which continues to seize vehicle imports.

Focus on our strengths to drive secured lending

In this back drop, we responded by making good progress in restructuring our portfolio of businesses, with the aim of investing in those areas in which we are strongest. Over the last two years, we moved capital and resources mainly into asset backed lending segment. The overall investment we have made in leasing to drive market penetration, was evidenced by strong customer acquisition, and significantly increased assets base, year-on-year. In gold loans vertical, we grew our lending by Rs. 2.2 billion and we opened 20,268 new accounts in the year ended. We were profitable in all our current lending product verticals, with gold loans leading the way and we recorded material increases in profits in leasing, factoring and personal loans.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Energise for growth hrough culture and digital adoption

We continued to invest in digital infrastructure in 2021, as we continued to drive change in the way we approach technology across the organisation and ultimately improve the customer experience. For example, paperless credit evaluation and lending system enabled our personal loans vertical to mark a growth of 59% in number facilities we processed during 2021. Our digital adoption journey, broadly spreads across three main areas where we focus on customer acquisition, onboarding and processing of facilities and service requests through the mobile app and through our online lending platform which are currently under development. The ultimate objective is to enable our customers and colleagues to perform most of our services at any time of the day, irrespective of the location that they are in.

We have taken further steps to create a dynamic and inclusive culture, which helps us to attract and retain the best people. After listening to our people, we introduced a hybrid working model, wherever appropriate, which allows us to strike the right balance between office-based work and home-based work. We have also taken the opportunity during C-19 pandemic to reconfigure much of our head office workspace to better facilitate team-based agile working methods. As a result of rationalisation of working spaces and branch network, we reduced our office footprint by more than 3,400 square feet - equivalent to 6%.

As our people also began to look to the future, we created opportunities for them too. We helped more than 36 colleagues move into new roles in 2021, and over 202 colleagues spent more than 2,848 hours to develop future-ready skills through learning programmes. An increasing number of training these programmes focused on building both soft and technical skills, which are essential to our future. We were pleased to have 46% women in senior leadership roles in 2021. We also continued to work to improve ethnicity and gender representation, across the organization. However, we still have a way to go to get to where we want, and need, to be on both measures.

In 2021, we helped 3,481 customers to buy vehicles. We lent Rs. 2.9 billion to help our factoring customers to run and grow their businesses.

2022 - Confident in the future

We have good momentum coming into 2022 and Softlogic Finance remains in great shape and in an enviable position. We have shown a resilient financial performance in 2021 and have set out clear actions to return to profitability in the medium term. Whilst uncertainty persists in macro economy, we also see opportunities emerging such as, changing policies of the Central Bank that can benefit our fund mobilisation business and income growth, our clients are accelerating their pivot to digital with increasing desire for digital-first financing solutions, and we are well positioned to capitaise on selected opportunities that are opening in secured lending market.

We have right strategy, business model, more than the most, ambition to deliver on this potential whilst remaining cognisant of the economic vulnerability and the impact of continued inflation that might have on us and our clients.

In Conclusion

Finally, I would like to highlight the remarkable efforts of our 480 colleagues again this year. Their commitment, professionalism and endurance in challenging circumstances has delivered a seamless service to our customers and communities that we serve. Our success - now and in the future - is testament to them and all they continue to do for our company.

I thank Board of Directors for their rigorous oversight of performance and constructive challenge of views, which is vital to make this journey a success. My since appreciation and gratitude to our shareholders who truly showcased their steadfast commitment towards Softlogic Finance during this transitional phase.

And last but certainly not least, I take this opportunity to thank the officials of the Central Bank of Sri Lanka, the Colombo Stock Exchange and the other agencies for their efforts to foster a strong and sustainable NBIF sector that benefits all.

(Sgd.)
Priyantha Wijesekera
Chief Executive Officer

BOARD OF DIRECTORS' PROFILES

Mr. Aaron Russell-Davison

Non-Executive Chairman

Mr. Russell-Davison joined the Board of Softlogic Finance PLC in June 2017. With over twenty years of banking experience, he was most recently the Global Head of Debt Capital Markets for Standard Chartered Bank, based in Singapore.

He has also served as a Director of Standard Bank, Credit Suisse and Hypoverinsbank. Mr. Russell-Davison has held a series of other senior investment banking positions in Hong Kong, Singapore and London during his career.

He graduated from the University of Western Australia in 1991 with a Bachelor of Arts in Asian History and Politics. He also serves as an Independent Non-Executive Director at Amana Bank.

Mr. Priyantha Wijesekera

Executive Director / Chief Executive Officer

Appointed to the Board of Softlogic Finance PLC on 01 March 2020, Priyantha is a very well-experienced and thorough professional in the financial services arena, with over 21 years' experience in banking and financial services products. He has held key management positions with a prominent Sri Lankan bank, and has crafted and executed strategy towards achieving a market leading position in leasing whilst specialising in factoring, insurance broking, collections, recoveries and litigation. He is also an Attorney-at-Law/Solicitor with extensive knowledge in shipping law and commercial arbitration in the field of banking and finance. He is an accomplished sportsman who has represented the country in numerous prestigious events, both as an athlete as well as an official.

Mr. Manilka Fernando

Senior Independent Non-Executive Director

Manilka Fernando is a banking and finance professional who has over 40 years of experience, working in financial institutions and other organizations in Sri Lanka and overseas. Since starting his career at KPMG, he has held senior management positions in the financial services sector at Citibank, Mashreq Bank (Dubai, UAE), NDB Bank and Al Rajhi Bank (Riyadh, Saudi Arabia).

In addition, he has carried out consulting/advisory projects in financial management, strategic planning, restructuring, performance management, investment appraisal, acquisitions and organizational development at a range of organizations, including Commercial Banks and Non-Bank Financial Institutions. He has also served on the board of directors of several organizations.

He has an MBA degree from the University of Georgia, USA. He is also a Fellow member of the Institute of Chartered Accountants. His specialized training includes programmes at Harvard University and INSEAD.

Mr. Haresh Kaimal

Non-Executive Director

Mr. Haresh Kaimal is a co-founder of the Softlogic Group and a Director since its inception. He was appointed to the Softlogic Finance PLC Board with effect from 01st August 2017. With over 30 years of experience in IT and Operations, he currently heads the IT division of the Group and has been instrumental in driving advancements in Information Technology and Enterprise Resource Management within the Softlogic Group. He is an Executive Director of Softlogic BPO Services (Pvt) Ltd, a Director of Odel PLC, Softlogic Life PLC and many other Group Companies.

BOARD OF DIRECTORS' PROFILES

Mr. Aashiq Lafir

Non-Independent Non-Executive Director

Mr. Aashiq Lafir counts over 30 years of senior managerial experience in companies with diverse interests. And is a proven Finance and Operations specialist. He is the Group Finance Director of Softlogic Holdings PLC, additionally he is also a Director of various other Companies in the Softlogic Group.

Mr. Lafir is a Fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants (CIMA), UK and is a Chartered Global Management Accountant (CGMA), US. He also holds a Master's Degree in Business Administration from the University of Sri Jayewardenepura. Mr. Lafir is also the Chairman of Skills International (Pvt) Ltd., and is the former Executive Director - Finance of United Motors Lanka PLC. He is a past President of Sri Lanka-Malaysia Business Council.

Mr. Dinesh Renganathan

Independent Non-Executive Director

Dinesh Renganathan is a senior, career Banker with over 40 years of experience in Corporate Banking and Risk Management – with 8 years at ANZ Grindlays Bank in Sri Lanka and in the UAE with two National banks viz., the National Bank of Umm Al Qaiwain (5 years) and the National Bank of Abu Dhabi – NBAD (30 years)

He has been in a number of senior management positions culminating as SVP and Assistant General Manager – Global Head of International Advances and Credit Risk and as Locum for General Manager – Chief Risk Officer overseeing a portfolio of international/domestic assets of over USD25B, encompassing 14 overseas jurisdictions, the International and Financial Institutional Groups and overseas companies in the U.A.E.

He has been chairman of the Credit Risk Committee and various Regional Credit Committees and a key member of Basel II, Country Risk and other committees.

Currently he serves in a consultative capacity to various institutions in the Singapore, India, United Arab Emirates and Sri Lanka.

Ms. Aruni Goonetilleke

Independent Non-Executive Director

Aruni Goonetilleke is a financial services expert with over 25 years of experience in the local and international banking domains. She brings with her, a wealth of experience in the financial services arena, especially in the spheres of corporate banking, enterprise risk management, credit, audit and business origination.

She has held leadership positions in both local and international banks, including People's Bank, where she was Head of Corporate Banking, responsible for a large portfolio of both public and private sector clients and an extensive tenure at Standard Chartered Bank, where she held the position of Head of Credit for Commercial Banking in Singapore. She has also held other senior positions at Standard Chartered Bank, including that of Head of Credit SME in Singapore and Chief Risk Officer in Sri Lanka. She also held global internal audit roles in Wholesale and Retail Banking and distressed asset management based in Singapore.

She holds a Master of Laws from Harvard Law School, Harvard University, USA and a Bachelor of Laws (Honors) from the Faculty of Law, University of Colombo. She is a founding member of the Association of Banking Risk Professionals of Sri Lanka and has served as a visiting lecturer in law at the University of Colombo.

She serves as the Chairperson of Hatton National Bank PLC, and as a director of Tea Smallholder Factories PLC, Eswaran Brother Pvt Ltd and Goodhope Asia Holdings Ltd.

CORPORATE MANAGEMENT PROFILES

Mr. Priyantha Wijesekera

Executive Director / Chief Executive Officer

Appointed to the Board of Softlogic Finance PLC on 01 March 2020, Priyantha is a very well-experienced and thorough professional in the financial services arena, with over 21 years' experience in banking and financial services products. He has held key management positions with a prominent Sri Lankan bank, and has crafted and executed strategy towards achieving a market leading position in leasing whilst specialising in factoring, insurance broking, collections, recoveries and litigation. He is also an Attorney-at-Law/Solicitor with extensive knowledge in shipping law and commercial arbitration in the field of banking and finance. He is an accomplished sportsman who has represented the country in numerous prestigious events, both as an athlete as well as an official.

Mr. Roger Rozairo

Chief Operating Officer

With extensive exposure to consumer credit, risk score cards, collections and portfolio management, Roger plays a key role in helping the company to execute its growth strategies. With a career spanning over 17 years, his exposure to the implementation of digital platforms in financial services and data analytics brings an immense value addition to the company. Having kicked off his career at Standard Chartered Bank, Roger moved on to Nations Trust Bank PLC in 2004, where he held the position of Vice President - Collections Strategy, Analytics and Compliance before his arrival at Softlogic Finance PLC. Roger is a member of the Association of Business Executives (ABE) UK and holds an MBA from the Postgraduate Institute of Management.

Mr. Ivon Brohier

Chief Financial Officer

Ivon brings with her over 14 years of leadership experience to Softlogic Finance PLC. Her extensive knowledge in business strategy, financial reporting, strategic financial management, process improvements, information systems and the handling of statutory audits has benefited the company immensely in its journey of transformation. Having commenced her career at KPMG Ford Rhodes Thornton & Co. where she last served as a Tax Analyst, Ivon went on to join AMW Capital Leasing and Finance PLC (AMWCL) as its Senior Finance Manager. She served at AMWCL for 11 years before joining Nations Trust Bank PLC as its Senior Manager, Financial Reporting and Control. Thereafter, she joined Abans Finance PLC in the capacity of its Chief Financial Officer and served for more than two years prior to her appointment as its Acting Chief Executive Officer, which was her last appointment before her move to Softlogic Finance PLC. A Fellow member of both, the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka, Ivon holds an MBA from the University of Colombo and a BSc. in Management from the University of Sri Jayewardenepura.

Mr. Dayan Ranasinghe

Head of Delivery Channels

Dayan joined Softlogic Finance as the Head of Delivery Channels with an eight-year career in the Softlogic Group covering corporate finance, treasury and asset management services. He oversees all distribution channels in addition to the treasury and fund mobilization vertical. Dayan served as the Head of Treasury of Softlogic Life Insurance PLC and the Sector Head of Treasury of the Financial Services arm of the Softlogic Group prior to his new appointment. He is an alumnus of the University of Colombo, and is an Associate Member of the Chartered Institute of Management Accountants (UK).

OUR APPROACH TO VALUE CREATION

STAKEHOLDER IDENTIFICATION AND ENGAGEMENT

Stakeholder Identification, Engagement & Management Process

Definition of the Business Scope

Identification of Material External Environmental Factors

↓

Identification of Stakeholders

↓

Profiling of Identified Stakeholders

↓

Identifying Material Stakeholders Needs

↓

Prioritising Stakeholder Needs

↓

Mapping out the Stakeholder Engagement Process

↓

Engaging with & Managing Stakeholders

↓

Reviewing & Improving
the Entire Process based on Stakeholder Responses

The Need for Stakeholder Identification

Our value creation process has been enriched and enhanced by the implementation of a stakeholder identification and engagement process. Such a process has indeed contributed to the espousal of an all-inclusive methodology that helps us to identify and take proactive actions to fulfill stakeholder demands. This process is continuous and is primarily driven by our Executive Committee.

Stakeholders have diverse needs and they face different issues when engaging with us. The purpose of this process that we have adopted is to help us engage actively and responsibly with all our key stakeholders. Therefore, in order to ensure the sustainable growth of our company, it is crucial that we have increased awareness of the external impact that our company makes on all our stakeholders.

What is expected from this process is that we get an all-encompassing idea of all the actors that we deal with operationally and how they can impact our performance. The series of activities that we have adopted ensures that we avoid taking a myopic and purely shareholder-oriented view on value creation. The mechanisms in place help us monitor whether the expected outcomes of the stakeholder engagement process are met, whether we have taken any corrective actions and whether our actions have been sufficient. Overall, this helps us become a responsible corporate citizen.

Stakeholder Identification Mechanism

We have internally developed a stakeholder identification and filtration system that helps us identify our key stakeholders, assess the interest and power that they hold over our value creation process and decide upon the level of impact that they can have on our activities.

Those identified as key stakeholders through our identification and filtration system are regarded as those who need to be regularly engaged with and hence they would be the stakeholders that would get most of our attention. These stakeholders are comprehensively discussed in this Annual Report. The rest of the stakeholders who were not identified as key stakeholders, are anyhow continuously and regularly monitored for any change in their characteristics that would warrant their inclusion as key stakeholders.

Two-tiered Identification and Filtration System

Step 1 - Initial Identification

1. Those who are directly affected by the operational activities and decisions made by Softlogic Finance PLC.
2. Those who can and are likely to directly affect our operational activities and influence our decision-making processes.

Step 2 - Identification of Key Stakeholders

1. The level of interest in the activities of and decisions made by Softlogic Finance PLC
2. The ability of the stakeholder and their power level to impact the activities of and decisions made by Softlogic Finance PLC
3. The extent to which our activities would impact the stakeholder.
4. The legal obligations that the stakeholder has towards us and that we have towards the stakeholder.

The Identified Key Stakeholders
Shareholders & Investors
Customers
Employees
Suppliers & Value Added Service Providers
Regulators
Society and the Environment

Methodology for Stakeholder Issue Identification

We have set in motion a two-dimensional approach to assess the significance of stakeholder issues that arise and prioritize them accordingly. This is a continuous process and we are aware that the significance of different stakeholder issues could change overtime.

A broad criteria is used in this identification process of key stakeholder issues:

- The significance to and the level of impact on the company.
- The significance to and the prioritization by the stakeholder.

These two broad questions are always asked when deciding upon the significance of stakeholder issues and the level of priority that the company should assign to them. In this light, the company regularly monitors and takes action on certain identified issues that qualify as per the laid out criteria.

Stakeholder Engagement Process

As per the results of the stakeholder identification and filtration process, we decide upon the level of engagement, the frequency of engagement and the methods of engagement with the key stakeholders. This process involves the creation of broad stakeholder groupings based on the results of the identification process done before. Moreover, this process also involves the development of specific expected outcomes, in addition to the specific engagement approaches, in order to ensure that the whole engagement process is goal oriented and measurable.

Stakeholder Type	Engagement Approach	Expected Outcomes
Shareholders & Investors	▪ Annual Financial Statements ▪ Quarterly Financial Statements ▪ Annual General Meeting ▪ Extraordinary General Meetings as and when statutorily necessary ▪ Media Releases ▪ CSE Website ▪ Company Website	**From company perspective** ▪ Increased Shareholder confidence in the Board **From stakeholder perspective** ▪ Increase in Share Price ▪ Regulatory Compliance ▪ Declaration of Dividends ▪ Adoption and maintenance of best practices in corporate governance ▪ Adoption of industry best practices
Customers	▪ Personalized interactions ▪ Customer complaint handling process ▪ Customer Satisfaction Surveys ▪ Market Surveys ▪ Communication through multiple media platforms	**From company perspective** ▪ Customer Loyalty ▪ Enhanced Brand Value and Brand Penetration ▪ Increased Customer Satisfaction ▪ Increased Cross Selling **From stakeholder perspective** ▪ Ethical business practices and full disclosure of product information ▪ Competitive Interest Rates on Lending & Deposits ▪ Innovative products and services

STAKEHOLDER IDENTIFICATION AND ENGAGEMENT

Stakeholder Type	Engagement Approach	Expected Outcomes
Employees	▪ One to one interactions based on our open-door policy ▪ Confidential employee satisfaction survey ▪ Individual performance appraisals ▪ Performance based rewards and recognition ▪ Training and development ▪ Priority given for internal recruitment ▪ Internal communication through company intranet and emails ▪ Fostering a work-life balance	From company perspective ▪ Increase employee productivity ▪ Compliance with internal processes ▪ Professional conduct ▪ Reduced turnover ▪ Motivated workforce From stakeholder perspective ▪ Objective rewards and recognition system ▪ Opportunities for internal professional growth ▪ Safe working environment ▪ Easily accessible communication channels ▪ Availability of training ▪ Work-life balance ▪ Work environment free of harassment
Suppliers & Value-Added Service Providers	▪ Dedicated personnel to interact with different types of suppliers and service providers on a continuous basis ▪ Prioritized engagement with local suppliers ▪ Mutually beneficial, long-term relationships being the focus during contractual negotiations	From company perspective ▪ Favourable funding facilities ▪ Seamless execution of outsourced services From stakeholder perspective ▪ Strategic partnerships to obtain competitive advantages ▪ Long term service contracts
Regulators	▪ Dedicated personnel for continuous, personalized interaction ▪ Uncompromised level of priority for regulatory compliance ▪ On-time statutory reporting ▪ Ad-hoc information provided as and when requested	From company perspective ▪ Compliance with regulatory requirements ▪ Adoption of industry best practices to improve internal core and supporting processes From stakeholder perspective ▪ Development of the industry to maintain public confidence ▪ Dissemination of industry best practices ▪ Collection of state revenue
Society and the Environment	▪ Establishment of a CSR Committee ▪ Implementing projects to benefit the society and the environment ▪ Company website ▪ Media releases	From company perspective ▪ Contribution to community development and environmental conservation ▪ Ensuring the long-term sustainability of the business From stakeholder perspective ▪ Maintenance of ethical business practices ▪ Employment generation ▪ Avoidance of any negative impacts on the environment

ECONOMIC REVIEW

Global Outlook Projection

As the global economy begins to recover from the effects of the COVID-19 pandemic in 2022, the progress is being severely disrupted by the repercussions of the Russia-Ukraine conflict. The International Monetary Fund (IMF) projects global economic growth to slow down to 3.6% in 2022 and further reduced to 3.3% by 2027. Moreover, IMF forecasts the growth of Emerging and Developing Asia to be reduced to 5.4% in 2022 and further deteriorate to 5.2% by 2027.

This is largely reflecting the spillover effects of the conflict and associated sanctions imposed on Russia, on the Global economy and on the Emerging and Developing Asia. In addition to the war, IMF predicts that disruptions to global supply chains due to frequent and large-scale lockdowns in China, persistent inflationary pressures leading to tightening of monetary policies of many countries and withdrawal of fiscal policy support previously provided across the world to cushion the impact of the pandemic could also affect the global growth prospects adversely.

							IMF Projections		
Real GDP Growth (%)	2016	2017	2018	2019	2020	2021	2022	2023	2027
World	3.3	3.8	3.6	2.9	(3.1)	6.1	3.6	3.6	3.3
Emerging and Developing Asia	6.8	6.6	6.4	5.3	(0.8)	7.3	5.4	5.6	5.2

Source: IMF World Economic Outlook April 2021

Sri Lankan Economic Outlook Projection

The build-up of macroeconomic instability in the Sri Lankan economy, stemming from the heightened vulnerabilities on both the external and fiscal fronts, rising social unrest and political instability, effects of the pandemic, the domestic energy crisis, and elevated commodity prices both globally and domestically are expected to significantly dampen the growth prospects in medium term and have lingering effects in the immediate future leading to a contraction.

							World Bank Projections		
Real GDP Growth (%)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sri Lanka	4.5	3.6	3.3	2.3	(3.6)	3.6	(7.8)	(3.7)	1.0

Source: IMF World Economic Outlook April 2021 and World Bank

Amid fresh threats from new variants of the pandemic, Sri Lankan economy rebounded in 2021, recovering from the COVID-19 outbreak induced fall back in 2020. The slower increase in GDP per capita (133 USD) in US dollar terms, was due to the weakening of the domestic currency against the US dollar on an annual average basis.

Year	2016	2017	2018	2019	2020	2021
GDP UDS billion	82.4	87.4	87.9	84.0	80.7	84.5
Per Capita GDP USD	3,886	4,077	4,057	3,852	3,682	3,815

Source: CBSL Annual Report 2021

Economic Activity

All sectors of the economy marked growth during 2021 compared to the previous year. Services sector remained the prime contributor with 58.3% share to the country's GDP.

Sector	*Sector Contribution to GDP (%)*					*Sector GDP Growth %*				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Agriculture	6.9	7.0	6.9	7.1	6.9	-0.4	5.8	1.0	-2.2	2.0
Industry	26.8	26.3	26.4	25.5	25.9	4.7	1.3	2.6	-6.9	5.3
Services	56.8	57.7	57.5	58.7	58.3	3.6	4.6	2.2	-1.5	3.0

Source: CBSL Annual Report 2020

Agriculture

Agriculture activities recorded an expansion of 2% in 2021, recovering from the contraction of 2.2% recorded in 2020. This was mainly driven by the expansion in coconut and animal production sub-sectors. Other sub-sectors which contributed for the growth were tea, spices, fishing, forestry and logging and other cereals (excluding rice).

Sub-sectors which contracted during the year were rice, fruits, vegetables, other perennial crops, rubber and other beverage crops (coffee, cocoa, etc.). Even though Agriculture activities recorded an expansion during the year, the lack of relevant nutrients and agrochemicals prevented it from reaching its full potential particularly during the second half of the year.

Industry

Benefiting from the pent-up demand and the continuation of the operations under the 'new normal,' Industry sector recovered by 5.3% in 2021, from the contraction of 6.9% registered in 2020, yet the figures masked the lingering damage caused by supply-side impediments.

The recovery in manufacturing sub-sector led the Industry sector growth, followed by positive contributions from other sub-sectors such as construction, mining and quarrying, supply of electricity, gas, steam, and air conditioning activities, supply of water collection, treatment activities. However, the sub-sector, sewerage, waste treatment, and disposal activities contracted in 2021.

Services

With the rebuilding of economic interaction and pick-up in household consumption, Services activities climbed up by 3.0% in 2021, from the 1.6% downturn in 2020. The recovery of Services sector was upheld by the expansion in the sub-sector financial services and real estate activities and the increase in wholesale and retail trade, transportation, storage, accommodation and food service activities during the year, benefitting from the relaxed pandemic-related restrictions. Further, the growth of Services sector was supplemented by the pandemic-induced demand in information and communication sub-sector and through the expansion in professional services and other personal service activities. Growth in public administration, defense, education, human health and social work activities also contributed positively to the overall growth.

In 2021, all sub sectors of the Services sector achieved a positive growth compared to 2020.

Inflation

Headline inflation accelerated in 2021 driven mainly by global and domestic supply side disturbances, the surge in global commodity prices and upward revisions to administered prices, while Core inflation, which excludes the subcategories of volatile food, energy, and transport from Headline inflation, also accelerated reflecting the lagged effect of significant monetary accommodation.

The strong proactive policy measures taken by the Central Bank are expected to arrest further build-up of demand driven inflationary pressures and adverse inflation expectations, supporting to revert inflation rates towards the target range in the period ahead.

	Headline Inflation				*Core Inflation*			
	2020 Dec	2021 Dec	2022 Mar	2022 Apr	2020 Dec	2021 Dec	2022 Mar	2022 Apr
Colombo Consumer Price Index (CCPI, 2013=100)	4.20%	12.20%	18.70%	29.80%	3.50%	8.30%	13.10%	22.00%
National Consumer Price Index (NCPI, 2013=100)	4.60%	14.00%	21.50%	33.80%	4.70%	10.80%	17.30%	27.90%

Source: CBSL Annual Report 2021

National Consumer Price Index (NCPI, 2013=100), which attaches a relatively high weight to food items, broadly followed the trend in Colombo Consumer Price Index (CCPI, 2013=100) in both Headline and Core inflation indexes.

Trends in Exchange Rate, Reserves Position and Workers' Remittances

The Sri Lanka rupee was maintained broadly at stable levels during 2021 and in early 2022, partially aided by moral suasion to keep the currency stable around Rs. 200 levels.

Considering the severity of the external shocks and further adverse developments in the global and domestic fronts, the Central Bank allowed flexibility in the exchange rate, yet intending to keep the rate of depreciation at a certain level, since early March 2022 as a part of the comprehensive policy package announced to alleviate the difficult situation in the external sector.

Increased pressures witnessed in the domestic foreign exchange market caused a large overshoot in the Sri Lanka rupee. Consequently, the Sri Lanka rupee, which depreciated by 7.0% in 2021, depreciated significantly by 33.0% by end March 2022 and by further 10% by end April 2022. Meanwhile, reflecting cross-currency movements, the Sri Lanka rupee depreciated against the euro, the pound sterling, the Japanese yen, the Australian dollar, and the Indian rupee up to 13th May 2022.

Gross official reserves (GOR) declined to US dollars 3.1 billion by end 2021 and to US dollars 1.9 billion at end March 2022 compared to US dollars 5.7 billion recorded at end 2020. The decline in GOR was a combined result of significant foreign currency debt service payments and the Central Bank intervention in the domestic foreign exchange market, in view of moderate foreign exchange inflows during the year.

Workers' remittances, which recorded a healthy growth in the first five months of 2021 recorded a gradual decline from June 2021 onwards. This resulted in a decline of workers remittances of 22.7% in 2021 compared to a growth of 5.8% recorded in 2020. The decline could primarily be attributed to the reduction in remittances received through official channels due to the notable difference in the exchange rate which prevailed in the grey market compared to the official rate.

Year	2017	2018	2019	2020	2021	2021 End Mar	2021 End Apr
Exchange Rate - Annual average - Rs/US$	152.5	162.5	178.8	185.6	198.9	299.0	341.8
Balance of Payments USD Mn	2,068	-1,103	377	-2,328	-3,967		

Source: CBSL Annual Report 2021

Fiscal Sector Developments

The key fiscal balances remained weak in 2021 owing to lower government revenue collection and the unabated government expenditure. The overall budget deficit as a percentage of GDP further weakened to 12.2% (Rs. 2,057.9 billon) in 2021 from 11.1% (Rs. 1,667.7 billion) reported in 2020.

Government revenue declined to a historic low level of 8.7% of GDP in 2021, owing to the loss of revenue flows which was a result of the tax relaxations implemented in late 2019 and early 2020, slower than expected economic revival, as well as the continuation of some import restrictions.

On the other hand, government expenditure, as a percentage of GDP increased to 21.0% in 2021 from 20.2% in 2020, mainly stemming from rigid recurrent expenditure caused by higher expenditure on salaries and wages, interest expenses, and substantial increase in capital expenditure and net lending, due to the base effect.

Amidst limited access to foreign financial markets resulting from the adverse global developments and sovereign rating downgrades, the Government relied heavily on domestic sources, to finance the budget deficit. The Government relied on financing from the banking sector on a large scale, especially from the Central Bank, to meet the rising expenditure requirements and debt servicing obligations in 2021.

The wider fiscal deficit, increased market interest rates, as well as parity losses caused by the depreciation of the Sri Lanka rupee, resulted in an increase in outstanding central government debt from Rs. 15,117 billion recorded at end 2020 to Rs. 17,589 billion by end 2021. Accordingly, outstanding central government debt, as a percentage of GDP, increased to 104.6% by end 2021 from 100.6% registered at the end of the preceding year.

	As a % of GDP				
Fiscal Performance	2017	2018	2019	2020	2021
Budget Deficit	7.6	5.4	9.6	11.1	12.2
Government Debt - Total	77.9	84.2	86.9	100.6	104.6
Government Debt - Domestic	42.5	42.5	45.5	60.3	66.0
Government Debt - Foreign	35.4	41.7	41.3	40.3	38.6

Source: CBSL Annual Report 2021

ECONOMIC REVIEW

A series of sovereign rating downgrades for Sri Lanka was exercised by rating agencies during 2021, in consideration of its worsened external liquidity position, weakening fiscal outlook and forthcoming substantial debt service payments. The significantly high debt level of the Government and bunching of foreign debt obligations in the near to medium term raised serious concerns about external debt sustainability of the country.

Against this backdrop, the already announced efforts of the Government to restructure the debt portfolio, along with a strong commitment towards fiscal consolidation efforts and prudent liability management strategies are expected to restore public debt sustainability in the period ahead.

Monetary Sector Developments and Interest Rates

Considering the possible build-up of excessive inflationary pressures and the imbalances that emerged in the external sector and financial markets, the Central Bank, which deployed unprecedented monetary stimulus measures since 2020, commenced monetary tightening measures in mid-August 2021.

Accordingly, the key policy interest rates, i.e., the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were raised by 50 bps to 5.00% and 6.00%, respectively, in mid-August 2021.

With continued challenges emanating from the external sector and inflation fronts, the Central Bank tightened its monetary policy stance further in January and March 2022 by raising the SDFR and the SLFR by 150 bps each, in total. In March 2022, the maximum interest rate imposed on interest rates of domestic lending products i.e., credit cards, pre-arranged temporary overdrafts and pawning facilities were revised upwards.

With the tightening of the monetary policy stance and rupee liquidity concerns encountered by certain banks, liquidity in the domestic money market, which remained at considerable surplus levels during the first half of 2021, declined notably into large deficit levels.

Market interest rates, which declined to historic low levels, started to adjust upwards gradually. Yields on government securities were also allowed to increase with the removal of the maximum yield rates for acceptance at primary auctions of government securities.

In early April 2022, noting the considerable inflationary pressures driven by substantial exchange rate depreciation, the buildup of aggregate demand pressures, the elevated prices of commodities globally, and domestic supply disruptions, the Central Bank raised policy interest rates significantly by 700 bps, the highest single day adjustment in recent history, to arrest the build-up of excessive demand driven inflationary pressures and preempt the escalation of adverse inflationary expectations, to provide the required impetus to stabilise the exchange rate and also to correct anomalies observed in the market interest rate structure.

Accordingly, the SDFR and SLFR were increased to 13.50% and 14.50%, respectively, effective from the close of business on 8th April 2022. The interest caps imposed on selected domestic lending products were also removed.

Trends in Interest Rates	2017	2018	2019	2020	2021 Dec	2021 End Mar	2021 End Apr
Treasury Bill Rate (364 days) (%)	8.90	11.20	8.45	5.05	8.24	12.28	24.09
Standing Deposit Facility Rate/ Repurchase Rate (%)	7.25	8.00	7.00	4.50	5.00	6.50	13.50
Standing Lending Facility Rate (SLFR) (%)	8.75	9.00	8.00	5.50	6.00	7.50	14.50
Average Weighted Deposit Rate (AWDR) (%)	9.07	8.81	8.20	5.80	4.94	5.17	5.52
Average Weighted Fixed Deposit Rate (AWFDR) (%)	11.48	10.85	10.05	7.14	5.94	6.30	6.84
Average Weighted Lending Rate (AWLR) (%)	13.88	14.40	13.59	10.29	9.87	10.35	-
Average Weighted Prime Lending Rate (AWPLR) (%)	11.33	11.94	10.00	5.74	8.33	9.85	16.38

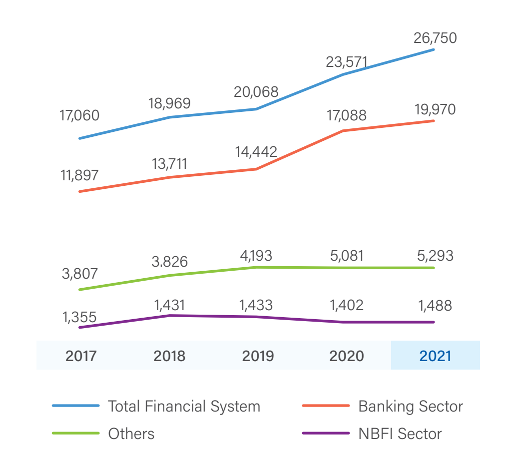
INDUSTRY REVIEW

Performance of Non-bank Financial Institutions (NBFI) Sector

Performance of the NBFI sector improved considerably during 2021, especially in terms of credit growth and profitability. Total assets of the sector amounted to Rs. 1,488 billion as of end 2021, representing 5.6% of the assets of Sri Lanka's financial system.

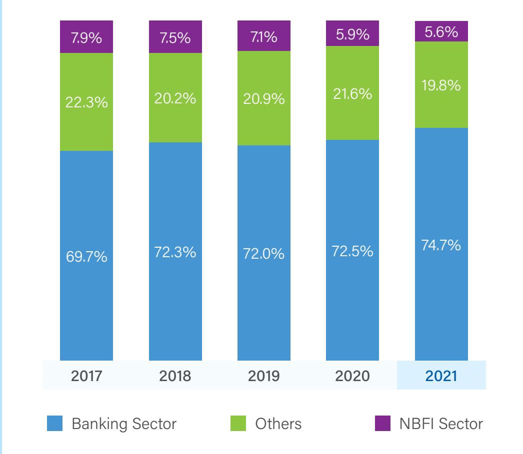
However, the share of NBIF sector in the total financial system has declined by 230 bps (from 7.9% to 5.6%) during last five years whilst the share of the Banking sector has gained by 500 bps (from 69.7% to 74.7%) during the same period.

Total Financial Syatem Sector wise Asset - Rs Bn



Source: CBSL Annual Reports 2017-2021

Total Financial System Sector wise Asset Share



Source: CBSL Annual Reports 2017-2021

The asset base of the total financial system grew by 13.5% (by 3,179 billion) to Rs 26,750 billion which was predominately driven by the growth of the Banking sector which marked an increase of 16.9% (Rs 2,882 billion) to Rs 19,970 billion. The NBFI sector recorded a growth of 6.1% (by Rs. 86 billion) to Rs. 1,488 billion in 2021, compared to the 2.2% contraction observed in 2020.

Total Financial System Sector Wise Asset Growth %

Year	2017	2018	2019	2020	2021
Banking Sector	12.5	15.2	5.3	18.3	16.9
NBIF Sector	11.8	5.6	0.1	(2.2)	6.1
Others	11.1	0.5	9.6	21.2	4.2
Total Financial System	12.1	11.2	5.8	17.5	13.5

Source: CBSL Annual Reports 2017-2021

At end-2021, the sector comprised 41 Licensed Finance Companies (LFCs) and three Specialised Leasing Companies (SLCs). There were 1,707 branches and 309 other outlets of the sector, of which 1,359 branches (67%) were concentrated outside the Western Province.

Analysis of Assets and Liabilities – NBFI Sector

The sector expansion was mainly driven by the growth in the loans and advances portfolio. Loans and advances accounted for 77% of the total assets of the sector.

									IMF Projections	
Year	2017		2018		2019		2020		2021	
	Val (Bn)	Share	Val (Bn)	Share	Val (Bn)	Share	Val (Bn)	Share	Val (Bn)	Share
Loans and Advances (net)	1,057	78%	1,137	79%	1,103	77%	1,040	74%	1,143	77%
Investments	118	9%	110	8%	132	9%	159	11%	167	11%
Other	180	13%	185	13%	198	14%	203	14%	178	12%
Total	**1,355**		**1,431**		**1,433**		**1,402**		**1,488**	

Source: CBSL Annual Report 2021

INDUSTRY REVIEW

The investment portfolio which comprises investments in equities, corporate debt instruments, government securities and investment properties, recorded only a marginal growth of 5.4% (from 159 billion 167 billion) in 2021 compared to the significant growth of 20.2% (from 132 billion to 159 billion) in 2020, mainly due to the increased investments in government securities maturing in less than 12 months.

Other assets apart from assets held for investments, mainly include cash and cash balances with banks and financial institutions, recorded a contraction of 12.4% (from 203 billion to 178 billion) in 2021.

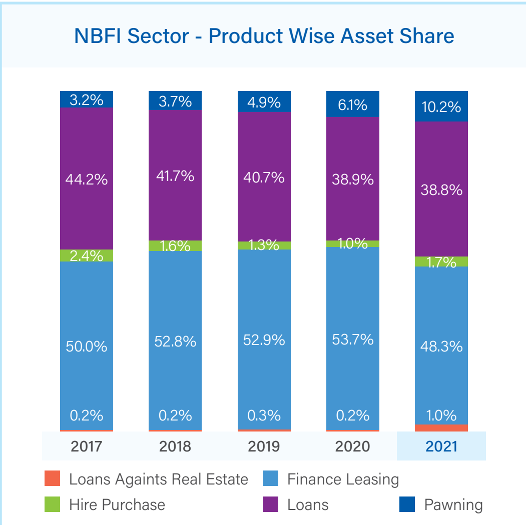
Loans and Advances – NBFI Sector

Over all net assets base Loans and Advances contracted by Rs. 102 billion and during the year, mainly attributable to growth in Pawning which recorded a year-on year growth over 82% and Compound Annual Growth Rate of 39% in its asset value during last five years. Loans reversed its declining trend and marked a moderate growth of 8% during the year whilst Finance Leasing continued its declining trend for the third consecutive year recoding a 2% contradiction in 2021.

	Product Assets (Rs. Bn)					*Growth %*				
Year	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Finance Leasing	554	636	632	622	608	13	14.7	-0.6	-1.6	-2%
Hire Purchase	27	19	15	12	21	-35.6	-29.7	-22.4	-20.6	75%
Loans	490	503	486	451	489	10.2	2.8	-3.5	-7.1	8%
Loans against Real Estate	2	3	3	2	13	13	17.7	-4.7	-14.9	550%
Pawning Advances	35	44	59	71	129	28.9	25.2	35.3	20.1	82%
Loans and Advances (Net)	1,057	1,137	1,103	1,040	1,142	9.8	7.6	-3	-5.7	10%

Source: CBSL Annual Report 2021

Share of Finance Leasing declined drastically during the year by 540 bps (from 53.7% to 48.3%), mainly due to the continued restrictions imposed by the Government on the importation of motor vehicles as a measure to restrict FX outflows. During past five years, Pawning share has notably increased by 700 bps from 3.2% to 10.2%. Loans share has remined static during the year.



Source: CBSL Annual Reports 2017-2021

Liabilities – NBFI Sector

The funding mix was dominated by customer deposits accounting for a share of 52.7% as at end 2021. The deposits increased by 4.6% (Rs. 34.7 billion) to Rs. 783.3 billion, while borrowings declined by 0.6% (Rs. 2.1 billion) to Rs. 325.9 billion during the year.

Year	2017	2018	2019	2020	2021
Customer Deposits	686.7	716.8	756.7	748.6	783.3
Total Borrowings	396.0	463.8	405.6	328.0	325.9
Capital Base	169.7	183.7	203.2	248.0	304.0
Other	102.6	67.0	67.2	77.0	74.5
Total Liabilities	1,355.0	1,431.3	1,432.7	1,401.6	1487.7

Source: CBSL Annual Reports 2017-2021

Profitability – NBFI Sector

The net interest income of the sector significantly increased by 18.2% (Rs. 20.2 billion) in 2021 reaching Rs. 131.4 billion. This was due to the significant decline in interest expenses by 27.1% (Rs. 31.8 billion) despite the decline in interest income by 5% (Rs. 11.5 billion). NBFI sector marked its lowest Interest Expense marked its since 2017 during the year.

Performance Indicators	2017	2018	2019	2020	2021
Interest Income (Rs. Bn)	231.5	241.5	259.8	228.5	217.0
Interest Expense (Rs. Bn)	128.9	132.7	142.4	117.4	85.6
Net Interest Income (Rs. Bn)	102.7	108.8	117.4	111.1	131.4

Source: CBSL Annual Reports 2017-2021

The non-interest income increased by 54.5% (Rs. 17.5 billion including gains from trading or investment securities by Rs. 1.2 billion, service charges by Rs. 1.8 billion and default charges by Rs. 6.8 billion) and non-interest expenses marked a moderate increase of 11.1% (Rs. 8.7 billion) during 2021 which significantly contributed to the profitability of the sector.

Non-interest expenses increased mainly due to the increases in salaries, wages, and other benefits to the staff (Rs. 4.7 billion), administrative expenses (Rs. 2.8 billion), and other expenses (Rs. 3 billion).

Performance Indicators	2017	2018	2019	2020	2021
Non-Interest Income (Rs. Bn)	34	38.1	39.4	32.0	49.5
Non-Interest Expense (Rs. Bn)	80	81.2	93.8	78.4	87.1

Source: CBSL Annual Reports 2017-2021

The loan loss provisions made against NPLs declined by Rs. 27.1 billion, largely due to increased collection during the period.

The sector's profit after tax (PAT) significantly grew by 307.1% from Rs. 13.7 billion in 2020 to Rs. 55.6 billion in 2021, largely due to the substantial increase in non-interest income and reduction in interest expense. NBFI sector recorded its highest PAT in history during the year.

Performance Indicators	2017	2018	2019	2020	2021
Loan Loss Provisions (Net)	13.5	25.9	30.2	38.2	11.1
Profit After Tax (Rs. Bn)	25.8	21.4	14.5	13.7	55.6

Source: CBSL Annual Reports 2017-2021

INDUSTRY REVIEW

The net interest margin of the sector (net interest income as a percentage of average assets) increased by 130 bps (from 7.3% to 8.6%) in 2021, due to a greater increase in the net interest income compared to the marginal increase in (gross) average assets.

The increase in profitability was reflected in the sharp increase in the Return on Equity (ROE) to 20.2% and Return on Assets (ROA) before tax to 5.4% in 2021, relative to 6.1% and 1.7% recorded respectively, in 2020.

Return on Assets and Return on Equity both marked over three-fold growth in 2021 whilst also marking its highest since 2017.

Performance Indicators	2017	2018	2019	2020	2021
Net Interest Margin (%)	7.7	7.4	7.5	7.3	8.6
Return on Assets (%)	3.2	2.7	2.2	1.7	5.4
Return on Equity (%)	16.1	12.1	7.7	6.1	20.2

Source: CBSL Annual Reports 2017-2021

Capital – NBFI Sector

The sector continued to remain resilient with capital maintained above the minimum regulatory requirement during the year. The capital base improved to Rs. 251.6 billion by end 2021 compared to Rs. 218.9 billion recorded by end 2020, with the infusion of new capital by several LFCs to meet regulatory requirements by 1st January 2022.

The sector core capital and total risk weighted capital increased by 100 bps (from 14.5% to 15.5%) and 130 bps (from 15.7% to 17%), respectively, by end 2021.

Performance Indicators	2017	2018	2019	2020	2021
Tier I: Core Capital	137.4	141.3	160.8	202.8	228.1
Tier II Capital	17.1	22.5	25.4	21.2	26.8
Total Capital Base	145.3	159.9	182.0	218.9	251.6
Total Risk Weighted Capital Adequacy Ratio	13.1	11.1	12.5	15.7	17.0
Core Capital Ratio	12.4	9.8	11.1	14.5	15.5

Source: CBSL Annual Report 2021

Further, CBSL introduced Financial Sector Consolidation Master Plan (FSCMP) to build a strong and stable 25 Non-Bank Financial Institutions complying with prudential requirements with diversified business models. Six preliminary approvals have already been granted to 12 institutions for acquisitions and amalgamations under the Masterplan.

Risks in NBFI Sector

Credit risk

Total gross NPLs reduced by 13.9% (Rs. 22.5 billion) by end December 2021 on a year-on-year basis, compared to an increase of 26.2% (Rs. 33.4 billion) recorded at end December 2020. Although the gross NPL ratio declined by 290 bps (from 13.9% to 11%) by end 2021, still the NPL ratio of the sector remains high.

	2017	2018	2019	2020	2021
Gross NPL (Bn)	65.9	93	127.6	161.1	138.6
Gross NPA Ratio	5.9	7.7	10.6	13.9	11.0

Source: CBSL Annual Report 2021

The net NPL ratio reduced by 150 bps (from 4.2% to 2.7%) by end 2021 due to higher provision coverage for NPLs. The provision coverage ratio increased to 66.8% in December 2021, compared to 58.9% reported in December 2020.

	2017	2018	2019	2020	2021
Net NPA Ratio	1.6	2.4	3.4	4.2	2.7
Provision Coverage Ratio	64.0	57.0	56.6	58.9	66.8

Source: CBSL Annual Report 2021

Though the underlying credit risk of the sector still remains manageable, the impact of the freezing of classification of loans under the moratoria needs to be factored in when assessing the credit risk of the sector.

Similarly, following the COVID-19 pandemic, there was an increasing trend in pawning advances and gold loans in 2021 (by Rs. 58 billion). Hence, any potential price drop in the gold market would adversely affect the performance of the sector and its NPLs.

Market risk

The sector continued to experience low market risk which comprise of interest rate risk and equity risk.

Interest rate risk

With the recent persistent upward revisions of Treasury bill interest rates, reference rates for deposits were revised upward from 1st November 2021. Accordingly, interest rate risk may increase due the negative mismatch in the maturity profile of the interest-bearing assets and liabilities.

Equity risk

Equity risk of the sector remained low during the period under review as the exposure to equity market in the form of investments in listed shares declined to 0.8 % in 2021 from 1% of total assets in 2020.

Liquidity risk

The NBFI sector maintained liquidity well above the minimum required level during 2021. The overall regulatory liquid assets available in the sector was Rs. 155.9 billion by end December 2021, against the stipulated minimum requirement of Rs. 89.9 billion.

However, the liquidity surplus by end 2021 declined by 25.9% (Rs. 23 billion) compared to the liquidity surplus of Rs. 89 billion recorded in December 2020, mainly due to the increase in minimum liquidity requirements consequent to the discontinuation of regulatory relaxations imposed on liquid asset requirements in response to the COVID-19 pandemic.

The liquidity ratio (liquid assets against deposits and borrowing) increased to 14.1% by end December 2021, compared to 13% recorded by end 2020.

Regulatory Liquidity Indicators	2017	2018	2019	2020	2021
Regulatory Liquid Assets (Available)	126.5	113.5	131.4	139.7	155.9
Regulatory Liquid Assets (Required)	91.0	88.2	89.8	50.7	89.9
Liquidity Surplus	36.5	25.3	41.6	89	66
The liquidity ratio	11.7	9.6	11.3	13.0	14.1

Source: CBSL Annual Report 2021

VALUE CREATION MODEL

VISION

MISSION

VALUE

CORPORATE PLANNING

STRATEGY DEVELOPMENT

FINANCIAL CAPITAL
- Budgeted Profitability & Resource Allocation
- Optimum Product Mix
- Capital Structure & Sources of Finance
- Liquid Asset Maintenance
- Pricing
- Statutory Capital Adequacy Requirements

CUSTOMER CAPITAL
- Product Development
- Service Level Development
- Distribution Channel Development
- Branding
- Customer Relationship Management

BUSINESS PARTNER CAPITAL
- Financing Partners & Investment Advisors
- Insurers
- Outsourced Service Providers
- Regulators, CRIB & Rating Agencies

HUMAN CAPITAL
- Talent Acquisition and Retention
- People Development
- Talent Management
- Rewards and Retention
- Disciplinary Monitoring

INTELLECTUAL CAPITAL
- Industry Expertise
- Organizational Knowledge Base
- Best Practices & Process Excellence

INFRASTRUCTURE CAPITAL
- Branch Network Management
- IT Systems Development
- Pricing
- Statutory Capital Adequacy Requirements

FINANCE AND TREASURY	HUMAN CAPITAL	OPERATIONS
LEGAL	FACILITIES MANAGEMENT	ICT
INTEGRATED RISK MANAGEMENT	INTERNAL AUDIT	COMPLIANCE
MARKETING	CREDIT	COLLECTIONS AND RECOVERIES

FUND MOBILIZATION
- PERSONAL SAVINGS
- FUND RAISING THROUGH BORROWING AND ISSUING
- FINANCIAL INSTRUMENTS

FIXED DEPOSITS
- RETAIL
- INSTITUTIONAL

LENDING PERSONAL FINANCE
VEHICLE FINANCING
- FINANCE LEASES
- VEHICLE LOANS

SPECIALIZED BUSINESS FINANCING
- FACTORING

- GOLD LOANS
- PERSONAL CASH LOANS
- LOANS AGAINST FIXED DEPOSITS

VISION

MISSION

VALUE

CORPORATE PLANNING

STRATEGY DEVELOPMENT

FINANCIAL
- Budgeted Profitability Achievement
- Maintenance of Statutory Capital Adequacy Requirements
- Budgeted Dividend Declaration
- Enhancement of Reserves
- Share Price Increase

CUSTOMER
- Deposit & Lending Portfolio Growth
- Increased Customer Satisfaction
- Increased Repeat Customers
- Enhanced Brand Value
- Increased Cross Selling

BUSINESS PARTNER
- Favourable Funding Facilities
- Seamless Execution of Outsourced Services
- Compliance with Regulatory Requirements
- Favourable Credit Ratings

HUMAN
- Increased Employee Productivity
- Motivated Workforce
- Reduced Turnover
- Increased Internal Recruitment
- Compliance with Internal Processes

INTELLECTUAL
- Enhanced Organizational Know-how
- Development of Best Practices & Process Excellence
- Ability to Predict & Face Industry Challenges

STAKEHOLDER IMPACTS

ECONOMIC
- Contribution to State Revenue
- Returns to Shareholders
- Retention of Profits
- Contribution to Rural Economic Development

SOCIAL
- Employment Generation
- Regulatory Compliance
- Maintenance of Business Ethics
- Engagement in Industry Development

ENVIRONMENTAL
- Favourable Funding
- Management of Natural Resource Utilization
- Management & Proper Disposal of Wastage
- Non-Engagement with Environmentally Hazardous Businesses

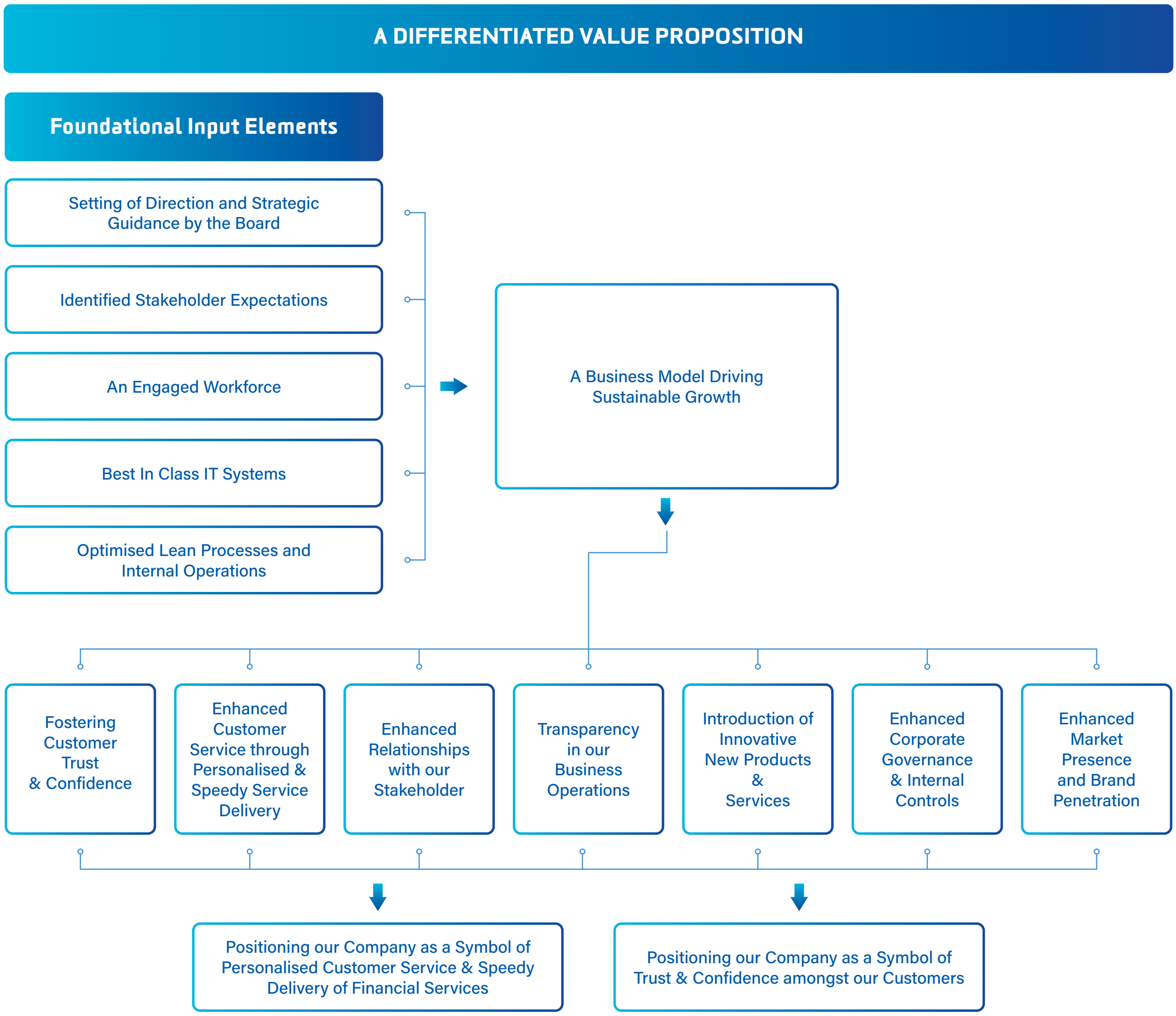
CORPORATE STRATEGY BEHIND VALUE CREATION

Our Business Model and Corporate Strategy Execution

We have been consistently committed to progressing from the traditional notion of a finance company and hence differentiating ourselves and setting ourselves apart from other financial service providers. Our re-engineered business model directs us towards focusing primarily on vehicle financing. Additionally, backed by refined processes and checks and balances, we will be expanding our footprint in the personal financing and factoring spheres in a controlled manner in order to avoid overexposure to those segments. Instrumental to this drive, is our ambition to also be the preferred retail investments partner of our customers in terms of fund mobilization. Foundational to the achievement of these goals, is the ongoing rollout of the planned digitalization of product related processes and the introduction of digital platforms for client interaction that would enhance the customer experience and also curtail wastage.

Critical to this endeavor are the below mentioned key success factors:

- Adopting best-in-class IT systems and driving digitalization
- Building an engaged, innovative and productive workforce
- Constant refinement of our internal processes and controls
- Effective application and management of our monetary resources
- Partnering and maintaining relationships with strategic partners
- Expansion of our geographical footprint
- Continuous innovation and renovation of products and services



Our Value Creation Process

Our value creation process embodied in our business model is the result of strategic fine tuning over time in anticipation of and in response to changes in our operating environment. It has been equipped to ensure that our shareholders receive increasing returns over the medium and long term, whilst actively addressing and responding to concerns and demands of our broader stakeholder base. Regardless of whatever lofty financial goals we have set, our value creation process has been modelled in such a way as to ensure that we always run an ethical business and adhere to the tenets of corporate governance and regulatory compliance.

The Value Drivers

In order to achieve our goal of creating value to all our stakeholders, we have carefully selected and engaged an identified set of input capitals as drivers of our value creation process. They are Financial Capital, Human Capital, Customer Capital, Business Partner Capital, Intellectual Capital and Infrastructure Capital.

FINANCIAL CAPITAL

Financial Capital involves the financial management function which ensures that our financial resources are leveraged and used effectively in the value generation process, whilst complying with statutory capital adequacy requirement.

HUMAN CAPITAL

Human Capital involves the management of our most important resource in our value creation process; that is our team. Functions like internal and external recruitment, training and development, talent management, rewards and retention planning and discipline management contribute to ensuring that this key resource becomes a strategic partner in value generation.

CUSTOMER CAPITAL

Customer Capital involves the effective management and fostering of our customer base through personalised customer relationship management, customer loyalty management, product development, branding and service level development.

BUSINESS PARTNER CAPITAL

Business Partner Capital involves the careful engagement and management of our business partners in order to deliver the desired value to our customers, whilst managing our deployed resources in the most effective manner.

INTELLECTUAL CAPITAL

Intellectual Capital revolves around the industry expertise that we bring into this value generation process. Through our organisational knowledge base, the best practices we have adopted and our continued commitment to process excellence, our intellectual capital brings in that intangible component that helps operationalise our other inputs.

INFRASTRUCTURE CAPITAL

Infrastructure Capital that is brought into the process is the continued management and enhancement of the customer experience offered through our branch network, the substantial investments made in implementing best in class IT systems and the process of digitalisation that is in the process of being implemented.

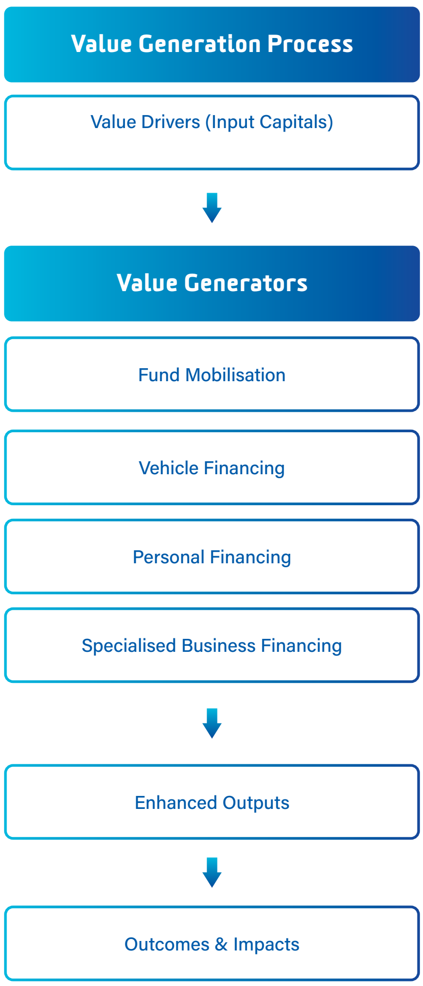
CORPORATE STRATEGY BEHIND VALUE CREATION

The Value Generation Process

The onus on our value generation process is to manage and effectively utilize the input capitals in order to produce the desired outputs whilst ensuring that the economic, environmental and social impacts of our business are managed as planned. In order to generate the expected value from our fund mobilization, vehicle financing, pawning, personal financing and factoring activities, our internal processes and support services have been strategically deployed and effectively geared to produce optimum returns to our value chain.

Our value creation process is a continuous, evolving process and these input capitals, the value generating activities, the immediate outputs and the impacts are all interdependent and incessantly influence each other. This is how we leverage our core competencies and the competitive advantage that we have in our business domains in order to maximize the value we create for our stakeholders.

In the long term, adherence to the value creation processes in our business model helps us to manage the expectations of all our stakeholders and create win-win situations for all of them.



The Immediate Outputs

Our value generating process produces a number of immediate outputs that would be altered and enhanced through the value generators that we put our inputs through. Our immediate value-enhanced outputs have been categorized as:

1. Financial Domain
2. Human Capital Domain
3. Customer Domain
4. Business Partner Domain
5. Intellectual Domain

The Outcomes & Impacts

Our value generation process has a significant and sustained impact on a host of stakeholders with differing and sometimes conflicting interests. Management of these impacts is paramount for our long term survival and is achieved through the setting and execution of an inclusive corporate strategy. These impacts are primarily of medium to long term in nature and influence the overall outlook that all stakeholders have of the company. Further, these outcomes in turn serve as influencing factors, fashioning the Value Drivers (Inputs) in our value creation process in the future. For monitoring efficacy, we have identified these impacts broadly as follows:

1. Economic Impacts
2. Social Impacts
3. Environmental Impacts

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL CAPITAL

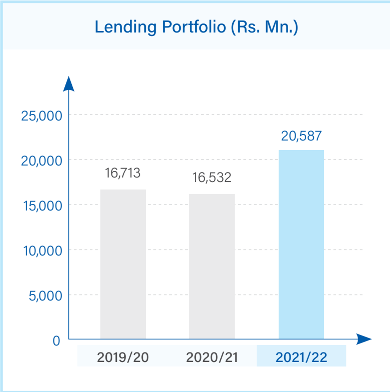
The operating environment continued to be highly volatile with the COVID-19 re-emerging in waves, leading to several lockdowns and curfews affecting the lives and livelihoods of Sri Lankans. Apart from that, various measures taken by the Government to maintain macroeconomic stability in the wake of a severe foreign currency liquidity constraint and the pandemic, such as restrictions on imports (vehicles in particular), moratoriums and related concessions etc., too affected to the company's overall performance for the year under review.

LENDING PORTFOLIO ANALYSIS

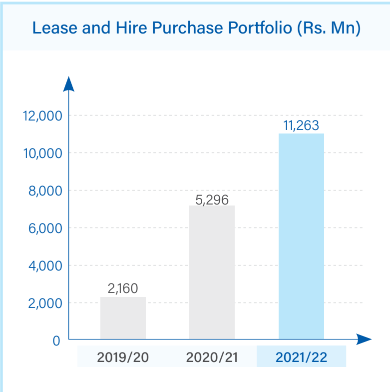
Company recorded a growth of 24.52% in net loans and advances during the year which stood at Rs. 20.58 Bn as at 31 March 2022 compared to Rs. 16.53 Bn as at the previous year end. Three main product categories, Leasing, Gold Loan and Factoring contributed to this growth. The Company's net leasing portfolio displayed a dramatic growth to Rs. 11.26 Bn marking an increase of 112.67% amidst import restrictions on unregistered vehicles. The import restrictions prompted the company to explore new growth avenues by leveraging growth opportunities present in the registered vehicle market segment.

During the Financial year 2021-22, gold financing portfolio displayed a significant growth by recording an increase up to Rs. 2.89 Bn which represents an increase of 28.52% (LKR 641.67 Mn) at the year end.

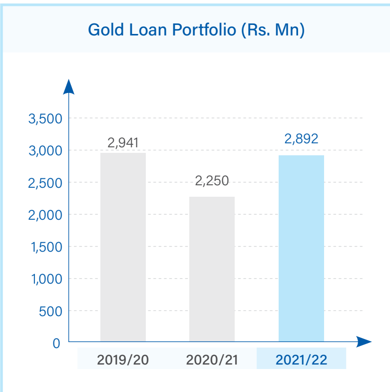
The Company's factoring receivables recorded a 25.71% growth, amounting to Rs. 145.26 Mn during the year under review, compared to Rs. 565.0 Mn recorded in the previous financial year.



Lending Portfolio (Rs. Mn.)



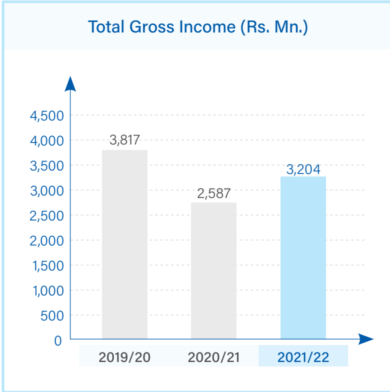
Lease and Hire Purchase Portfolio (Rs. Mn)



Gold Loan Portfolio (Rs. Mn)

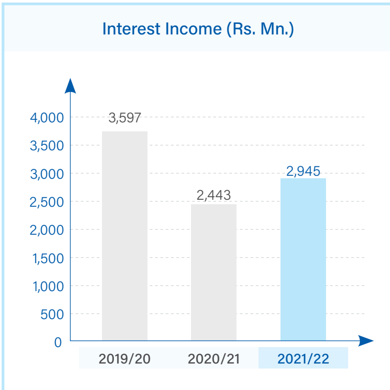
REVENUE AND PROFITABILITY

The company posted a net loss after tax of Rs.935 Mn for the financial year 2021/22. The Company's total income increased by 23.85% to Rs. 3.20 Bn during the year ended 31st March 2022, compared to Rs. 2.59 Bn earned in the previous financial year. The key contributor to this growth remained the increasing loans and advances portfolio.



Total Gross Income (Rs. Mn.)

Interest income of the Company for the year under review increased drastically by 20.56% to LKR 2.94 Bn from Rs 2.44 Bn in 2021/22. The Company continued to implement a selective strategy on new loan applications and maintains a strict credit evaluation and client investigation process to maintain a viable loan portfolio and facilitate income growth. The improved recovery efforts and strengthening of recovery processes similarly supported the growth of interest income during the year under review.



Interest Income (Rs. Mn.)

Fee and commission income of the Company increased substantially by 90.70% during the year under review. Other operating income also recorded a growth of 66.9% to Rs. 109.21 Mn during the year due to increase in new business volumes, profit on sale of Real Estates and recovery of loans written offs. Consequently, total non-interest income grew to Rs. 258.86 Mn for the year from Rs. 143.89 Mn in 2020/21, recording a growth of 79.91%.

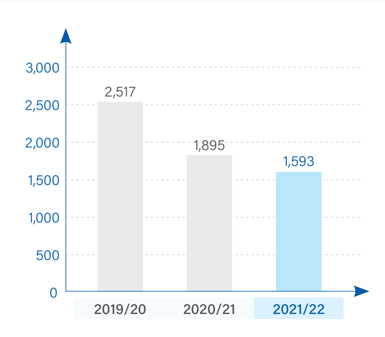
The Company's impairment charge increased by 146.12% to Rs. 1,210.26 Mn for the financial year under review compared to Rs. 491.73 Mn recorded as of 31st March 2021. This is mainly due to rising non-performing loans as a result of adverse impact arising in the external operating environment.

EXPENSES

Total interest expenses, comprising interest due to customers and banks, debt issued, and other borrowed funds decreased by 15.91% during the year under review compared to the decrease of 25% recorded in the previous financial year. Total interest expenses for the year ended 31st March 2022 amounted to Rs. 1.59 Bn compared to Rs. 1.89 Bn incurred in the previous financial year. The interest expenses paid to depositors amount to 83.14% of the total interest expenses. During the year under review, interest expenses on deposits showing a declining trend of 21.25% to Rs. 1.32 Bn compared to the 23.69% decline to Rs. 1.68 Bn recorded in the previous financial year. This decline was a result of the falling interest rate trend and the low funding cost environment which prevailed in the market from the year 2020 until August 2021.

Interest expenses on securitised borrowings increased by 41.57% to Rs. 146.35 Mn during the financial year under review compared to Rs. 103.37 Mn incurred in the previous financial year.

Interest Expenses (Rs. Mn.)

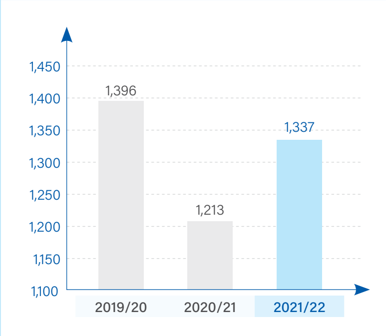


The Company's total operating expenses increased by 10.18% to Rs.1.33 Bn for the financial year under review compared to Rs.1.21 Bn incurred in the previous financial year.

Personnel expenses increased by 13.86% to Rs. 460.38 Mn mainly due to the expansion of our team, annual increments and staff promotion, while the total advertising and business promotional expenses contributed 4.21% to total operating expenses amounting to Rs. 56.23 Mn for the year ended 31st March 2022.

However, other operating expenses (including depreciation and amortization expenses) of Rs.876.26 Mn reported 8.35% increase comparison to previous year. The higher increase in total operating income than the increase in operating expenses led to an improvement in the cost to income ratio to 82.96% from 175.12% in 2020/21.

Total Operating Expenses (Rs. Mn.)



LIQUIDITY MANAGEMENT

The Company was well prepared to absorb potential external shocks and maintained sufficient liquidity cover throughout the year. This puts the Company in a stable and strong position to meet liquidity shocks in the prevailing operating environmental context while preserving the robust liquidity position for pursuing a sustainable competitive advantage position that creates long-term value for shareholders and other stakeholders.

The Company's total liquid assets comprising of cash and short-term funds, investment in treasury bills, Repos and placement with commercial banks stood at Rs.1,810 Mn as of 31st March 2022. The ratio of liquid assets to total deposits was 11.60% as of 31st March 2022.

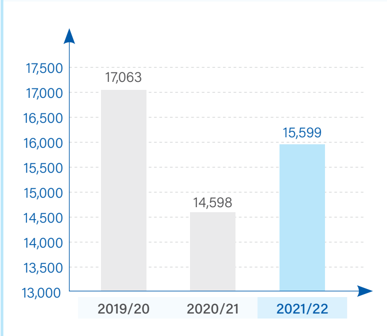
Further, the company maintained unutilised credit lines right throughout the year which stood at Rs.769 Mn as of 31st March 2021.

DEPOSIT PORTFOLIO ANALYSIS

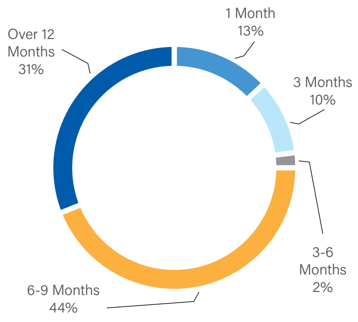
The Company's public deposits increased by 6.86% to Rs.15.59 Bn as at 31st March 2022 compared to Rs. 14.59 Bn as at 31st March 2021. Fixed deposits renewal ratio was constantly maintained above the rate of 80% reflecting a solid customer confidence over the past few years.

The Company's deposit base constitutes 69% of deposits with a maturity of less than one year while the remaining 31% of deposits have much longer-term maturities. The Company continued to maintain this mix to focus on obtaining medium and long-term funding to minimise mismatches in interest-bearing assets and liabilities through the provision of competitive rates. This mix also supports Company to improve customer service and the overall efficiency of the system.

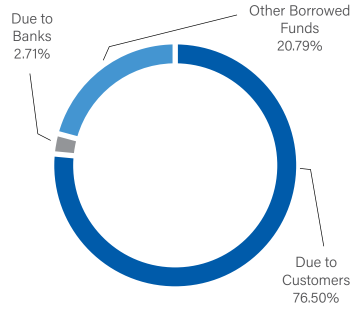
Customer Deposits Base (Rs. Mn.)



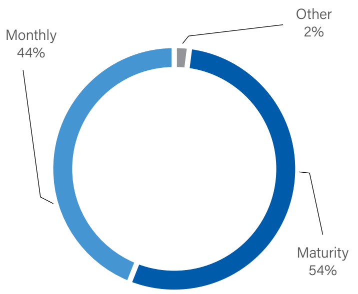
Period - Wise Analysis of FD Base
As at 31.03.2022



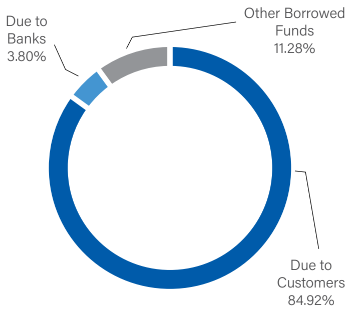
Funding Mix 2021/22



Payment Method Based Analysis of FD Base
As at 31.03.2022



Funding Mix 2020/21



OUTLOOK FOR 2022 AND BEYOND

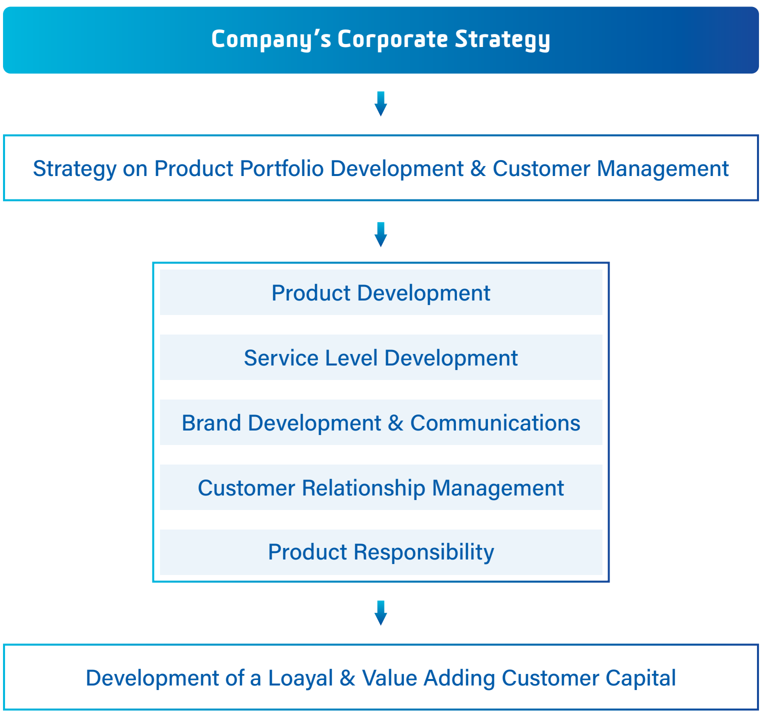
We are confident that diligent execution of strategic priorities outlined in the five-year plan will enable us to build an organisation that is geared to win in volatile and uncertain economic conditions. We believe in digitalisation and use of technology to improve operational efficiencies and enhance customer experience which will in turn drive the profitability enabling the company to move towards a prominent position in the market.

CUSTOMER CAPITAL

Management Approach

In line with our corporate values, our valued customers are placed at the centre of all our activities and we constantly push ourselves to ensure that we deliver an outstanding and uncompromised customer experience. We are committed to adopting a customer centric approach to all our business activities, be it support service, product development or sales. The service culture that we have fostered within our organization means that all our personnel, whether back office or front office; our internal processes and our entire branch network are completely geared to providing our valued clientele with a memorable customer experience.

We constantly strive to improve our service quality and service delivery by always giving priority to customer concerns and customer feedback. Based on the feedback we receive from our customers, we constantly reengineer our workflows and redesign our processes to streamline service delivery and bridge any gaps that exist.



Product Diversity

In line with the customer centric approach that we have embraced, as well as the internal and external data driven product management techniques that we have adopted, we have been able to design and structure our product portfolio so as to cater to diverse customer segments requiring access to financial services and at the same time, sustain and enhance product profitability. From increasing access to formalized sources of financing to providing a stable and safe return on investments, our products are geared to meet the evolving financial needs of our customers.

Our lending and fund mobilization product portfolios include the following product categories that target identified market segments:

Lending Products

- Finance Leasing
- Personal & Consumer Loans
- Gold Loans
- Factoring

Fund Mobilization Products

- Fixed Deposits
- Savings

Achieving Service Excellence

The service culture that we have embodied has ensured that the organization as a whole, collectively drives service quality and service delivery. We constantly look inwards and audit our operational discipline in order to ensure that the service delivery pipeline works seamlessly without any gaps. This drive to achieve customer service excellence is ingrained at the core of our corporate values and represents what drives us to improve ourselves every single day.

CUSTOMER CAPITAL

Our commitment to achieving customer service excellence is buttressed by the measures we undertake to ensure that we are structurally ready to drive this goal:

An Overview of Measures taken to drive Customer Excellence
Continuous training and evaluation on customer excellence for all our staff; be it sales staff, support services or client services.
Constant review and re-engineering of our internal processes using Lean Management techniques in the context of the digitalization that we are driving, in order to ensure that our operational workflows are customer centric and are geared to provide optimum service levels to our customers.
Improvements to our integrated IT system and the introduction of digitalization across all our business verticals that will enhance the customer relationship management processes, serve as a platform for the introduction of new products and provide us with a more efficient support service function

Regular operational housekeeping is undertaken by the management in order to review and ensure that our internal processes and workflows are optimally designed and geared to deliver high quality and memorable customer service without any operational gaps.

The company has implemented an organization-wide integrated IT system specifically geared to support the financial services that we provide, in order to introduce new financial products, enhance the customer relationship management and related frontend functions of our operations and to provide the frontend staff and the management with a more efficient support services function. With the end-to-end digitalization of processes that we are rolling out, we will be able to further refine our customer-centric processes, cut wastage and provide our customers with a state-of-the art service experience.

Our commitment to our customers does not stop there, we have also in place a comprehensive customer complaint handling system to ensure that any issues that our customers have are immediately addressed and constant feedback and solutions are given without any undue delay. As a testament to the commitment, we have towards ensuring that our customers always have a pleasant experience when dealing with us, we have developed a customer complaint handling hotline, backed by a dedicated team to address any issues that our customers would have.

Moreover, we believe that the personalised customer experience could be further enhanced by the manner in which we have designed our branches. Hence, we have initiated a branch redesigning process and we are investing heavily in ensuring that all our branches are developed to offer this pleasing customer experience that will ensure that our customers are able to conduct their business in a conducive and relaxed atmosphere.

Product Responsibility

As a responsible corporate entity, we uphold the "Customer Protection Framework" stipulated by the Central Bank of Sri Lanka. We ensure that all our business transactions with our customers are carried out in an ethical and transparent manner and we give primacy to educating the customer of the features of our products and the conditions that they entail. The personalized customer engagement process that we have adopted in dealing with our customers helps us to directly interact with the customer on a one-on-one basis and explain to them all the relevant financial and legal implications that their financial transactions with us entail.

Fairness and Transparency in Customer Interactions

Throughout the personalized interactions that we undertake with our customers, we ensure that we are fully transparent and forthcoming with our customers with regard to product features and information, financial and legal conditions and the credit evaluations processes that we undertake when granting loans.

We make objective and transparent assessments on the financial capabilities of our clients and advise them on how to manage their potential and current financial obligations with us. Our recoveries processes are designed to be fully transparent and our recoveries teams ensure that our customers are fully apprised with all relevant information in advance.

Anti-Competition

As a responsible corporate citizen, it is our policy to not engage in any sort of anti-competitive practices and we strictly enforce it. We strictly follow all regulatory pronouncements and continuously educate our staff and enforce the need to carry out our business transactions ethically. Our products have been designed to be in line with the applicable regulatory guidelines and all our pricing has been undertaken to be within the Central Bank policy rates. Our goal is sustainable business growth and our policy is to achieve it ethically.

Anti-Corruption

We have implemented a Code of Ethics across our organization in order to ensure that our employees do not engage in corrupt, illegal or unethical practices that could harm our customers or our company. Our employees are regularly educated and trained in this regard and the internal control and risk management mechanisms that we have in place are geared to prevent and detect any such activities. Further, in order to take action if such improper practices materialize or if we receive any complaints, we have in place, a well-structured investigation and disciplinary mechanism. Moreover, the company has a whistle-blower mechanism in place for employees to confidentially report on any such incidences.

Customer Privacy

As a responsible financial institution, we take the importance of customer privacy and the integrity of their data very seriously. As a policy, we do not share any information of our customers with any external party, unless statutorily stipulated and we have sufficient and continuously assessed IT controls in place to ensure that no data breaches or any data integrity issues arise.

Product Portfolio Compliance

We constantly review and take action with regard to ensuring that our products and associated support services are in compliance with statutory requirements. Regular training is provided to our staff to ensure that they are well versed in the regulatory aspects of the products that they deal with so that accurate information is passed on to the customers. Our internal control systems and the risk management mechanism in place constantly work towards ensuring the there are no breaches of any regulatory requirements in the context of our products and operations.

Future Outlook

In order to spearhead our product portfolio growth and position ourselves as the preferred non-bank financial institution, our plan is to excel in terms of achieving service excellence, product development, brand development and customer relationship management. The structured training, the rollout of the digitalization of processes, the regular review and reengineering of our processes and the introduction of our integrated IT system will help us to continue the fostering of a service culture that ensures customer centricity and product innovation in all aspects of our business.

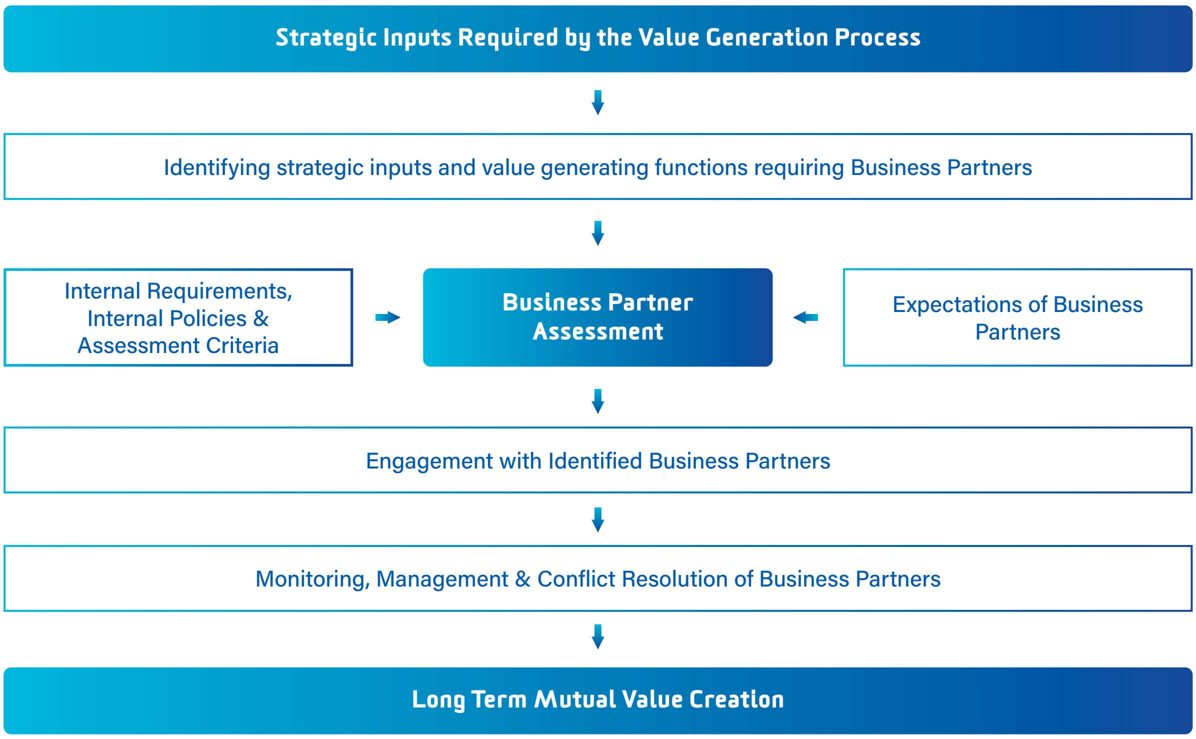
The development of this customer centric attitude across the organization has been recognized by our management as the driving force behind future business expansion. With the continuing digitalization process, the rollout of our refined business model and the enhancement of the capabilities of our integrated IT system, we are positioning ourselves to achieve customer loyalty and sustainable business growth in the future, across all product lines.

BUSINESS PARTNER CAPITAL

Management Approach

The mutually beneficial relationships that we have developed with our Business Partners play a pivotal role in shaping the overall quality of service delivery to our customers. Further, these relationships that we have developed are critical to maintaining our competitiveness in the market and in the strategic positioning of our business. In effect, our business partners help us deliver sustainable value to all our stakeholders.

Our approach to Business Partner Capital Management is to foster partnerships that serve as prudent investments, rendering strategic value for the resources that we expend. In line with our formalized procurement practices, there is constant monitoring and assessments of the procurement processes in place and the choice of business partners. The intra-group procurement channels that we maintain with other group companies help us achieve optimum cost and quality advantages. Further, in the context of the evaluation criteria present in our procurement policy, we strive to ensure that we give priority to localized regional suppliers as we strongly believe in adding value to the local economy and generating local employment and entrepreneurship.



Business Partner Engagement

The collaborative approach that we have adopted when engaging with our business partners serves as the basis on which we build win-win partnerships with them. These mutually beneficial partnerships, built on foundations of trust and understanding, help us avail ourselves of reliable and consistent services whilst offering a steady source of revenue to our suppliers. We seek to engage with business partners who complement and are aligned to our mission and values. Thus, in order to ensure that long term relationships are maintained and mutual expectations are met, we constantly engage with all our business partners on an individual and personalized basis.

Value Generating Processes involving Business Partner Engagement
IT Services and Process Digitalization
Market Research & Marketing Communications
Financial Planning & Investment Advisory
Insurance
Training and Talent Development
Collections & Recoveries
Legal Advisory
Lean Management
Outsourced Non-Core Operational Services
Compliance Management

Business Partner Evaluation & Assessment

All major procurements are evaluated and managed centrally, as per our formalized procurement practices. The respective departments and the relevant subject matter experts are charged with the setting up of conformance standards and specifications for procurement of materials and services.

Currently, our procurement practices advocate supplier assessment broadly based on the following criteria:

Quality
Cost
Long Term Strategic Value Generated
Reliability of Consistent Service/ Material Delivery
Regulatory Compliance

Business Partner Classification and Management

Based on the strategic priorities of our business, we have classified and set up processes to manage our business partners. Ultimately, our engagement approach is dictated by the need to ensure that the service levels and outcomes match our strategic requirements that change from time to time.

Classification of Business Partners

General Approved Vendors Our engagement approach to General Approved suppliers is dictated by our procurement policies and supplier assessment policies. In order to achieve operational excellence, seamless service delivery and effective cost management, we undertake continuous negotiations with the chosen suppliers and look to streamline our processes to ensure that the optimum value is received at a competitive price. The focus is on controlling operational costs whilst obtaining the expected service level. Moreover, our attitude towards supplier engagement helps maintain good working relationships, in order to obtain acceptable prices and consistent service levels in the long term.	▪ Advertising & Creative Partners ▪ Corporate Communication Partners ▪ Infrastructure related Suppliers & Contractors ▪ Courier Services ▪ Outsourced Operational Service Providers
Valued Consultants These partners help us improve our business so that we can deliver enhanced value to our stakeholders. Collectively, they contribute towards the medium- and long-term growth of the company and help achieve operational excellence through their expertise. The focus in this instance is on the medium- and long-term value added to our business and not solely the costs entailed when engaging them.	▪ Investment Advisors ▪ IT Consultants ▪ Rating Agencies ▪ Branding Consultants ▪ Human Resource Consultants and Trainers ▪ Legal Advisors ▪ Lean Management Consultants ▪ External Auditors
Strategic Partners Our focus is on forming long-term strategic partnerships to facilitate the realization of competitive advantages that set us apart from the rest of the industry. These engagements go beyond short-term cost considerations and instead are based on strategic value addition. Such partnerships are a necessity due to the industry related changes in the external environment that is ever present. Furthermore, certain strategic partners provide specialized services like IT infrastructure development. Moreover, other strategic partners assist in business development by acting as distribution-channel facilitating agents for our products.	▪ Financing Partners ▪ Insurers ▪ Advertising Agencies ▪ IT Service Providers & Process Digitalization Partners ▪ Partnering Vehicle Agents and Vehicle Dealerships ▪ Group Companies partnering for our Personal Loan product ▪ Banking partners for payment services ▪ ATM Network Service Provider ▪ Credit Information Bureau of Sri Lanka ▪ Specialized Recovery Service Providers

BUSINESS PARTNER CAPITAL

Classification of Business Partners	
Regulatory Partners Being a listed company and a registered Non-Bank Financial Institution entails considerable responsibilities in terms of regulatory compliance. As such, our regulatory partners help us operate efficiently and serve our stakeholders better. We consider regulatory compliance and regulatory reporting as a value adding process which allows us to maintain transparency, achieve operational excellence and provide customers with products that generate value to them. All our regulatory reporting and disclosures are performed in the context of partnership building and not merely limited to regulatory compliance.	▪ Central Bank of Sri Lanka ▪ Department of Inland Revenue ▪ Securities and Exchange Commission of Sri Lanka ▪ Colombo Stock Exchange

Future Outlook

Our business partners will continue to play a crucial role in achieving the service and process excellence that we continuously strive for. Whether it is with branch expansion, daily operations, service delivery, business channel development or IT services and digitalization, our business partners provide an invaluable service that helps us sustain both our current and future business growth.

Therefore, in light of the undoubtedly influential role that our business partners play in our value generation process, we will continue to pay special attention to maintain and foster the mutually beneficial relationships we have with them, whilst continuing to form new partnerships that would generate added value in the context of our revamped business model.

HUMAN CAPITAL

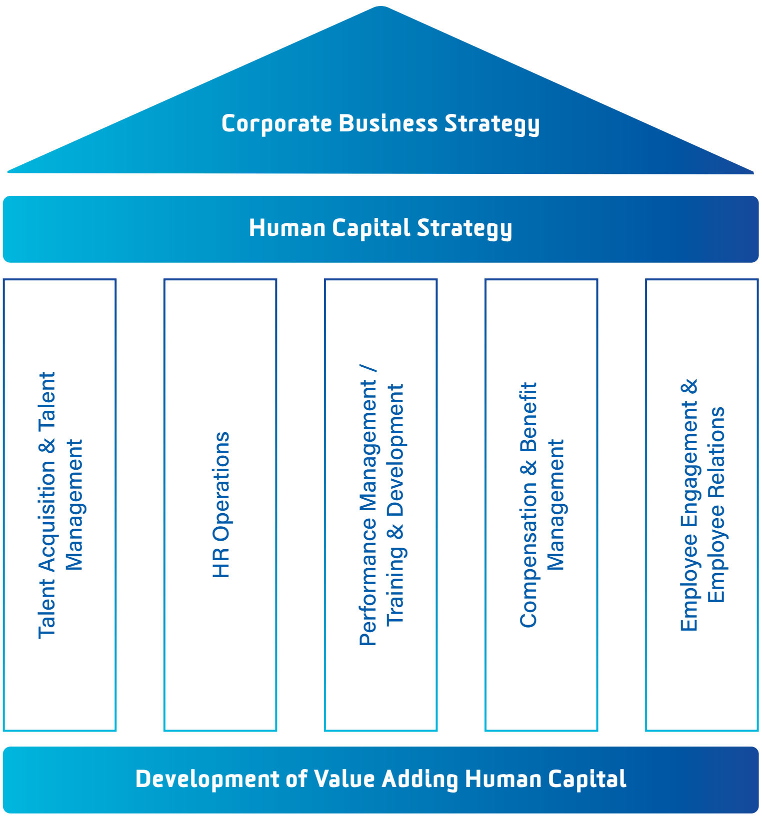
Management Approach

The Human Capital strategy has been established in line with the corporate business strategy of the company. The strategy is developed while ensuring the value addition to human capital and sustainable growth of the company. It is also well aligned with the vision, mission and values of the company and best industry practices have been introduced to make sure strategic value addition to the business process.

As we are engaged with service industry, the business requirements also constantly varying with customer demand and regulatory changes.
It is understood the importance of Human Capital in service industry as they energize the process by serving customers. We strongly believe that improving the quality of our human capital is important as this is an industry bounded with many regulatory requirements. The human capital strategy has been developed under five main pillars.

- Talent Acquisition & Talent Management
- HR Operations
- Performance Management/Training & Development
- Compensation & Benefit Management
- Employee Engagement & Employee Relations

The Human Resource Department is responsible of executing the strategy under these five pillars and they ensure to follow the strategic guidelines. HR department also assists the Heads of the Departments and Branch People by developing necessary policies and procedures and implementing them in order to maximize the effectiveness and efficiency of workforce and to adopt with compliance requirements. Rolling out the employee advocacy role is the key function of HR department as their main role is to maintain the employee satisfaction and high level of motivation.



Ensuring the compliance requirements as per the guidelines of Labour Legislations is one key requirement of HR as it reflects the transparency of HR practices of the company. While introducing the best industry practices, they also must execute them in accordance with Softlogic Group HR practices. The HR department also in to a continuous process of reviewing and changing the policies and procedures with the business requirements.

HR Highlights of the Year

It was indeed a challenging year for HR due to recurrent disturbances caused by C-19 pandemic that interrupted the regular ways of working. In response, HR department introduced "Work from Home Policy", that enabled the staff to perform work without physically being present at office. This was further facilitated by providing required infrastructure from IT and Facilities Departments.

HR has also introduced a host of initiatives during the year:

Development of execution of Policies

HR department developed and executed the following policies across the company with the approval of Board of Directors.

- Training and Development Policy
- Promotion Policy

Continuous Training & Development

Conducted 26 training programs during the year, which were designed to deliver returns in the form of increased productivity, commitment and loyalty from our team members.

Employee Engagement Activities

Whilst remaining within safety guidelines outlined by authorities, during the year. we conducted five employee engagement activities to improve employee motivation and satisfaction levels.

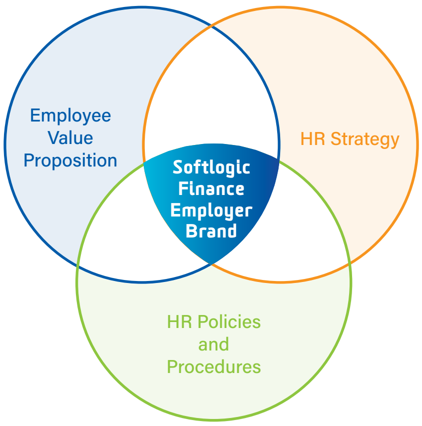
HUMAN CAPITAL

Key HR Indicators

Key HR Indicators	2021/22	2020/21
Employee Head Count	499	463
New Recruitments	243	92
Internal Transfers	31	63
Promotions	42	11
No. of Training Programs	26	16
No. of Training Hours	2365	2657
Total Income Per Employee (Rs.)	6.5 Mn	5.6 Mn
Staff Costs Per Employee (Rs.)	0.9 Mn	0.9 Mn

Employee Composition Analysis

Management Approach



Diversified workforce is one of our main strengths, and we understand the importance of that diversification to manage an island wide branch operation. The HR strategy is also developed to cater such expanded workforce while maintain the equity among each induvial within the company. **Employee Value Proposition (EVP)** has been developed by meeting the employee touch points as the management is always trying to enhance their quality of life. All employees were treated equally and rewarded purely based on their level of performance as it maintains the transparency of HR Strategy of the company.

Softlogic Finance has created an **Employer Brand** among the industry as we have zero discrimination issues within the company. Our best HR practices such as treating people equally has helped us to maintain such status.

We maintain diversity among workforce where at the recruitment or during employment, we do not discriminate our current and potential employees based on their age, gender, geographical locations, cultural backgrounds etc.

Employee Category-Wise Analysis 2021/22

Support Services	Sales	Collection & Recovery
37%	47 %	16%

Sales & Direct Sales Support

2021/22	2020/21	2019/20
234	152	252
47%	33%	53%

Collections & Recovery

2021/22	2020/21	2019/20
79	76	122
16%	16%	26%

Support Services

2021/22	2020/21	2019/20
186	235	101
37%	51%	21%

The workforce composition has been maintained to ensure their fullest contribution towards achieving the corporate goals and objectives. Our special attention has been drawn to sales, recovery, and collection staff as they are the key pillars of meeting key indicators of the success. Supporting staff have been strengthen with the aim of increasing the productivity of back-office functions and serving customers at their level of expectation. Our goal is to evolve into a lean company with an efficient and productive support services cadre that will complement and add value to our sales team.

Employee Age-Wise Analysis 2021/22

Below 30 Years	31-40 Years	41 Above
56%	38%	16%

Below 30 Years

2021/22	2020/21	2019/20
277	190	172
56%	41%	36%

31-40 Years

2021/22	2020/21	2019/20
192	190	206
38%	41%	43%

41 Above

2021/22	2020/21	2019/20
80	83	97
16%	18%	20%

At Softlogic Finance we believe that the young, energetic and multitasking talent is vital factor in grabbing new business opportunities and to compete new challenges in competitive business environment as we are engaged with service industry. Our young and energetic sales force has proven that their involvement has added value to the company. We also in contemplation of the great mix of young, experienced and matured to drive the strategic needs of our business. We are passionate about recruiting young talent in order to give young graduates and professionals an opportunity to gain valuable work experience. Experienced industry professionals are also constantly brought into the mix to enrich our talent pool with industry knowledge and strategic proficiency.

Geographical Distribution of Employees

Western Province

New Employment Opportunities

2021/22	2020/21
54	57

Total Employees as at 31st March

2021/22	2020/21
293	277

Rest Of The Country

New Employment Opportunities

2021/22	2020/21
41	35

Total Employees as at 31st March

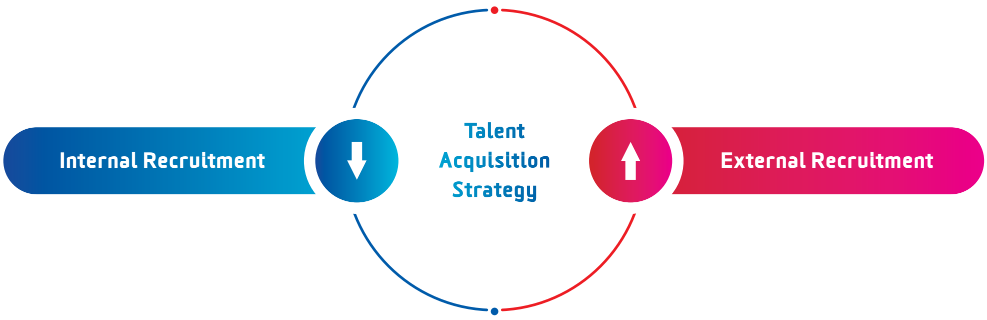
2021/22	2020/21
206	186

Our talent acquisition process has given more focus on recruiting people locally when filling the branch vacancies as it will give an opportunity to rural people. While creating such opportunities we are in the process of ensuring corporate responsibility by giving employment opportunities to local young talent. It will increase the level of customer service as they understand the customer behavior at a higher level. Their knowledge on the local areas and customer behavior patterns are much important in developing the business portfolio in respective areas.

Talent Acquisition & Talent Management

Talent Acquisition Strategy

Having an effective recruitment and selection procedure is the key of entering to the business competition as it ensures the people with the right competencies enter to the company. Most importantly the strategy makes sure the cultural fit of people as it directly impacts on driving a high-performance culture. We implement two different ways of recruiting based on the business requirement and to ensure the best fit for the available vacancies.



Internal Recruitment

First preference is always given to our internal candidates within the process of recruitment as we always believe in the career development of our people. Internal recruitments have been done within a defined competency and talent framework which ensures the transparency of the process. All vacancy advertisements were published internally to give an opportunity to an internal candidate. Due training and guidance are extended towards such employees, enabling them to fit into their new job roles and take up new responsibilities and duties.

Internal Recruitments by Employee Category

Employee Category	2021/22	2020/21
Sales & Direct Sales Support	21	28
Recovery	1	5
Support Services	9	30
Total	31	63

External Recruitment

Our external recruitment strategy has been developed to make sure that the industry's best talent is attracted to the company. We believe that the service industry is operating based on the quality of the service that we provide to our customers and for that, we need people with high competencies. Therefore, attracting external experienced talent is important in growing the business portfolio and keeping a high level of customer satisfaction. High priority has also been given to local/regional candidates in filling the branch vacancies.

HUMAN CAPITAL

Employee Category	2021/22	2020/21
Sales & Direct Sales Support	158	37
Recovery	30	22
Support Services	55	33
Total	**243**	**92**

e-recruitment

With the pandemic situation of the country recruitment process was a challenging task to HR as we had to minimize physical meetings with external parties. Despite such challenges, we conducted interviews through digital platforms which enabled a safe recruitment process.

Content of Orientation programmes for new recruits was uploaded to Softlogic Finance Intranet for reference when the mobility was ceased to carry out physical gatherings.

Talent Retention

Management Approach

Sustaining the best talent within the company is the biggest challenge in a highly competitive business environment and high aspirations of the young employees make it further difficult as they are highly focused on their career enhancement. We always ensure that our HR strategy is well in line with retaining the best talent and developing their career within the company.

The company has taken several initiatives in retaining the best talent of the company.

- Attractive reward and recognition programmes for best performers
- Attractive Compensation and Benefit scheme in par with the industry rates by maintaining external equity in terms of monitory and non-monitory benefits
- Continuous structured training based on a well-designed training platform
- Well defined career development plan
- Transparent performance management process
- Attractive employee engagement initiatives

Service Period Analysis as at 31st March 2022

No of Years	No of Staff in each category		
	Senior Management	Manager/ Executive Level	Others
15 & Above	1	14	0
10-15	4	35	0
5-10	5	80	2
1-5	17	155	4
Below 1 year	5	167	10
Total	**32**	**451**	**16**

Human Resource Operations

HR Operations as the second pillar of HR Department, is carrying out below mentioned functions.

- Managing Time & Attendance of people
- Managing Employee Movements – Transfers and Promotions
- Employee Exit Process
- Conducting HR Audits
- Human Resource Administration functions

Performance Management/ Training & Development

Performance Management

Management Approach

Managing talent effectively is critical to achieve organizational goals and objectives. Performance management is fundamentally about aligning individual effort to support organizational priorities. It includes setting individual expectations tied to organizational goals, providing coaching and feedback to improve and measuring and evaluating employee performance to identify talent. A sensible approach to performance management is required to achieve organizational targets as expected. The approach of Softlogic Finance towards managing performance of people is given below.

Performance Appraisal System

Performance appraisals across all employee categories are carried out annually. Appraisal format has two sections. First section is to evaluate the competencies of employees. Different employee categories are evaluated for different competency sets. When rating an employee, 20% weightage is given to competency evaluation. Second section of the appraisal format is focused on evaluating the achievement of key performance indicators of employees and 80% of the weightage is given for this exercise.

The final rating is given based on 1-5 Likert scale rating. This is to ensure and encourage active employee participation in the appraisal process. As we practice a performance-based rewards culture, the rating given after performance evaluation is considered as the basis for rewards, recognition, promotions, identification of training gaps and career development.

Promotions by Employee Category

Employee Category	2021/22	2020/21
Sales & Direct Sales Support	15	2
Recovery	1	2
Support Services	26	7
Total	42	11

Reward & Recognition

We believe that reward and recognition are effective tools to enhance employee contribution, dedication and motivate to achieve company's goals and objectives. Hence, on monthly basis, through "Wall of Fame" programme, we recognize high performers in different product verticals whilst financially reward them quarterly. As per the year-end evaluation, recognized top achievers are being granted promotions. We highlight the success stories of high performs with the aim of motivating others.

Training & Development

We understand that developing people enables the Company to keep its competitive edge. The training needs of employees are identified as per the individual's performance evaluation.

However, restricted mobility during the pandemic, effectively slowed down our training process as we were unable to gather people. Despite such challenges, we managed to conducted some of our training programmes using online platforms. "Sharing knowledge" is a concept that we firmly believe in. In many occurrences, we used in house expertise and resource persons to conduct training.

We work very closely with many institutions such as, the Central Bank of Sri Lanka (CBSL), Finance Houses Association of Sri Lanka (FHASL), Institute of Credit Management (ICM) and the Institute of Bankers of Sri Lanka (IBSL) to build job specific competencies required to achieve operational excellence.

Types of Training Programs Conducted No. of Programs

Type of Training Program	No. of Programs	
	2021/22	2020/21
External	14	6
Internal	12	8
Internal (with External Trainer)		3
Total	26	17

Gross No. of Employees Trained By Employee Category

Type of Training Program	No. of Programs	
	2021/22	2020/21
Sales & Direct Sales Support	456	351
Recovery	-	-
Support Services	132	54
Total	588	405

HUMAN CAPITAL

Succession Planning

Succession Planning identifies necessary competencies within key positions that have a significant impact on the organization. Criteria for key positions may include: Positions that require specialized job skills or expertise, High-level leadership positions and Positions that are considered "mission-critical" to the organization.

Once groomed and the potential is assessed, selected employees are promoted to managerial positions within the company, in line with the company's strategic requirements. This is accomplished through job assignments, training and job rotation.

Compensation & Benefit Management

Management Approach

The formulation of remuneration is carried out based on the job profile, industry practices and prevailing cost of living in the country. We have developed a Remuneration Policy for the company along with a comprehensive compensation and benefit grid. The grid has been developed to on par with the market rates in order to ensure competitive packages are offered at the point of recruitment.

We ensured to pay monthly salaries by 25th of each month without any delay. Performance incentives were also paid along with the monthly payroll.

Statutory Benefits for Employees

All statutory payments have been made in compliance with the labour legislations of the country. We strongly adhere to the ethos of providing our employees with benefits, both pecuniary and non-pecuniary, that are above and beyond the laid out statutory requirements. This includes the contributions under the EPF, ETF and the provision of Gratuity.

Employee Engagement & Employee Relations

Employee Engagement

Management Approach

Dedicated and meaningful work enables employees to realize how valuable they are within the organization and makes them engaged.

We trust that highly engaged employees are more likely to stay with the company, perform better and act as advocates of the business. We have experienced that employee engagement can impact employees' attitudes, absenteeism and turnover levels.

Therefore, the HR department of Softlogic Finance has introduced an employee engagement model with the aim of improving their motivation and satisfaction. It has also enhanced the quality of work environment and work-life balance of our staff. Following activities have been carried out as employee engagement activities during the financial year ended.

- International Women's Day celebration
- Best Christmas Attire competition
- Donations to children in need among the staff
- Best Decorated Department competition for Christmas and New Year
- Dress Down Day Competition

Employee Wellbeing/Health & Safety

There were many challenges to wellbeing of our staff during year we entered the second year of pandemic. We assisted infected employees during the year taking precautions to prevent the spread of the virus. We continued to create awareness on preventive measures and introduced the roster-based work pattern to reduce physical interactions.

Additionally, we took initiatives to create pleasant, comfortable and conducive work environment for our employees at our head office, as well as in our branches.

In order to provide all our employees across the branch network with a safe and healthy work space, we allocated more resources to ensure right infrastructure and operational processes to be in place.

Based on constant assessments done by our Operational Risk Department across the branch network, we took measures to mitigate the impact and occurrence of identified occupational health and safety risks. We now have a comprehensive fire safety procedure in place.

Employee Relations

Management Approach

Maintaining a strong employer and employee relationship is key to the success of our organization. This will drive employee productivity, efficiency, loyalty which will also lead to less conflicts. Implementation of grievance handling process was one such initiative to ensure that employee grievances are not neglected, but addressed in a proper manner. An open-door policy is maintained to create reachability.

Our cadre is non-unionized and it is our policy to take proactive steps to ensure productive relations are maintained with our employees. Hence, all employees are given the opportunity to bring any concerns, to the attention of the management.

Future Outlook

Talent Acquisition and Talent Management	HR Operations	Performance Management/ Training and Development	Compensation and Benefit Management	Employee Engagement and Employee Relations
Strengthening e – Recruitment Platforms	Introduce Service Level Agreements for HR	Performance Management	Review the Remuneration Policy and Compensation & Benefit Grid	Employee Engagement
In response to prevailing situation in the country, we will establish an e-recruitment process that enables to conduct interviews with minimum physical interactions.	With the aim of providing a high-quality service to our internal customers, we will develop service level agreements for all functions delivered via HR Department.	Employee commitment and motivation is identified as strategic priority for HR. Hence, we will continue to invest in skill development to provide growth opportunities for our employees and to ensure consistent performance. We will also activate the Performance Management Module in HRIS to facilitate a digital platform for Performance Management Process.	In order to maintain our remuneration and reward schemes on par or above industry norms, we will continuously review the current schemes to ensure that our employees are rewarded fairly as per their contributions.	We will execute employee engagement activities on monthly basis with the aim of enhancing their employee experience at work.

Talent Acquisition and Talent Management	HR Operations	Performance Management/ Training and Development	Compensation and Benefit Management	Employee Engagement and Employee Relations
Continuation of our Internal Recruitment Program	**HR Audits**	**Training & Development**	**Activate Benefit Module of HRIS**	**Employee Relations**
This has successfully enhanced employee motivation levels by providing career development opportunities for current employees. We will continue to provide first priority internal staff when a vacancy arises.	Identification of areas of concern by the relevant authorities (Internal Auditors/CBSL) to resolve and streamline its processes.	We will continue to develop our people thorough external training that are conducted by external institutes such as Central Bank of Sri Lanka (CBSL), Institute of Credit Management, Institute of Bankers of Sri Lanka (IBSL), Finance Houses Association of Sri Lanka (FHA) and other reputed government and private training institutes. Focus on modern approaches and e-Training opportunities to drive cost-effectiveness training delivery.	We will activate the Benefit Management Module in HRIS to reduce paper work and delivery time.	We will implement a structured initiative to retain value adding employees in our cadre. Much emphasis will put to upskill them with real world learning experiences, job enrichment, job rotation and mentoring (by our Senior and Corporate Management).
				Grievance Handling – Online Platform
				Introduction of an online platform for grievance handling to speed up the process and maintain employee confidentiality.

KEY VALUE DRIVERS
INFRASTRUCTURE CAPITAL

Our Strategic Intent and Infrastructure Capital

Infrastructure capital has long served as one of the foundational inputs to the operationalization of our business model and has proven itself to be instrumental to the sustainability and growth of our business performance. As we aggressively drive business growth in our chosen operating spaces, a strategically located and designed physical geographical presence is bound to play a critical role in value generation. Moreover, the growth in business performance and physical network expansion cannot happen in isolation without adequate IT and digitalization support services and customer convenience tools. It is in this context that the state-of-the art IT systems that are currently in development and the ATM network that is to be introduced, come into play.

IT Systems and IT Infrastructure Development

Our IT Systems and IT Infrastructure, which form the backbone of our operational strength, play a key role in driving our business strategy and ensuring long term sustainable value addition to our stakeholders. It is in this context that we continue to invest in developing our IT systems and expand our IT infrastructure so that we are well positioned to proactively face industry developments, market movements and evolving customer preferences with ease.

IT Security Management

As a responsible financial institution committed to upholding stakeholder interests, we are responsible for ensuring that we have systems and controls in place to avoid, combat and manage IT security threats. This hinges on the fact that the failures of IT systems and cyber-attacks have the ability to cause disruptions to our routine operational processes, damage our reputation and cause financial loss. In order to routinely review and manage the IT security controls in place, the following actions are undertaken:

- Implementing regular and comprehensive System & IT Audits.
- Engaging external professional consultants with regard to the improvement of existing controls
- Regular review of internal processes and controls in order to minimize system frauds
- Reviewing and updating of the company's IT policy and ensuring that updates are implemented
- Continuous and regular System Updates and Upgrades
- Ensuring that IT backup systems are operational and effective
- Ensuring that the Business Continuity Plan is updated and Operational

Our strategic intent has always been to provide our esteemed clientele with a memorable and personalized service that would guarantee us their status as returning customers. In this context, we approach customer service enhancement in a two pronged manner. One would be the constant review and re-engineering of internal process and the other would be the physical enhancement of the customer conveniences offered at our branches to ensure that all business interactions materialize in a professionally conducive atmosphere. In line with our commitment to customer service excellence and the continuous improvement of customer conveniences, we continuously review and re-engineer our internal processes in tandem with the IT system developments that we undertake. We have embarked on this concurrent development of both the IT systems and the internal processes in order to ensure that our support services run efficiently and effectively without compromising the excellent customer service that we are renowned for.

KEY VALUE DRIVERS

INFRASTRUCTURE CAPITAL

Illustrations & Diagrams

Infrastructure Demands to Drive Company Strategy → Currently Available Infrastructure & Resource Assessments → Identification of Infrastructural Gaps → Planning Available Resource Utilisation & Implementing Infrastructure Development Initiatives

- IT Systems Development
- Branch Network Rationalisation
- IT Infrastructure Development
- Information Security
- Re-Engineering of Internal Processes

Value Adding Inputs for the Value Generation Process

Customer Service Enhancement

- **Internal Process Re-engineering**
- **Training and Development of Staff**
- **Physical Enhancement of Customer Conveniences**

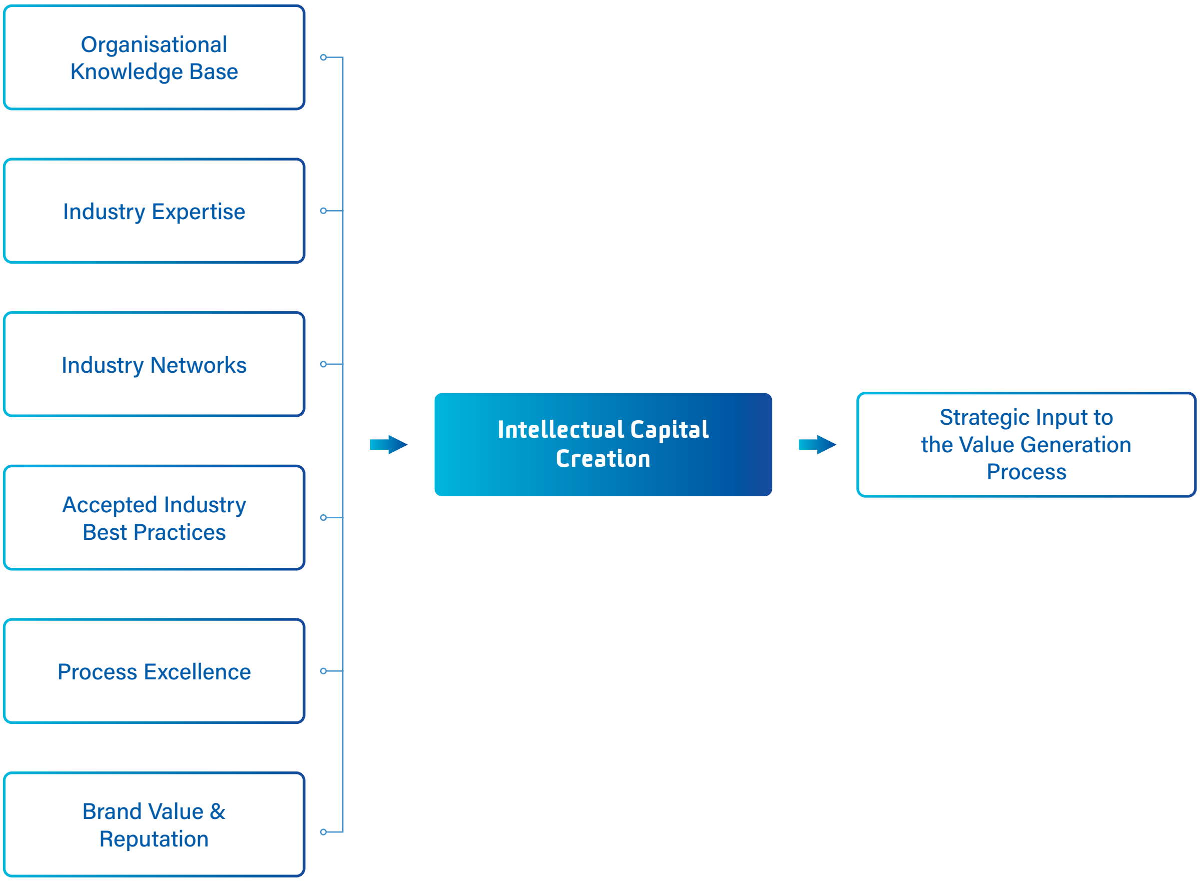
Customer Service Enhancement

Infrastructure Demands to Drive Company Strategy → Currently Available Infrastructure & Resource Assessments → Identification of Infrastructural Gaps → Planning Available Resource Utilisation & Implementing Infrastructure Development Initiatives

- IT Systems Development
- Branch Network Rationalisation
- IT Infrastructure Development
- Information Security
- Re-Engineering of Internal Processes

Value Adding Inputs for the Value Generation Process

KEY VALUE DRIVERS
INTELLECTUAL CAPITAL



Enhancement of the Organizational Knowledge Base

We as a finance company operate in a very competitive environment rife with industry challenges and regulatory pressures. Being a pioneer financial services provider in the industry, our long term operational sustainability very much influenced on the development and the effective utilization of our organizational knowledge base.

We are well geared to outperform our competition armed with well versatile accomplished senior management team. With a wealth of industry knowledge, networks and expertise in their respective fields, this team of industry experts plays a significant role in nurturing our internal knowledge and helps in providing our team with strategic guidance to conquer industry challenges and shape its future form.

We share our industry knowledge and success stories among or team members through in house workshops and training programs that plays dual role. With a bottom up approach, knowledge is gathered from the ground level enabling us to react to industry dynamics ahead of our competition. Such practices serves as a platform for the dissemination of existing industry know-how and the refinement of our knowledge base through the sharing of market information that comes from the ground level.

Adoption of Accepted Industry Practices and Achievement of Process Excellence.

Having fostered a service culture in our organization, we have recognized the operationalization of best practices and the achievement of process excellence as sources of competitive advantage. This is why a conscious effort is been made to consistently drive the adoption of industry best practices and compliance with documented processes so that process excellence and the transparency of operational functions is commonplace.

Enhancement of our Brand Value & Reputation

As an influential player in the NBFI industry our aim is to move away from the perception of a traditional finance company and position our brand as a total financial solutions provider. Simplicity and accessibility are key hallmarks of the new digital era we compete in and to cater this requirement we have positioned ourselves as a total financial solution provider simplifying the lifestyle of customer base.

CREATING SUSTAINABLE VALUE
OUR SUSTAINABILITY PHILOSOPHY

Our Approach to Sustainability

As a responsible corporate citizen, we have taken cognizance of and are actively engaged in addressing the needs of all our stakeholders and not simply the pecuniary needs of our shareholders, as we are acutely aware that we cannot exist and operate in isolation from society. It is in this context that we have recognized that it is imperative that we manage the impacts that we make on the society and the environment also.

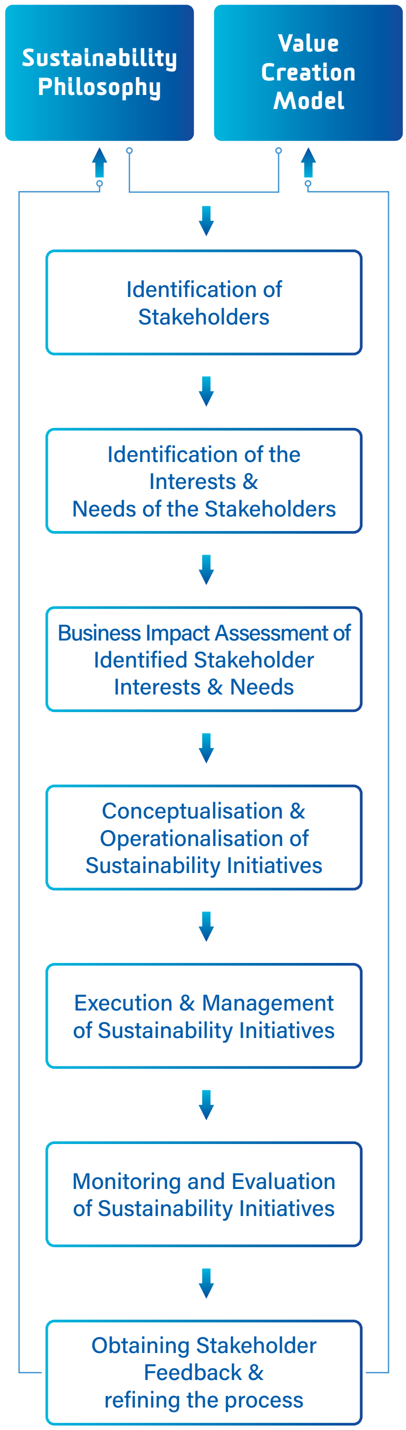
Hence, the company's approach to sustainable value creation is backed by a systematic process of constantly engaging with stakeholders, identifying their evolving needs and formulating mechanisms to address these needs.

Our Management Approach

As a result of the consistent implementation and management of our business model, we have been able to adopt a holistic and all-encompassing approach to the management of the impacts of our business. Hence, as outcomes of our value creation process, we have identified three key domains that need to be managed by us for the medium and long term sustainability of our business. These have been categorized as the Economic, Social and Environmental impacts of our business. In effect, all sustainability initiatives undertaken by the Company are carried out and managed under these Economic, Social and Environmental pillars.

The Sustainability Framework

Our sustainability philosophy takes flight and is set in motion in a systematic manner where the process commences with the identification of our stakeholders and identifying their needs. Next we assess the materiality of these stakeholder needs and their impacts on our business model. Based on this thorough assessment, we formulate calculated mechanisms to satisfy such stakeholder needs.

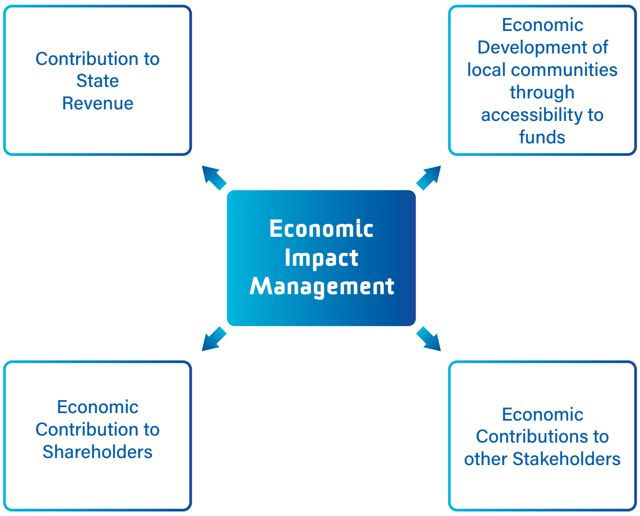


With respect to the importance of the management of the various impacts that our business has on our operating environment, we have adopted a formalized framework to sustainable value creation. This framework ensures that our sustainability strategy generates Economic, Social and Environmental value. The conceptualization, execution and monitoring of all value creation activities related to our sustainability strategy are carried out through our Management Committee.

Our commitment to the sustainable development of our business is evidenced by the adoption of such a formalized high level approach in identifying, assessing and formulating responses to our sustainability impacts. In essence, the execution of this process, which is very much part of our business model, ensures that we identify and serve the interests of our diverse set of stakeholders.

ECONOMIC CONTRIBUTION

The monetized value we generate through our business model represents the foundation for our survival and in fact serves as the economic enabler that helps us to consistently and actively engage with our stakeholders. Further, our business model is designed in such a way that it enables us to share the economic value that we generate, amongst a host of stakeholders. In this context, substantial economic contributions are made every year towards government revenue, our shareholders, our clients, our suppliers and service providers, financing partners, investments in rural areas supporting economic growth, the provision of employment and to the community at large.



SOCIAL CONTRIBUTION

Intrinsically intertwined in our corporate ethos is our commitment to serving the communities that we engage with and taking active, consistent steps in uplifting their livelihoods and economic conditions. Thus, as we continue to consolidate our market presence through our network touch points, we are simultaneously positioning ourselves to better assist the local communities and help them in enabling economic participation.

Improving Access to Finance

Our business model has been designed to consistently create sustainable value to all our stakeholders and not just our shareholders. Thus, the concept of improving accessibility to formalized sources of finance to small businesses and regional entrepreneurs has been well embedded in our business model. In this context, through the host of flexible vehicle financing, personal financing and factoring products that we offer, we have been able to deliver attractive and customizable financing options to drive the economic potential of rural entrepreneurs and encourage rural development.

Contributing to the Local Economy

As we continue to expand our operational outreach, we make it a point to engage directly with the local community in all our business and operational activities. A majority of the products or services that any branch requires is sourced directly from within the immediate community the branch is located, rather than from Colombo or any other large city. This positively impacts employment generation both directly and indirectly, in-turn raising the quality of life for local communities. The presence of a branch offers ease of access to financial services paving the way for greater business opportunities for entrepreneurs. Their success in-turn helps generate increased employment prospects for the whole community.

Engaging in Regional Social Development Causes

Our commitment to sustained community engagement has always extended well beyond the daily financial transactions that we have with our clientele. Every year, all our branches actively contribute to and participate in social development causes. We make it a point to embed such activities into our operational philosophy as it serves as a catalyst for our team to think beyond the traditional bottom line.

CREATING SUSTAINABLE VALUE

OUR SUSTAINABILITY PHILOSOPHY

Employment Generation and People Development

The continuous expansion of our operational scope and market coverage means that we continue to create employment opportunities to the youth and pay special attention to the provision of employment to those from rural areas of the country. Especially when hiring personnel for our branch network, we prioritize the recruitment of talent from the respective regions in order to foster localized employment creation and encourage participation in the economic development of their respective communities.

Ethical Business Practices

We are unconditionally accountable to all our stakeholders, especially to our customers and shareholders, to maintain unquestionable standards of financial and operational integrity and unblemished business ethics in the execution of our business activities. Thus, we have stringent processes in place to maintain flawless business ethics and operational practices. Compliance with all industry regulations allows us to subject our engagements to scrutiny and preserve integrity in all aspects of conducting business. Consequently, regulations and assessments meted out by the relevant authorities contribute to enhancing the value of our business. Transparency in our processes further enables us to serve customers with confidence and earn their unwavering trust in the availing of the financial services we offer.

Engagement in Industry Development

As a significant player in the NBFI sector, we have an innate interest in developing and building people's confidence in the NBFI industry. Our continued contributions through industry associations are amongst our efforts that serve to improve community access to formalized finance, help formulate industry best practices and come up with solutions for industry challenges. Overall, our aim is to elevate public confidence in the NBFI industry so that they may transact with us without hesitation.

ENVIRONMENTAL CONTRIBUTION

Our Business Model has been appropriately geared to take into consideration the environmental impacts of our business and how best to proactively respond to such impacts in a manner that is sustainable in the long term. To this end, we have refined our internal policies and practices in order to inculcate sustainable practices and habits amongst our staff and the communities that we engage with. In this context, we pay particular attention to energy and resource conservation.

RISK MANAGEMENT

Overview

Due to the inherent risks confronted by business entities operating in the finance industry and the prudential regulatory framework within which such entities are mandated to operate, risk management has become is an important foundational aspect that underpins the day- to-day management of the Company's operations and supports the achievement of its long term strategic objectives. At Softlogic Finance PLC (SFP), we recognise that risk taking is an indispensable element of our strategy towards the achievement of the Company's long-term goals.

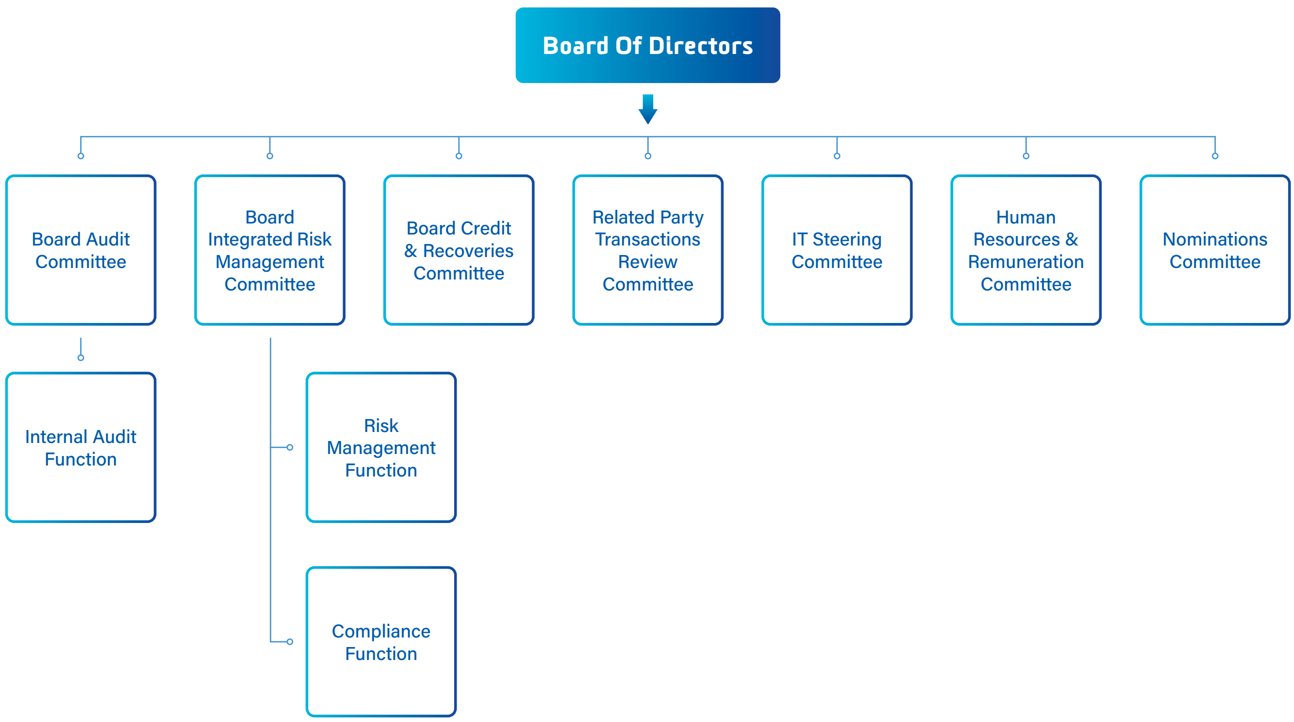
Our success and the sustainability as a financial institution depends on our ability to manage multiple risk factors arising out of the complex and competitive market across multiple locations, product categories, functional departments, customer segments and asset classes. In doing this we take an integrated approach to risk management. SFP believes that a sound risk culture where every employee is fully aware of his or her responsibility regarding risk management, promotes prudent risk taking and paves the way for risks to be detected, assessed, reported, and addressed in a timely manner.

The Board assumes overall responsibility for the management of risk and for reviewing the effectiveness of internal control processes. Risk Appetite is translated and cascaded to different business activities both quantitatively and qualitatively. We thus aim to deliver superior value to all our stakeholders while achieving an appropriate trade-off between risk and returns. Our approach to risk management is designed to provide reasonable, but not absolute, assurance that our assets are safeguarded, the risks facing the business are being addressed and all information to be disclosed is reported to the senior management and the Board as appropriate.

Our risk measures seek to balance regulatory requirements and shareholder expectations for risk adjusted returns. We are committed to carefully manage our capital, liquidity, and funding levels to support business growth, maintain our customer confidence and to create value for our shareholders.

Risk governance structure

A key component of the SFP's Integrated Risk Management Framework is the functional structure for the governance and stewardship of risk across the Company. Accordingly, the overall responsibility for risk governance lies with SFP's Board of Directors. The Board approves SFP's risk strategy and risk appetite boundaries for all key risk categories based on the recommendation by the Integrated Risk Management Committee (IRMC). As the ultimate authority responsible for risk management, the Board determines guidelines for the management and control of the Company's key risks and for ensuring appropriate risk policies and limits are established for all important risk areas. Based on the business model and the strategic objectives of SFP, the Board has approved risk policies for key risk areas. These risk policies are subject to review by the IRMC and approval by the Board.



RISK MANAGEMENT

Further, the day-to-day stewardship of risk is cascaded down to the operational level via the three-lines-of-defense mechanism that reflects the Company's belief that "managing risk is everyone's responsibility".

First Line of Defense	Second Line of Defense	Third Line of Defense
Ownership for the day-to-day management of risk Ensure that risks accepted are within SFP's risk appetite and risk management policies	Direction for Risk Management and Compliance, facilitating high level of risk awareness throughout SFP Independent monitoring of the effective implementation of Risk Management Framework	Providing independent and objective assurance on the Risk Management processes and practices in place.
Business Heads/ Functional Heads	Risk Management function / Compliance function	Internal Audit function/ External Audit

All business heads and branch managers are deemed the first-line-of-defense, and are held accountable for identifying and managing risk and operating within the approved risk policies. The second-line-of defense comprises the Risk Management function and the Compliance function. The Risk Management team monitors all key risks in line with Board approved appetite boundaries and plays a key role in assisting the IRMC and the Board in its routine risk review process. The Company's internal audit teams and external auditors act as the third-line-of-defense in providing independent assurance regarding the overall effectiveness of SFP's risk management framework in meeting its stated objectives.

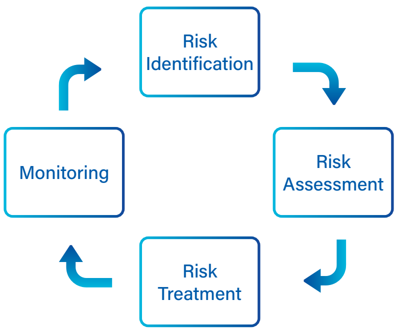
Risk Culture

We at SFP promote risk conscious culture throughout SFP, which provide the guiding principles regarding the expected behaviours of our staff. Accordingly, we encourage the following key behaviours among our staff;

- Everyone is accountable for their decisions and encouraged to use their judgements to make those decisions with the best interest of SFP
- Be proactive and transparent in managing and disclosing all types of risks faced by SFP
- Always encourage and support to improve processes, controls, and documentation
- Risk is considered in all activities, from strategic planning to day-to-day operations, in every part of SFP
- Staff are encouraged to feel comfortable talking openly and honestly about risk using a common risk vocabulary that promotes shared understanding
- Encourage staff to understand, and enthusiastically articulate, the value that effective risk management brings to SFP

Risk Management Process

A comprehensive Risk Management process has been developed and is continuously reviewed by the Board Integrated Risk Management Committee together with the Management.



By promoting a risk conscious culture, the Management encourages staff at all levels to be mindful of all types of risks they face including the emerging risks. When new risks are identified, they are assessed for the likelihood of occurrence and the severity of impact. Risk tolerance levels are set, based on the risk appetite of the company and generally accepted industry norms.

Control measures are formulated to ensure that the identified risks are within the tolerable levels. Exposures, which exceed the tolerable limits are identified; mitigatory action for such risks are decided and implemented. Collective dialogue amongst different department heads at the Integrated Risk Management Committee meetings, ensures comprehensive assessment of potential risks and their impact. Risk assessment report describing key risk areas such as credit risk, deposit risk, liquidity risk, market risk, operational risk, compliance risk, and IT risk implications and mitigatory actions submitted to the "Board" subsequent to the IRMC meeting. The Board of Directors review such reports and make suggestions for further strength the Risk Management process.

The company's overall risk issues including Credit, Deposit, Market, Liquidity, Operational, Compliance, and IT risks are monitored by the Risk Management Department in co-operation with the Heads of the Business Units and the Functional Heads.

Trends in the macroeconomic environment during FY 2021/22

The Risk Management division performs periodic assessments to determine any shift in the individual risk profiles based on new developments or trends in the macroeconomic environment. Considering the volatility related to COVID-19 pandemic and the prevailing economic crisis, more frequent environmental scans were done throughout the year under review to enable appropriate pre-emptive action to be taken. Furthermore, the operating environment has been made much more complex and unpredictable by some potentially disruptive emerging threats and uncertainties, resulting in some of the long-standing assumptions about markets, competition and even business fundamentals being less true today.

Key points noted in the macroeconomic environment during 2021/22 are given below;

Macroeconomic factor	Trends/ new events observed	Impact on SFP	Action taken by SFP to mitigate the impact
Regulatory	Debt moratorium and other concessions declared by the government as relief measures for COVID-19 affected businesses and individuals	Deterioration of repayment capacity of the customers even after end of moratorium period	• Identified facilities were restructured/rescheduled in a timely manner • Existing facilities were closely monitored by evaluating the repayment capacity
	New guidelines issued by the CBSL due to the pandemic	Operational lapses/system constraints due to changes in guidelines	• Required system modifications were done as appropriate in timely manner • Educated the relevant staff regarding the changes to the existing mechanisms due to new guidelines • Internal procedures and policies were reviewed and updated in line with amended/ new CBSL guidelines

Macroeconomic factor	Trends/ new events observed	Impact on SFP	Action taken by SFP to mitigate the impact
Economic	Increase in interest rates Higher number of risk elevated industries due to stress caused by the pandemic and the economic crisis	Negative impact to SFP's overall NIM Recovery challenges leading to higher defaults on existing facilities granted to risk elevated industries	• Review and repricing of lending rates • Closely monitored existing portfolios and special monitoring was carried out to mitigate the risk of default among individually significant customers • Introduced additional parameters for the pre-credit review of new facilities granted to customers in risk elevated industries
	Excessive inflationary pressure	Recovery challenges leading to higher defaults on existing facilities granted due to reduction in disposable income	• Closely monitored existing portfolios and special monitoring was carried out to mitigate the risk of default among individually significant customers • Introduced additional parameters for the pre-credit review of new facilities granted
Political	Political instability	Worsening economic crisis increase the overall risk profile of SFP	• Existing focus areas of business were revisited and took the appropriate decisions to mitigate the risk exposure
	Restriction of vehicle imports for a prolonged period of time	Inflated second-hand vehicle market	• Introduced additional parameters for the pre-credit review of new facilities granted • Stress tests were carried out to evaluate the risk exposure and to take proactive measures
Technological	Growing trend towards work from home model and the increased use of digital mechanisms	Data leakage issues and the increased threat of cyber-attacks	• Set out clear data classification guidelines to serve as the basis for internal and external communications • Raising awareness among employees regarding potential cyber attacks
		Disruptions to routine workflow systems	• Secured connectivity and devices were provided for critical areas and monitored closely • Workflow was configured to ensure an uninterrupted business operation by focusing on a computer-based approval mechanism

Managing key risks

SFP is exposed to a multitude of financial and non-financial risks, which can be broadly categorised into credit, market, liquidity, operational, reputational, IT, strategic and compliance risks. All these risks taken together determine the risk profile of SFP which is monitored periodically against the company's risk appetite. Due to the complexed and highly dynamic nature of the operating environment, deliberations on risk management were on top of the agenda in all Board, Board Committee and Executive Committee meetings of SFP.

A description of the different types of risks managed by SFP and risk mitigation measures adopted are given below.

Credit Risk

Credit risk is defined as the potential loss arising from the customers' failure to meet contractual obligations as and when they fall due. For SFP, Credit risk occurs primarily due to its lending activities - granting of loans and advances to individuals and corporates. Credit risk consists of two major components; Default Risk and Credit Concentration Risk, which together represent the most material risk for SFP.

The non-performing loans ratio is a salient measure of the asset quality. Non-performing loans ratio is monitored on a regular basis at branch level, regional level and Company-wide level under the different product categories. Company's NPL ratio is also compared with similar sized peers and the industry for benchmarking. Company regularly monitors credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal management reports are presented to various committees, containing information on key industry and economic trends as well as the Company's performance.

Credit Risk based on concentration or uneven distribution of exposures to its borrowers or uneven distribution of exposures to particular sectors, regions, industries or products also give rise to credit risk. It may arise from product range, industry sectors, asset categories, and geographical areas. Maintaining a satisfactory diversity in the said segments would provide SFP with a safety buffer as it mitigates the concentration risk as any unfavourable impact from one segment may be set off by the positive movement of the other. Concentration risk is monitored through the variations in the KRI along with the set tolerance limits. Concentration is monitored on a regular basis asset wise, sector wise and branch wise.

The Credit Policy plays a central role in managing daily business activities. The policy is reviewed periodically and approved by the Board of Directors ensuring consistency with the Company's business strategy. Credit Committee meetings drive policy decisions and implementation plans. Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analysing customer credit worthiness before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities.

The Board Credit Committee is responsible for establish and oversee sound credit risk governance framework within the company. The aim of the committee is to effectively control credit risk, ensuring and advising the head of credit that credit risk is managed in accordance with the delegated powers, policies and procedures and level of risk appetite approved by the board of directors. Centralized credit department were set-up to manage the overall credit function of the company. The Credit Department is responsible for evaluation & verification of the credit proposals forwarded by the branches, Credit approval and recommendation of credit facilities which exceeds prescribed limits to the next approval level. Head of Credit is Responsible for the credit risk when the department approves or recommend the credit facilities to the next level of approvals. Further, facilities over Rs 25 Million are referred to the Board Credit Committee after referring to the Internal Credit Committee to ensure proper pre-disbursement analysis to minimize the credit risk has been carried out.

Board Credit Committee has been established as a sub-committee of the Board of Directors to further Strength the credit approval process and to review the credit risk periodically. The Credit committee consists of two non-executive Independent Directors and an Executive Director (CEO). The chairman of the committee is a Non-Executive Independent Director. All the credit facilities which exceeds Rs.25Mn are forwarded to the board of Directors for approval through the Board Credit Committee.

Key actions taken by SFP for the credit risk mitigation during FY 2021/22 are ;

- MIS was strengthened, with a series of dashboards introduced on the daily progress of collections
- Stress testing at the total portfolio and sub-portfolio level, to assess the impact of changing economic conditions on SFP's asset quality, capital adequacy and liquidity.
- Continuous and ongoing monitoring of all portfolios, sectors / geographical thresholds to detect the likelihood of higher concentration or overexposure.
- Intensified monitoring of customers identified under risk elevated industries
- Added emphasis was also placed on tightening pre-credit evaluation protocols
- Ongoing training to enhance the capacity of credit officers

RISK MANAGEMENT

Liquidity Risk

Potential risk arising due to the inability to meet obligations in a timely manner as and when they become due, mainly on account of mismatches between the maturities of the Company's Assets and Liabilities. SFP manages liquidity risk through policies and procedures, measurement approaches, mitigation measures, stress testing methodologies and contingency funding arrangements.

Management of mismatches in the timing of cash flows, effective management of liquidity is considered of utmost importance in order to ensure smooth functioning of SFP's operations. Therefore, the Company monitors a number of liquidity risk indicators to assess the efficacy of the comfort provided by its liquid assets. Key focus is given to liquid asset ratio, maturity gap analysis and funding concentration.

Special attention is given to the liquidity of the Company as it provides critical defense against this and several other risks such as reputation, compliance, and financial risks. The Company also ensure that the liquidity ratios required to be maintained by the applicable Central Bank regulations are complied with.

The company maintains well-defined and tested liquidity management policies & procedures to maintain sufficient liquidity at all times to meet financial obligations. The responsibility for Liquidity Risk Management rests with the ALCO where the Treasury department handles the implementation & necessary changes of policy measures in our company. SFP's projected liquidity requirements are assessed on a continuous basis to ensure that they can be met as and when such requirements arise.

Key actions taken by SFP for the liquidity risk mitigation during FY 2021/22 are;

- Liquidity risk was a standing agenda item at the Company's monthly ALCO meetings.
- The pricing of deposits was done in a way to control the maturity mismatches between our lending and borrowing portfolios
- Comprehensive cash flow analysis were carried out to assess the impact on cash flows under stressed conditions, in particular by taking into consideration the lower cash inflows from customers during the moratorium period. These were discussed in detail at ALCO meetings.
- Liquidity contingency funding plans were prepared and discussed at ALCO meetings.

Market Risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies, vehicle prices and gold prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company. The Company's market risk management is operationalized through ALCO Policy, Treasury procedure and Board-approved Risk appetite limits.

Interest rate risk is managed principally through minimizing interest rate sensitive asset and liability gaps. In order to mitigate the interest rate risk exposure movements in interest rates are closely monitored. Excessive movements in market interest rate could bring severe volatility to Company's net interest income and net interest margin. Therefore, the Company focuses on maintaining an adequate Net Interest Margin so that increases in interest expenses can be absorbed to a certain extent. ALCO closely monitors the interest rate movements, and issues directions to lending and borrowing units on interest rate strategies.

Key actions taken by SFP for the market risk mitigation during FY 2021/22 are;

- Strategically realigning the gold loan product to take advantage of the upward movement in gold prices.
- Stress tests were carried out for the vehicle portfolio to ensure that the company has an adequate buffer against a possible price reduction
- At monthly ALCO meetings, interest rate predictions, margins, asset-liability composition, weighted average rates were reviewed and took a decision on a timely manner

Operational Risk

Operational risk is defined as the loss resulting from inadequate or failed internal processes, people and systems or external events. It includes legal risk which is the risk arising from non-compliance of statutory and/or regulatory provisions that have the potential to affect SFP's current performance or future prospects, or both.

The Company manages operational risk through policies, risk assessment, risk mitigation including insurance coverage, managing technology risk, a comprehensive Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), creating a culture of risk awareness across the Company, stress testing and monitoring and reporting. The degree of compliance of staff with such operational policies, processes and controls is regularly reviewed.

The unprecedented challenges associated with the macroeconomic environment has caused operational risk to be brought to the forefront like never before. With the continuity of business operations amidst pandemic constraints becoming one of the key priorities, broad based action was taken to provide an uninterrupted service to customers while at the same time ensuring the safety of staff and minimising the virus spread among employees.

Board Integrated Risk Management Committee oversees the management of operational risks at the strategic level. In addition, the Board Audit Committee also receives and reviews the management letter of the external auditor. This formal structure of governance provides the Board with confidence that operational risks are being proactively identified and effectively managed. Further, awareness building and comprehensive training sessions are undertaken to educate staff on the significance of the compliance with operational policies, processes and controls.

Key actions taken by SFP for the operational risk mitigation during FY 2021/22 are;

- Awareness building and comprehensive training sessions were undertaken to educate staff on the significance of the compliance with operational policies, processes and controls.
- Implemented information security awareness campaign among staff members in light of the increased use of digital platforms and work from home practices.
- Vulnerability assessments were carried out to ensure that the systems are resilient to cyber-attacks.
- Risk and Control Self Assessments provided by the branches helped to inculcate an operational risk culture within the company.

Reputational Risk

Reputational risk arises due to an event or incident that could adversely impact the corporate image. It can also be identified as negative publicity regarding our own business practices, which may cause a decline in the customer base and also lead to a reduction of revenue in terms of financial dealings.

Mitigation mechanisms are embedded in company policies, which are further strengthened by the training/induction programs conducted continuously by our HR department and through a well-defined customer complaint handling process and a whistleblowing process. Also, an updated code of conduct and ethics is in place and a strong corporate governance culture is promoted.

Information Technology and Information Security Risk

The risk of financial losses arises due to the disruption or damages to routine operational functions and also to the reputation of the company as a result of the failure of information technology systems. Cyber/information security risk is typically associated with the higher dependence on digital technology. Cyber-attacks and/or data breaches can result in substantial financial losses as well as cause significant reputational damage leading to the erosion of customer trust, competitive advantage and future prospects of SFP.

Our company has identified the importance of this area and deployed such technical controls such as Anti-malware solutions, Network separations, vulnerability remediation and system updates to name a few, to mitigate the risk involved. Close relationships are maintained (as a member) with service providers such as TechCERT & FinCERT to ensure IT/Cyber security whilst strengthening server configuration and patch updates by monitoring regular assessments.

SFP implemented a data classification process for storing of physical and digital data. Further the same process was adapted for data sharing within SFP and outside, using emails and physical form. Also, monitoring mechanisms are in place to assess, if the approved procedures are being continuously followed by all team members.

Strategic Risk

Strategic risk is related to strategic decisions and may evident in SFP not being able to keep up with the evolving market dynamics, resulting in loss of market share and failure to achieve strategic goals. Corporate planning and budgeting process and critical evaluation of their alignment with SFP's vision, mission and the risk appetite facilitate management of strategic risk.

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

Compliance Risk

Compliance and regulatory risk refers to the potential risk to the Company resulting from non-compliance with applicable laws, rules and regulations and codes of conduct and could result in regulatory fines, financial losses, disruptions to business activities and reputational damage. A compliance function reporting directly to the Board Integrated Risk Management Committee is in place to assess SFP's compliance with external and internal regulations on an ongoing basis

All the operational processes and best practices have been documented and communicated to the staff and the Compliance Department is monitoring the same with the assistance of our Internal Audit division.

Risk outlook for FY 2022/23

Our risk management framework will continue to be enhanced and strengthened in line with industry best practices and regulatory requirements. Key initiatives towards the achievement of company goals and objectives in the years ahead will be focused on further improving the risk management capabilities at Softlogic Finance PLC as stated below.

RISK MANAGEMENT

- Increase the company's vigilance on macroeconomic activity as part of a more proactive approach to limit the exposure to risk elevated industries and sectors. Hand in hand with this, SFP's disciplined precredit evaluation protocols are expected to create a firm foundation to support high quality lending. Further deepening post-credit monitoring activities will remain the key pivot in safeguarding the quality of the SFP's loan portfolio, going forward.
- With the prevailing economic crisis set to continue for the foreseeable future, interest rates, exchange rates and the equity market are all likely to remain unpredictable for a considerable time frame. SFP will thus focus on further strengthening its market risk management framework.
- As the digitalization has been recognized as a key strategic area for growth, the focus on cyber/ information security will feature prominently in SFP's future initiatives
- Focus on having optimum liquidity level to ensure that SFP as the appropriate diversification and tenure of funding and liquidity.
- Continue with the initiated strategies to manage and maintain NPL ratio at an acceptable level.
- To strengthen the cashflow predictions/ liquidity stress testing to be better prepared for unforeseen risks.
- Enhance the IT governance framework with the implementation of the IT risk management framework.
- Continue to align business strategy and risk management strategy to proactively identify risks and to minimize the negative impact on SFP.

ACCOUNTABILITY & TRANSPARENCY

CORPORATE GOVERNANCE PHILOSOPHY

Governance Framework

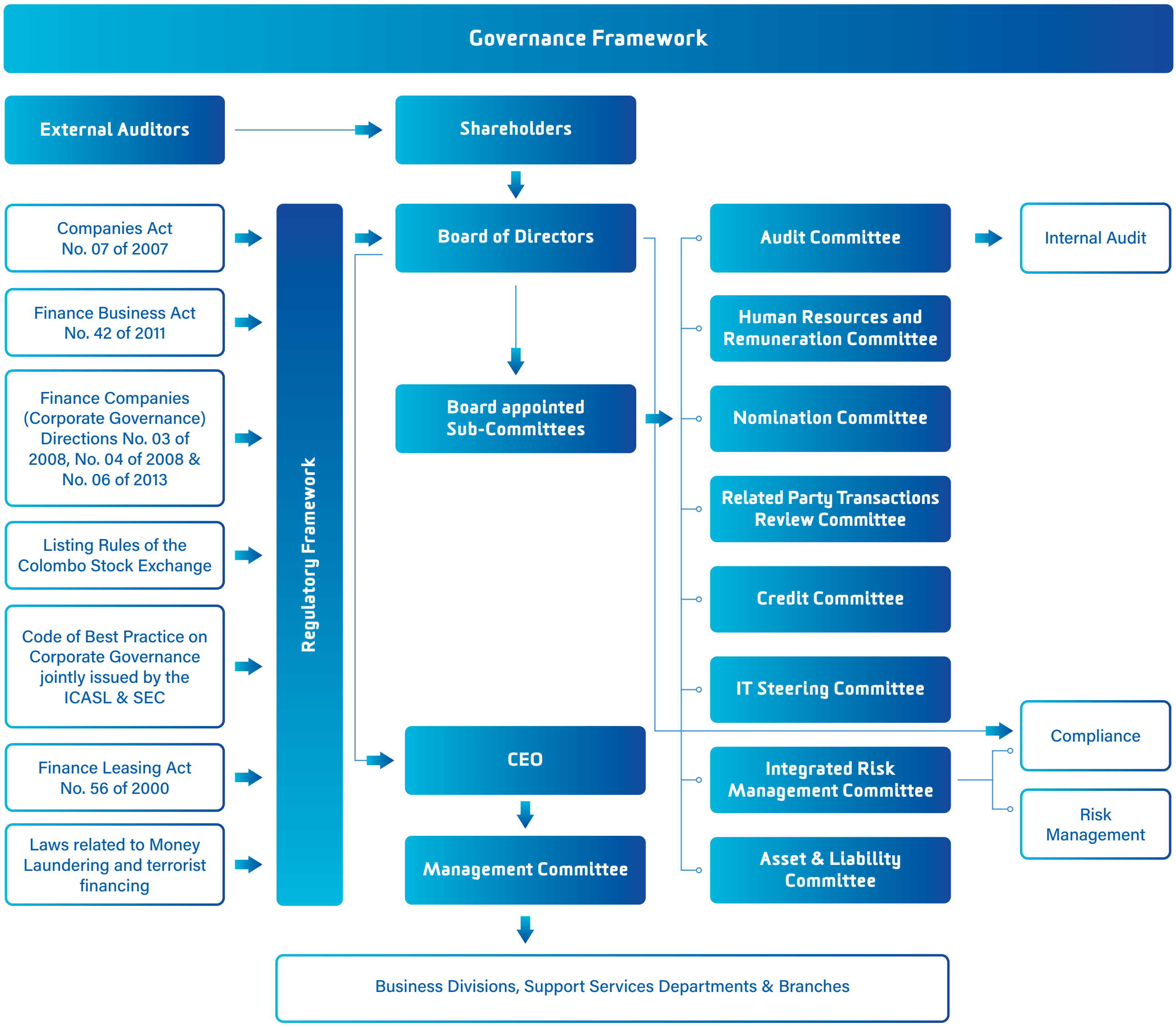
The creation of sustainable organisational value has been recognised as our primary, overarching objective. In this context, we are of the firm view that accountability, transparency and ethical, socially conscious corporate conduct serve as the catalysts for the fostering of such organisational value. The corporate governance framework that is in place embeds these principles and serves as the cornerstone to operationalise the internal control and risk management mechanisms in the organisation, considering both the external and internal rules and regulations. The necessary checks and balances in place have been designed specifically to monitor and assess the performance execution and delivery of the value creation activities that we undertake.

The overall responsibility and oversight on sound corporate governance rests with the Board. The regulatory framework under which the company operates provides the scope for the definition of this governance mandate. The governance framework that is in place highlights the policies, processes and the board appointed committees in place to give effect to this mandate.

Governance Philosophy & Best Practices

The Board sets the tone and tenor in the enforcement of governance and the setting of the company's strategic direction. More specifically, it is responsible for ensuring that the company operates within the applicable regulatory framework and that it is provided with the requisite strategic direction to create value and achieve its corporate objectives. Thus, playing this dual role involves driving performance delivery, whilst ensuring effective risk management, responsible resource utilisation and overall transparency and accountability towards its stakeholders.

Corporate Governance as a philosophy is embedded in the manner in which the company operates. As a public company listed on the Colombo Stock Exchange, we continue to develop our corporate governance framework to preserve the trust of the shareholders



and the stakeholders. Our policies, procedures and internal controls in place bear witness to the fact that we advocate responsibility, transparency and accountability right throughout the organisation, at all levels. These policies and procedures are not only in place to deliver operational excellence but also to ensure conformance with all applicable regulations.

Our quest for instilling a culture of accountability and transparency does not stop there. At every juncture, we strive to go beyond mere compliance with regulations and adopt industry best practices in our value creation activities.

Board of Directors

The highest decision making body of the company is responsible for providing guidance and ensuring that the adequate systems and procedures are in place to achieve the corporate objectives, within an environment where regulatory compliance and good governance are adhered to. Its primary objective is to ensure that the shareholders are rewarded with sustainable and superior returns, whilst maintaining transparency in business and acting responsibly. In order to ensure that its obligations are fulfilled, the Board has set up seven board appointed committees. These committees ensure that performance delivery of our value creation process is monitored and the internal control mechanisms are effective.

The Directors' statement on internal controls is given in page 102 and the statement of Directors' responsibilities is given in page 111.

The table at the end of this section in page 101 provides the attendance details of each director at Board meetings.

Internal Audit Function

The internal audit function of the company is an independent body in place that directly reports to the Board Audit Committee. Its overall mandate is to provide objective risk-based monitoring and assessments of the risk management and internal control mechanisms in place.

The internal audit department carries out continuous testing and evaluation of the effectiveness and adherence to the procedures, internal controls and risk management mechanisms in place. Further, it proposes actionable improvements to the internal control, risk management and governance structure of the company as a whole, in the context of applicable regulations.

Compliance Management

The compliance management function of the company plays an integral role in the internal control mechanisms in place. Broadly, this function is responsible for ensuring that all business operations and internal policies and procedures adhere to the applicable laws and regulations. This involves the adoption of new regulations and driving change into the existing processes so that they are in compliance with the applicable regulations. This extends to constant monitoring and reporting on all regulated activities across the company.

During the year under review, the Board met 12 times and the attendance of each Director at these meetings was as follows:

Name of Director	Nature of the Directorship	Attendance
Mr. A. Russell-Davison (Chairman) (Resigned w.e.f. 31st July 2022 and Central Bank approved received for his resignation)	Non-Executive Director	11/12
Mr. M. H. P. Wijesekera (CEO)	Executive Director	12/12
Mr. H. K. Kaimal	Non-Executive, Non-Independent Director	12/12
Mr. A. C. M. Fernando	Independent Non-Executive Director	12/12
Mr. D. P. Renganathan	Independent Non-Executive Director	12/12
Ms. A. Goonetilleka	Independent Non-Executive Director	12/12
Mr. A. C. M. Lafir	Non-Executive, Non-Independent Director	12/12
Mr. P. T Wanigasekara (Appointed w.e.f 30th June 2022)	Independent Non-Executive Director	0/12

CORPORATE GOVERNANCE DISCLOSURES

Disclosures mandated by the Companies Act No. 07 of 2007

Applicable Section	Disclosure Requirements	Disclosure Reference Page
168 (1)(a)	The nature of the business of the company and any change thereof during the accounting period	Page 112
168 (1)(b)	Signed financial statements of the company for the accounting period completed	Page 123 to 194
168 (1)(c)	Auditor's report on the financial statements of the company	Page 119
168 (1)(d)	Applicable accounting policies and any changes therein made during the accounting period	Page 128 to 147
168 (1)(e)	Particulars of entries in the interests register made during the accounting period	Page 114
168 (1)(f)	Remuneration and other benefits of directors during the accounting period	Page 186
168 (1)(g)	Total amount of donations made by the company during the accounting period	Page 112
168 (1)(h)	Names of the persons holding office as directors of the company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the company during the accounting period	Page 113 to 115
168 (1)(i)	Amounts paid/ payable to the external auditor as audit fees and fees paid/ payable for other services provided by the external auditor during the accounting period	Page 115
168 (1)(j)	Any relationship (other than being the auditor) that the auditor has with or any interests which the auditor has in the company	Page 115
168 (1)(k)	Acknowledgement of the contents of the Annual Report and signed on behalf of the board by two directors of the company and the secretary of the company	Page 115

Disclosures mandated by the Sections 7.6 and 7.10 of the Listing Rules of the Colombo Stock Exchange

Stated below are the disclosures as per Section 7.6 of the Listing Rules with regard to content on the Annual Report

Section Reference	Disclosure Requirement	Status of Compliance	Disclosure Details
7.6 (i)	Names of persons who during the financial year were directors of the Entity	Compliant	This is stated in pages 113 to 115
7.6 (ii)	Principal activities of the Entity during the year and any changes therein	Compliant	This is stated in the Annual Report of the Board of Directors in page 112 and also in page 128
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Compliant	This is stated in the Investor Information section in page 199
7.6 (iv)	The Public Holding percentage	Not Compliant	This is stated in the Investor Information section in page 198
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of the financial year	Compliant	This is stated in the Annual Report of the Board of Directors in page 113
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Compliant	This is stated in the Integrated Risk Management section from page 59 to 66 and in the Integrated Risk Management Committee Report in page 109
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Compliant	Details relating to employees and employee relations are stated in the Human Capital section from page 45 to 52. There were no material issues relating to industrial relations of the entity
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Compliant	This is stated in Note No: 27 from page 161 to 163
7.6 (ix)	Number of shares representing the Entity's stated capital	Compliant	This is stated in Note No: 35 in page 170
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings as at the end of the year	Compliant	This is stated in the Investor Relations section in page 198
7.6 (xi)	Ratios and market price information on:	Compliant	This is stated in the Investor Relations section in page 199
	Equity: Dividend per share, Dividend payout ratio, Net asset value per share, Market value per share	Compliant	This is stated in the Financial Highlights section in page 8
	Debt: Interest rate of comparable government security, Debt/equity ratio, Interest cover, Quick asset ratio, market prices & yield during the year	Compliant	This is stated in the Investor Relations section in page 200
	Any changes to the credit rating	Compliant	This is stated in the Investor Relations section in page 200
7.6 (xii)	Significant changes in the Entity's fixed assets and the market value of land, if the value differs substantially from the book value	Compliant	This is stated in Note No 27.5 in page 162
7.6 (xiii)	Details of funds raised by the entity either through a public issue, Rights Issue or a private placement during the year	Compliant	This is stated in Note No 42.1 from page 183 to 184

CORPORATE GOVERNANCE DISCLOSURES

Section Reference	Disclosure Requirement	Status of Compliance	Disclosure Details
7.6 (xiv)	Information with regard to employee share option or employee share purchase schemes	Not Applicable	The company does not have any employee share option or employee share purchase scheme
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Compliant	This is stated from page 72 to 73
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Compliant	During the year under review, there is no any other transaction that qualified for this disclosure other than the transaction mentioned in page 108.

Stated below are the disclosures as per Section 7.10 of the Listing Rules with regard to Corporate Governance requirements

Section Reference	Disclosure Requirement	Status of Compliance	Disclosure Details
7.10.1 (a)	The board of directors of a Listed Entity shall include at least two non-executive directors or such number of non-executive directors equivalent to one third of the total number of directors whichever is higher	Compliant	The Board comprises of 6 non-executive directors.
7.10.2 (a)	Two or one-third of Non-Executive Directors appointed to the board of directors, whichever is higher, should be independent	Compliant	The Board comprises of 3 independent non-executive directors.
7.10.2 (b)	Each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria	Compliant	All declarations have been submitted.
7.10.3 (a)	The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'	Compliant	Based on the determination carried out by the Board as per the stipulated direction, the names of directors determined to be 'independent' have been stated in page 113 of this report
7.10.3 (b)	In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis for its determination in the annual report	Not Applicable	No such determination was required to be made by the board as the independent directors of the company met the specified criteria
7.10.3 (c)	The board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas	Compliant	Please refer the profiles of the board of directors laid out in pages 13 to 14
7.10.3 (d)	Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public	Compliant	During the period under review, no new Directors were appointed to the Board.

Section Reference	Disclosure Requirement	Status of Compliance	Disclosure Details
7.10.5	A listed company shall have a Remuneration Committee	Compliant	The composition of this committee is stated in page 115 of this report
7.10.5 (a)	Shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	The Remuneration Committee comprises of 2 independent non-executive directors and a non-executive director.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors, to the Board	Compliant	Please refer the Remuneration Committee Report in page 106 of this report
7.10.5 (c)	The annual report shall set out: (i) The names of the Directors that comprise the Remuneration Committee	Compliant	The composition of this committee is stated in page 106 of this report
	(ii) A statement of remuneration policy	Compliant	Please refer the Remuneration Committee Report in page 106 of this report
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer page 186 of this report
7.10.6	A listed company shall have an Audit Committee	Compliant	The composition of the Audit Committee is stated in page 115 of this report
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	Compliant	The Audit Committee contains 2 independent non-executive directors and a non-executive director.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	Both these officers attend Audit Committee meetings by invitation
	One non-executive director shall be appointed as Chairman of the committee by the board of directors	Compliant	The Chairman of the Audit Committee is an independent non-executive director
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Compliant	The Chairman of the Audit Committee is a member of a recognized professional accounting body.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10.6 of the Listing Rules	Compliant	Please refer the Audit Committee Report from page 104 to 105 in this report
7.10.6 (c)	The names of the directors comprising the audit committee should be disclosed in the annual report	Compliant	Please refer the Audit Committee Report from page 104 to 105 in this report
	The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report	Compliant	Please refer the Audit Committee Report from page 104 to 105 in this report
	The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity, during the period to which the annual report relates	Compliant	Please refer the Audit Committee Report from page 104 to 105 in this report

CORPORATE GOVERNANCE DISCLOSURES

Disclosures as per Finance Companies (Corporate Governance) Direction No. 03 of 2008 as amended by Directions No. 04 of 2008, No. 06 of 2013 and No. 05 of 2020 issued by the Central Bank of Sri Lanka

Paragraph Reference	Guiding Principle	Status & Details of Compliance
The Responsibilities of the Board of Directors		
2 (1)(a)	Approving & overseeing the finance company's strategic objectives & corporate values & ensuring that such objectives & values are communicated throughout the company.	The Board is responsible for formulating strategy, ensuring the adequacy of the risk management processes, review of the internal control system & defining the responsibility of the Corporate Management. The Company's strategic objectives, corporate values, budgetary objectives and the company's business plan have been communicated to all relevant line managers of the company, who implement them in conjunction with their teams. As part of its three year planning process, the company has formulated its three year comprehensive strategic plan for the 2021/22, 2022/23 and 2023/24 FYs, incorporating strategic objectives, corporate values and measurable goals.
2 (1)(b)	Approving the overall business strategy of the company, including the overall risk policy & risk management procedures & mechanisms with measurable goals, for at least immediate next three years.	During the year, the Board approved the company's budget and its three year financial projections, for the 2021/22, 2022/23 and 2023/24 FYs, which included measurable goals. The business strategy is normally reviewed monthly by the Board with updates at Board meetings on execution of the agreed strategy. The Integrated Risk Management Committee monitors and reviews the Risk Management procedures and mechanisms in place, during its quarterly meetings. The existing Board approved Risk Management Policy takes into account the changing external landscape and the internal control requirements.
2 (1)(c)	Identifying risks & ensuring implementation of appropriate systems to manage the risks prudently.	The Board takes responsibility for the overall risk framework of the Company. The Integrated Risk Management Committee ensures that risks in credit, operational, market, strategic & other areas are monitored, managed and reported to the Board. As part of the Board's activities, it routinely discusses new strategies to suit changing market conditions, the risks entailed in such strategies and ways and means to mitigate such risks. A formalized process in this regard, for Board members to discuss new strategies for the company, the risks arising out of such new strategies and further the ways and means to mitigate such risks is in place.
2 (1)(d)	Approving a policy of communication with all stakeholders, including depositors, creditors, share-holders & borrowers.	A communications policy and a set of communications processes are currently in place, in order to embrace the changes happening in the external environment and effectively cater to the changing needs of the company's stakeholders.
2 (1)(e)	Reviewing the adequacy & the integrity of the finance company's internal control systems & management information systems.	The Internal Audit Division carries out regular reviews on the internal control system including internal controls over financial reporting. The Audit Committee monitors, reviews & evaluates the effectiveness of internal control system. The Board routinely looks into the reliability and accuracy of all Non-financial information which are used by the Board and its sub-committees. In order to improve the existing Board procedures, updated processes are brought in. The Board regularly reviews the adequacy and integrity of the MIS of the company.
2 (1)(f)	Identifying & designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; & (iii) exercise control over business activities, operations & risk management	The Company has classified the KMPs as per the CBSL Directions and has considered these KMPs in the company's financial statements.
2 (1)(g)	Defining the areas of authority & key responsibilities for the Board & for the key management personnel	Duties & responsibilities of the Board of Directors are included in the Articles of Association. Currently, the Board is aware of the areas of its authority and key responsibilities. The job descriptions of its newly appointed KMPs are also in place.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
2 (1)(h)	Ensuring that there is appropriate oversight of the affairs of the company by key management personnel, that is consistent with the company's policy	Affairs of the Company are reviewed by the Board on a monthly basis. Company affairs & operations are also reviewed by the Management Committee of the Company on a periodic basis.
2 (1)(i)	Periodically assessing the effectiveness of its governance practices, including:	The effectiveness of the Board's own governance practices, including the process for selection, nomination & election of directors & the process for managing conflicts of interest are functionally reviewed by the board on a periodic basis.
2 (1)(i)(i)	The selection, nomination & election of directors & appointment of key Management Personnel	
2 (1)(i)(ii)	The management of conflicts of interests	
2 (1)(i)(iii)	The determination of weaknesses & implementation of changes where necessary	
2 (1)(j)	Ensuring that the finance company has an appropriate succession plan for Key Management Personnel	The Board has implemented a structured approach towards succession planning of the Corporate Management team & has developed a succession plan. Thus, a layer of senior managers has been developed, who can be promoted to key positions in the future. Along with reviews of the KMP classification and the new KMP appointments, the company will continue to relook at the succession plans in place. The updated succession plans have been approved by the Board and are in place.
2 (1)(k)	Meeting regularly with the Key Management Personnel to review policies, establish lines of communication and monitor progress towards corporate objectives	Management committee meetings are held periodically, and the CEO/ Executive Director takes part in the discussions & reviews of business operations. Further, in the monthly Board meetings, the Executive Directors, for example, the CEO, present performance reviews of the company to the Board.
2 (1)(l)	Understanding the regulatory environment	The Board members are furnished with Central Bank guidelines, regulations, and determinations. The findings of Central Bank examinations are submitted to the Board. Further, the Compliance Officer submits a compliance statement to the Board with the respective updates. The company maintains an active relationship with the regulator through the Compliance Officer and the CEO.
2 (1)(m)	Exercising due diligence in the hiring and oversight of external auditors	The Audit Committee has considered the External Auditor's independence, objectivity & the effectiveness of the audit process, taking into account relevant professional & regulatory requirements in the appointment of the auditor.
2 (2)	The Board shall appoint the Chairman & the Chief Executive Officer & define & approve their functions & responsibilities in line with the applicable requirements of this Direction	The Board has appointed a Chairman and a CEO. The company has established and delegated responsibilities & functions to the CEO and the Chairman.
2 (3)	There shall be a procedure determined by the Board to enable directors, to seek independent professional advice in appropriate circumstances, at the company's expense.	The board has established a procedure for Directors to seek independent professional advice in furtherance of their duties, at the company's expense.
2 (4)	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, & he shall not be counted in the quorum for the relevant agenda item at the Board meeting	There had been no such circumstances that arose during the year and procedures are in place to avoid conflicts of interest. There is proper identification and disclosure of Director's Interest in Contacts and Related Party Transactions through proper recording and disclosure in the Financial Statement.

CORPORATE GOVERNANCE DISCLOSURES

Paragraph Reference	Guiding Principle	Status & Details of Compliance
2 (5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction & control of the finance company is firmly under its authority	The Board's power & matters specifically reserved to it have been set out in the Articles of Association and the Board has been apprised of such matters reserved to it in order to ensure that the direction and control of the company is firmly under its authority. In order to streamline and further improve the exercise of power by the Board, attention will be given to introducing a schedule containing these matters specifically reserved to the Board.
2 (6)	The Board is to disclose to the Director of the Department of Supervision of Non-Bank Financial Institutions, any situation of insolvency, before taking any decision or action	No such situation of insolvency has arisen during the year under review for the Company to inform the Director of the Dept. of Supervision of Non-Bank Financial Institutions.
2 (7)	The Board shall include in the Annual Report, an Annual Corporate Governance Report setting out the compliance with this Direction	The annual Corporate Governance Report, which forms an integral part of the Annual Report, has been published in the Annual Report.
2 (8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, & maintain records of such assessments	The Board has implemented such an annual self –assessment on its performance in discharge of its key responsibilities, where each Director have to carry out a self-assessment. The Company will continuously review and if necessary, update the process of obtaining self-evaluations and the analysis thereof, in order to ensure the effectiveness of this mechanism.
Meetings of the Board		
3 (1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals	The Board met 12 times during the year under review. In order to improve existing processes and practices, any exceptional and non-routines matters approved through circular resolutions will be submitted subsequently to the Board for discussion.
3 (2)	The Board shall ensure that arrangements are in place to enable all directors to include matters & proposals in the agenda for regular Board meetings	In practice, proposals from all Directors on the promotion of business and management of risk & other relevant areas are included where relevant in the agenda for regular meetings. The Company has implemented a Board Charter, which enable all Directors to include matters and proposals in the agenda (Section 6.2 of the Charter).
3 (3)	Notice of at least 7 days shall be given for a regular Board Meetings. For all other Board Meetings, a reasonable notice shall be given.	Directors are given at least 7 days of notice for regular meetings. For all other meetings, a reasonable notice period is given.
3 (4)	A director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director.	All directors have attended at least two- thirds of the meetings held during the 2021/22 financial year. Further, no director has been absent from three consecutive regular board meetings.
3 (5)	The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board & shareholder meetings.	The board has appointed a Company Secretary – Softlogic Corporate Services (Pvt) Ltd. All Directors have access to the Board Secretary.
3 (6)	If the Chairman has delegated to the Company Secretary the function of preparing the agenda for a Board meeting, the Company Secretary shall be responsible for carrying out such function	The Chairman has delegated the function of preparing the Agenda for the board meeting to the Company Secretary.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
3 (7)	All directors shall have access to advice & services of the Company Secretary	The company secretary's services are available to all Directors, who need additional support to ensure they receive timely & accurate information to fulfill their duties. The Company has introduced a Board Charter, which stipulated the access of all Directors to advice and service of the Company Secretary (Section 5 of the Charter).
3 (8)	The Company Secretary shall maintain the minutes of Board meetings & such minutes shall be open for inspection by any director	The Board minutes are adequately maintained & open for inspection by any Director.
3 (9)	Minutes of Board meetings shall be recorded in sufficient detail as per the detailed requirements of Paragraph 3(9) of this Direction	The minutes of the board meetings have been recorded by the Company Secretary. The Company Secretary will continue to review and update their minute taking and the level of detail gone into, in conjunction with the advice of the Board.
Composition of the Board		
4 (1)	The number of directors on the Board shall not be less than 5 & not more than 13	The Board comprised of 7 Directors as at 31st March 2022. The Company were in compliance with same throughout the year.
4 (2)	Total period of service of a director other than a director who holds the position of Chief Executive Officer or Executive Director shall not exceed nine years.	There are no Directors who have exceeded 9 years of service in the Board during the year 2021/22.
4 (3)	Appointment, election or nomination of an employee as a director and the qualifications applicable thereto.	In the composition of the Board, Executive Directors do not exceed one half of the number of directors of the board.
4 (4)	The number of independent non-executive directors of the Board shall be at least one fourth of the total number of directors. The criteria for assessing the independency of a non-executive director.	As at 31st March 2022, the Board comprised of three Independent Non-Executive Directors. As per the requirements of this Direction, this number is more than one fourth of the Board. The criteria for assessing the independency of a non-executive director have been complied with.
4 (5)	Situations where an alternate director is appointed to represent an independent non-executive director	No alternate directors were appointed during the year under review.
4 (6)	Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources	Non–executive directors' professional qualifications background and their experience in the finance sector have provided them with the ability to bring forth an objective judgment to bear on issues of strategy, performance & resources.
4 (7)	A meeting of the Board shall not be duly constituted, unless at least one half of the number of directors that constitute the quorum are non-executive directors.	The Company has complied with this requirement of the required quorum in all the board meetings.
4 (8)	The independent non-executive directors to be identified as such in all corporate communications containing the names of directors. Disclosure to be made of the board composition in the annual corporate governance report.	Company has properly disclosed the information required on board composition in its Annual Report. Independent non-executive directors will be expressly identified as such in the company's corporate communications.

CORPORATE GOVERNANCE DISCLOSURES

Paragraph Reference	Guiding Principle	Status & Details of Compliance
4 (9)	Availability of formal, considered and transparent procedure for the appointment of new directors to the Board. Also to contain procedures for the orderly succession to the Board.	The Articles of Association of the company states the procedure applicable to the selection & appointment of directors of the company. Also Nomination Committee of the Company recommends the appointment to the Board and the pursuant to resolve the said matter through Board, the formal announcement is made to the Colombo Stock Exchange in this regard. Appointments are only made once Central Bank approval is obtained.
4 (10)	Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment	No Director appointed as to fill the casual vacancy however one Director appointed as an additional Director during the year under review and will be subjected to being elected by the shareholders at the forthcoming AGM .
4 (11)	Resignations/ removals of directors & reasons thereto, to be announced to shareholders and notification given to the Director of the Dept. of Supervision of Non-Bank Financial Institutions of the Central Bank.	There was one resignation during the year under review. Approval has been received from the Department of Supervision of Non-Bank Financial Institution of the Central Bank of Sri Lanka and the notice was given to the Colombo Stock Exchange accordingly.
Criteria to assess the fitness and propriety of directors		
5 (1)	A person over the age of 70 years shall not serve as a director.	All directors are below the age of 70. Hence this requirement has been complied with.
5 (2)	A director shall not hold office as a director or any other equivalent position in more than 20 entities	As per the information provided by the Directors to the company secretaries, all directors are within the limit of 20 entities to hold directorships.
Delegation of Functions		
6 (1)	The Board shall not delegate any matters to a board committee, CEO, executive directors or KMPs, to an extent that such delegation would significantly hinder or reduce the ability of the Board to discharge its functions	The company's Articles of Association has a provision addressing the delegation of powers of the Board. The Board has not delegated to an extent that such delegation would significantly hinder or reduce the ability of the board as a whole to discharge its functions.
6 (2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant	Periodic reviews of the delegation process are in place to ensure that they remain relevant to the needs of the finance company.
The Chairman and the Chief Executive Officer		
7 (1)	The roles of Chairman and Chief Executive Officer shall be separated	The roles of the Chairman and the Chief Executive Officer are separated and not performed by the same person.
7 (2)	The Chairman shall be a non-executive director. Where the Chairman is not an independent non-executive director, an independent non-executive director is to be designated as the Senior Director. The Senior Director shall be disclosed in the Annual Report.	The board has designated Mr. A. C. Manilka Fernando, an independent non – executive director as the Senior Director with suitably documented Terms of Reference. This designation has been disclosed in the Annual Report.
7 (3)	Names of the Chairman and the CEO & the nature of any relationship between them and any relationships among members of the board are to be disclosed.	The company functionally checks in order to identify whether any relationship between the parties exist and it has been found that there are no material relationships between the Chairman / CEO &/or other members of the Board, which will impair their respective roles.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
7 (4)	The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively & discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	The role of the Chairman has been expressly stated and the board has established a self – evaluation process and this includes the evaluation of the effectiveness of the role played by the Chairman.
7 (5)	Primary responsibility in the preparation of the board meeting agenda is to be with the chairman, but it could be delegated to the company secretary.	The Chairman has delegated the function of preparing the board meeting agenda to the Company Secretary.
7 (6)	The Chairman shall ensure that all directors are informed adequately & in a timely manner of the issues arising at each Board meeting	Directors are informed adequately & in a timely manner about the issues arising at Board Meetings.
7 (7)	The Chairman shall encourage each director to make a full & active contribution to the Board's affairs & take the lead to ensure that the Board acts in the best interests of the company	The Board is encouraged to actively contribute to the Board's affairs and also ensure that the Board acts in the best interests of the company. The Company Secretary will continue to review and update their minute taking and the level of detail gone into, in conjunction with the advice of the Board, in order to ensure that the individual contributions of the Directors are evidenced.
7 (8)	The Chairman shall facilitate the effective contribution of non-executive directors in particular & ensure constructive relationships between executive & non-executive directors.	The Chairman ensures that constructive relationships are built between executive & non-executive directors and that substantial contribution comes from non-executive directors.
7 (9)	The Chairman shall not engage in activities involving direct supervision of KMPs or any other executive duties.	The Board has delegated this responsibility to the CEO who leads the Corporate Management team in making and executing operational decisions. No direct supervision of KMPs or any other executive duties are handled by the Chairman.
7 (10)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Through the AGM, the Chairman ensures that the company's progress & strategy are effectively communicated to the shareholders & shareholders can communicate any concerns to the Board, through the Company Secretary.
7 (11)	The CEO shall function as the apex executive-in-charge of the day-to-day-management of the operations.	The CEO functions as the primary executive in charge of the day–to–day activities of the company.
The Chairman and the Chief Executive Officer		
8 (1)	It is mandatory to have at least an Audit Committee and an Integrated Risk Management Committee directly reporting to the board and each are to have a secretary, functioning under the committee chairman. The board is to present a report on each committee at the AGM	Board appointed committees include the Audit Committee, Integrated Risk Management Committee, Human Resources and Remuneration Committee, Nominations Committee, IT Steering Committee, Board Credit and Recoveries Committee and the Related Party Transactions Review Committee . Each committee has a secretary who functions under the supervision of the committee chairman. A report on each of these committees is presented in the Annual Report.

CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Disclosures – BAC as at 31st March 2022.

Paragraph Reference	Guiding Principle	Response for 2020/2021	Response for 2021/2022
Audit Committee			
8 (2)(a)	The chairman of the committee shall be a non-executive director who possesses qualifications & experience in accountancy &/or audit	The Chairman of the committee, Mr. A C M Fernando, is an independent non–executive director who is a Fellow of the Institute of Chartered Accountants of Sri Lanka.	The Chairman of the committee, Mr. A C M Fernando, is an independent non–executive director who is a Fellow of the Institute of Chartered Accountants of Sri Lanka.
8 (2)(b)	The Board members appointed to the committee shall be non-executive directors	All members of the Audit Committee are non-executive directors.	All members of the Audit Committee are non-executive directors.
8 (2)(c)	Responsible to make recommendations with regard to the: (i) Appointment of the external auditor (ii) Implementation of CBSL guidelines issued to auditors (iii) Application of relevant accounting standards (iv) Service period, audit fee & resignation/ dismissal of the auditor	During the period under review, the audit committee has monitored & reviewed the external auditor's independence, objectivity & the effectiveness of the audit process taking in to account relevant professional & regulatory requirements. i) Committee has made recommendations in the appointment of the external auditor. ii) No such guidelines have been issued by the Central Bank during the year under review. iii) The Audit Committee oversees the application of accounting standards (SLFRS and LKAS) by the Company. iv) Committee monitors and is responsible for the service period, audit fee & resignation/ dismissal of the auditor. In order to ensure that this monitoring mechanism is more efficient and effective, the Committee has implemented a formalized policy in relation to the service period, audit fee, any resignation or dismissal of the auditor and the applicable term limits of the auditor.	During the period under review, the audit committee has monitored & reviewed the external auditor's independence, objectivity & the effectiveness of the audit process taking in to account relevant professional & regulatory requirements. i) Committee has made recommendations in the appointment of the external auditor. ii) No such guidelines have been issued by the Central Bank during the year under review. iii) The Audit Committee oversees the application of accounting standards (SLFRS and LKAS) by the Company. iv) Committee monitors and is responsible for the service period, audit fee & resignation/ dismissal of the auditor. In order to ensure that this monitoring mechanism is more efficient and effective, the Committee has implemented a formalized policy in relation to the service period, audit fee, any resignation or dismissal of the auditor and the applicable term limits of the auditor.
8 (2)(d)	Reviewing & monitoring the external auditor's independence & objectivity & the effectiveness of the audit processes in accordance with applicable standards & best practices	The committee regularly reviews & monitors the external auditor's independence, objectivity & the effectiveness of the audit processes as per the applicable guidelines.	The committee regularly reviews & monitors the external auditor's independence, objectivity & the effectiveness of the audit processes as per the applicable guidelines and disclosures made by the External Auditors.

Paragraph Reference	Guiding Principle	Response for 2020/2021	Response for 2021/2022
8 (2)(e)	Responsibility of the Audit Committee to develop & implement a Board approved policy on the engagement of an external auditor for non-audit services, as per the criteria laid out in this rule.	In the context of the criteria laid out in this rule, the committee has approved the engagement of the external auditor to provide non-audit services. Through its continuous monitoring activities, the committee will continue to evaluate the effectiveness of the independence of the external auditors in the provision of non-audit services. In order to formalize this process, the Committee has implemented a policy addressing the engagement with the external auditor which does not impair the independence and objectivity in relation to the provision of non-audit services.	In the context of the criteria laid out in this rule, the committee has approved the engagement of the external auditor to provide non-audit services. Through its continuous monitoring activities, the committee will continue to evaluate the effectiveness of the independence of the external auditors in the provision of non-audit services. In order to formalize this process, the Committee has implemented a policy addressing the engagement with the external auditor which does not impair the independence and objectivity in relation to the provision of non-audit services.
8 (2)(f)	Responsibility of the committee to discuss & finalize with the external auditors, the nature & scope of the audit, in line with the requirements under this rule.	The committee has discussed the audit approach & relevant procedures including matters relating to the scope & nature of the audit & the time plan for the audit.	The committee has discussed the audit approach & relevant procedures including matters relating to the scope & nature of the audit & the time plan for the audit.
8 (2)(g)	Responsibility of the committee to review the financial information in order to monitor the integrity of the financial statements, its annual report, accounts & periodical reports prepared for disclosure,& the significant financial reporting judgments contained therein, as per the criteria in this rule.	The Audit committee has reviewed the company's annual report including financial statements, accounting standards and policies (and changes therein) & significant adjustments arising from the audit & quarterly financial statements. Further, the committee considers the going concern assumption & compliance with relevant accounting standards & other legal requirements.	The Audit committee has reviewed the company's annual report including financial statements, accounting standards and policies (and changes therein) & significant adjustments arising from the audit & quarterly financial statements. Further, the committee considers the going concern assumption & compliance with relevant accounting standards & other legal requirements.
8 (2)(h)	The committee shall discuss issues, problems & reservations arising from the interim & final audits & any matters the auditor may wish to discuss.	The committee has met the external auditors twice without the executive management being present to discuss any issues relating to the audit.	The committee has met the external auditors twice without the executive management being present to discuss any issues relating to the audit.
8 (2)(i)	The committee shall review the external auditor's management letter & the management's response thereto.	The audit committee has reviewed the applicable management letter & the management's responses thereto.	The audit committee has reviewed the applicable management letter & the management's responses thereto.

Paragraph Reference	Guiding Principle	Response for 2020/2021	Response for 2021/2022
8 (2)(j)	The committee is responsible to take the following steps with regard to the internal audit function: (i) Review the adequacy of the scope, functions & resources of the internal audit dept. (ii) Review the internal audit programme & results of the internal audit process. (iii) Review any appraisal or assessment of the performance of the head & senior staff members of the internal audit dept. (iv) Recommend any appointment or termination of the head, senior staff members & outsourced service providers to the internal audit function. (v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit dept. including the chief internal auditor & any outsourced service providers. (vi) Ensure that the internal audit function is independent of the activities it audits.	i) The scope, functions & resources of the internal audit department are set out in the Internal Audit department charter and have been reviewed. ii) Based on the presentation made by the Head of Internal Audit, the committee reviews the internal audit programs, results of the internal audit process & ensures that appropriate actions are taken on the recommendations of the internal audit. iii) The appraisal or assessment of the performance of the head of the Internal Audit Dept. has been done by the chairman of the Board Audit Committee and it is to be reviewed at the Board Audit Committee to be held in the month of May 2021 by its members. iv) The Committee has recommended the appointments of senior staff members for the internal audit function during the year. v) No senior staff of the Internal Audit Dept. resigned during the year. vi) The Internal Audit Dept. is independent from the activities it audits.	i) The scope, functions & resources of the internal audit department are set out in the Internal Audit department charter and have been reviewed. ii) Based on the presentation made by the Chief Internal Auditor, the committee reviews the internal audit programs, results of the internal audit processes & ensures that appropriate actions are taken on the recommendations of the internal audit. iii) The appraisal or assessment of the performance of the head of the Internal Audit Dept. has been done by the chairman of the Board Audit Committee and it is to be reviewed at the Board Audit Committee to be held in the month of June 2021 by its members. iv) There was no appointment or termination of the head, senior staff members & outsourced service providers to the internal audit function during the year. v) No senior staff of the Internal Audit Dept. resigned during the year. vi) The Internal Audit Dept. is independent from the activities it audits.
8 (2)(k)	The committee shall consider the major findings of internal investigations & management's responses thereto	Findings of the internal investigations carried out during the year and the management's responses thereto were reviewed by the Audit Committee in its meetings.	Findings of the internal investigations carried out during the year and the management's responses thereto were reviewed by the Audit Committee in its meetings.
8 (2)(l)	Statement regarding those who can normally attend meetings and those who can attend by invitation. Once in 6 months, the committee is to meet with the external auditors without the presence of the executive directors.	Criteria regarding those who can normally attend meetings & those who can attend by invitation have been followed. The committee has met the external auditors without the presence of any executive director.	Criteria regarding those who can normally attend meetings & those who can attend by invitation have been followed. The committee has met the external auditors without the presence of any executive director twice a year.

Paragraph Reference	Guiding Principle	Response for 2020/2021	Response for 2021/2022
8 (2)(m)	The committee shall have: (i) authority to investigate any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; & (iv) authority to obtain external professional advice & to invite outsiders with relevant experience to attend.	The Audit Committee is guided by its terms of reference which sets out authority & responsibility of the said Committee & these requirements have been represented in the terms of reference. The company will continue to review and update the terms of reference accordingly to be in line with the CBSL requirements.	The Audit Committee is guided by its terms of reference which sets out authority & responsibility of the said Committee & these requirements have been represented in the terms of reference. The company will continue to review and update the terms of reference accordingly to be in line with the CBSL requirements.
8 (2)(n)	The committee shall meet regularly, with due notice of issues to be discussed & shall record its conclusions in discharging its duties & responsibilities	During the year under review, the committee has met 10 times (additionally 2 Board Audit Committee meetings were held during the year with external auditors without the presence of any executive director). Due notice of issues to be discussed were given & records were kept by the company secretary regarding matters discussed & action taken.	During the year under review, the committee has met 12 times (additionally 2 Board Audit Committee meetings were held during the year with external auditors without the presence of any executive director). Due notice of issues to be discussed were given & records were kept by the company secretary regarding matters discussed & action taken.
8 (2)(o)	Annual Report to contain (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; & (iii) details of attendance of each individual member at such meetings.	These details have been disclosed in the annual report in the audit committee report.	These details have been disclosed in the annual report in the audit committee report.
8 (2)(p)	The secretary to the committee shall keep detailed minutes of the committee meetings	The company secretary, who acts as the secretary of this committee, maintains detailed minutes of all meetings.	The company secretary, who acts as the secretary of this committee, maintains detailed minutes of all meetings.
8 (2)(q)	The committee shall review arrangements by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters.	The company has in place, a formal process for employees, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Further, the audit committee functionally reviews issues relating to matters of misconduct.	The company has in place, a formal process for employees, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Further, the audit committee functionally reviews issues relating to matters of misconduct.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
Integrated Risk Management Committee		
8 (3)(a)	The committee shall consist of at least one non-executive director, CEO & KMPs supervising broad risk categories. Duty of the committee is to work with KMPs closely & make decisions on behalf of the Board within its assigned framework of authority.	As at 31st March 2022, the committee comprised of 1 independent non-executive director, 1 executive director (the CEO) and the Head of Risk (a KMP) of the company. The terms of reference of this committee encompasses the duties assigned to it by this direction.
8 (3)(b)	The committee is to assess all risks on a monthly basis through appropriate risk indicators & management information.	The committee assesses & reviews on a monthly basis, risk in terms of liquidity, credit and operational risk by variance reports. The committee also ensures that appropriate measures have been taken to mitigate any risks that have been envisaged. Additionally, plans are afoot to further strengthen the assessment process with the addition of identified credit, liquidity, market and strategic risk indicators.
8 (3)(c)	The committee shall review the adequacy & effectiveness of all management level committees such as the credit committee & the asset-liability committee	Through common quantitative & qualitative indicators, the Committee assesses the effectiveness of all management level committees such as Asset and Liability Committee and Credit Committee against their current Terms of Reference.
8 (3)(d)	The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee.	The committee has reviewed the existing risk indicators which have gone beyond the laid out quantitative and qualitative parameters and recommended adequate corrective action. In order to develop the risk mitigation aspect, the plan is to review, update and set up risk appetite limits for identified risk indicators and review the risk indicators which have gone beyond the specified quantitative and qualitative risk limits.
8 (3)(e)	The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	The committee has met four times during the period under review and has assessed and reviewed relevant detailed Management Information System reports.
8 (3)(f)	The committee shall take appropriate actions against the officers responsible for failure to identify specific risks & take prompt corrective actions as recommended by the committee	The risk identification activities are carried out by the Integrated Risk Management Committee and as such decisions are taken collectively. If any policy breaches occur or if any detrimental action which affects the organization is committed by an employee, the committee will recommend appropriate action against the employee.
8 (3)(g)	The committee shall submit a risk assessment report within a week of each meeting to the Board	The Committee has submitted a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/ or specific directions.
8 (3)(h)	The committee shall establish a compliance function to assess the company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls & approved policies on all areas of business operations. A dedicated compliance officer selected from KMPs, to carry out the compliance function.	A separate compliance officer has been appointed to overlook regulatory and other requirements. Further, the compliance officer has been classified as a KMP.

Paragraph Reference	Guiding Principle	Status & Details of Compliance
Related Party Transactions		
9 (2)	The board is responsible to take necessary steps to avoid any conflicts of interest that may arise from any transaction between the company and a 'related party', as specified in this rule.	In line with the criteria specified in this rule, steps have been taken by the Board to avoid any conflict of interest that may arise, in transacting with related parties as per the definition of this direction. Further the Board ensures that no related party benefits from favorable treatment & the terms of such transactions are similar to the usual terms between the company & any unrelated customer. A related party transactions (RPT) policy has been introduced to formalize this process.
9 (3)	The types of transactions with related parties, to which this Direction applies, are laid out in this rule.	The Board has established a Related Party Transactions Review Committee to review related party transactions like the ones laid out in this rule. The company has introduced the RPT policy to formalize this review process.
9 (4)	The Board shall ensure that the company does not engage in transactions with a related party in a manner that would grant such party "more favourable treatment" (as defined in this rule) than that is accorded to other similar constituents of the company.	The company functionally reviews related party loans and advances, borrowings & deposits in order to ensure that such transactions do not involve "more favorable treatment" as stated in the direction. In order to further ensure that the company does not engage in such transactions in a manner that would grant such related parties "more favorable treatment" than that accorded to others carrying on the same business with the company, the RPT charter has been introduced.
Disclosures		
10 (1)	The Board shall ensure that: (a) annual audited financial statements & periodical financial statements are prepared & published as per the formats prescribed by the regulatory & supervisory authorities & applicable accounting standards, & that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil & English.	The financial statements (final & periodical) are in conformity with all rules & regulatory requirements & the financial statements have been published in the newspapers in all three languages.
10 (2) The Board is to ensure that the following disclosures are made in the Annual Report		
10 (2)(a)	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards & regulatory requirements, inclusive of specific disclosures.	Compliance with applicable accounting standards and regulatory requirements has been reported in the "Statement of Directors' Responsibility" section in the Annual Report.
10 (2)(b)	A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, & that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles & regulatory requirements.	The report by the Board on the company's internal control mechanism and other requirements as per this rule has been disclosed in the annual report under "Directors' Statement on Internal Controls".

Paragraph Reference	Guiding Principle	Status & Details of Compliance
10 (2)(c)	The external auditor's certification on the effectiveness of the internal control mechanism referred to in 10(2)(b) above, in respect of any statements prepared or published from the date of this Direction.	The company has disclosed that the external auditors have considered the internal controls relevant to the company's preparation of its financial statements that give a true and fair view in order to design appropriate audit procedures.
10 (2)(d)	Details of directors, including names, transactions with the company	Details of the directors are disclosed in the annual report. The Directors' transactions with the company and their remuneration have been disclosed in Note No: 46.1 in the Notes to the Financial Statements.
10 (2)(e)	Fees/remuneration paid by the company to the directors in aggregate.	This has been disclosed in Note No: 46.1 in the Notes to the Financial Statements in the Annual Report.
10 (2)(f)	Total net accommodation outstanding in respect of each category of related parties & the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	As per Note No: 46.1 in the Notes to the Financial Statements in the annual report, 2 loans have been granted to 2 related parties, Softlogic BPO services (Pvt) Ltd and Softlogic Stockbrokers (Pvt)Ltd and the total loan outstanding amount as at 31st March 2022 stands at Rs. 2.5Mn. In effect, this translates to 0.03% of the company's capital fund.
10 (2)(g)	Aggregate values of remuneration paid by the company to its KMPs & the aggregate values of the transactions of the company with its KMPs during the financial year	The aggregate values of remuneration for the company's KMPs & the transactions with the company's KMPs have been disclosed in the financial statements in Note No: 46.1 in the Notes to the Financial Statements.
10 (2)(h)	A report setting out details of the compliance with prudential requirements, regulations, laws & internal controls & measures taken to rectify any non-compliance.	The corporate governance report set out in the annual report contains details of compliance with applicable laws, regulations, the code of best practices on corporate governance issued by the ICASL & SEC & internal controls.
10 (2)(i)	A statement of the regulatory & supervisory concerns on lapses in the company's risk management, or non-compliance with the Finance Business Act & rules & directions that have been directed by the Monetary Board to be disclosed to the public.	There were no regulatory/ supervisory concerns on lapses in the company's risk management or non-compliance with applicable laws & regulations that have been directed by the Central Bank as requiring disclosure to the public.
10 (2)(j)	External auditor's certification of the compliance with the Corporate Governance Directions in the annual corporate governance reports published from the date of this Direction.	The Board has obtained Factual Findings Report of the External Auditors .

Level of compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Ref No:	Guiding Principle	Degree of Compliance
Section 1 : The Company		
A) Directors		
A.1. The Board:- Every public company should be headed by an effective Board, which should direct, lead and control the company		
A.1.1.	The Board should meet regularly, at least once every quarter in a financial year	During the year, the Board met 12 times, generally on a monthly basis.
A.1.2.	The Board's role and responsibilities	
	Ensuring the formulation and implementation of a sound business strategy	The Board sets the strategy of the company and drives and constantly monitors the company's 3 year strategic action plan. The various Board committees also play an important role in monitoring the execution of company strategy.
	Appointing the chair and the senior independent director if relevant	In line with the applicable CBSL directions, the Company has appointed the Chairman and also a Senior Independent Director.
	Ensuring that the CEO and the management team possess the skills, experience and knowledge to implement the said strategy	The CEO and the senior management team possess the requisite skills and expertise in the industry and in business to drive the strategy in place.
	Ensuring the adoption of an effective CEO and KMP succession strategy	The Board has implemented a structured approach towards succession planning of the senior management team & has developed a succession plan.
	Approving budgets and major capital expenditure	As part of its 3 year planning cycle, the company prepares its budgets, inclusive of budgets related to capital expenditure and which was approved by the Board.
	Determining the matters expressly reserved to the Board and those delegated to the management including limits of authority and financial delegation.	Matters expressly reserved to the Board has been stated in the company's Articles of Association and the Board has set and approved the relevant matters to be delegated to the internal management, inclusive of limits of authority and financial delegation.
	Ensuring effective systems to secure integrity of information, internal controls, business continuity & risk management.	The Board has in place a set of internal control and risk management policies and techniques to ensure business continuity and integrity. The internal audit, risk management and compliance departments additionally ensure that the requisite CBSL requirements in this regard are also implemented. The Audit Committee and the IRMC constantly monitors the effectiveness of the controls in place.
	Ensuring compliance with laws, regulations & ethical standards	The company's compliance department ensures that the requisite laws, regulations and industry best practices are followed.
	Ensuring all stakeholder interests are considered in corporate decisions	Giving due consideration to various stakeholder interests is a part of the decision making process of the company and how it engages with stakeholders is detailed in the Stakeholder Engagement section from pages 18 to 20.
	Recognising sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting "integrated reporting".	In its decision making process, the Board routinely considers the economic, social and environmental impacts that the business has. The "Creating Sustainable Value" section from pages 56 to 58 discusses this in detail. Further the company has adopted the "integrated reporting" methodology in its reporting.

Ref No:	Guiding Principle	Degree of Compliance
	Ensuring that the company's values and standards are set, with emphasis on adopting appropriate accounting policies & fostering compliance with financial regulations	The company's Code of Business Ethics mandates the strict compliance to all laws and regulations. The company's accounting policies are reviewed annually and are in line with the applicable standards. The Independent Auditor's Report in page 119 subscribes to this fact.
	Establishing a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks	The company has established an extensive process of monitoring and evaluating the progress on strategy implementation, budgets, plan and related risks and the Board is apprised of this at every Board meeting.
	Ensuring that a process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the Company.	The company has a well-established process with appropriate checks and balances for its corporate reporting on an annual and quarterly basis.
	Fulfilling such other Board functions as are vital, given the scale, nature & complexity of the business concerned	The Board has expertise in diverse areas of business to more than adequately address any issue that could arise, given the nature of the industry that the company is in.
A.1.3.	The Board collectively and Directors individually must act in accordance with the applicable laws & a procedure agreed by the Board of Directors should be in place, to obtain independent professional advice, at the company's expense.	The Board has collectively and individually acted in accordance with all applicable laws and regulations and a procedure exists for the Directors to obtain independent advice.
A.1.4.	All Directors should have access to the advice and services of the Company Secretary. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.	All Directors have direct access to the Company Secretaries and both the appointment and removal of the Company Secretaries is decided by the Board.
A.1.5.	All Directors should bring independent judgement to bear on issues of strategy, performance, resources & standards of business conduct.	All Directors bring forth independent judgement when assessing matters before it and always act in the best interest of the company.
A.1.6.	Every Director should dedicate adequate time and effort to matters of the Board and the company, to ensure that the duties and responsibilities owed to the company are satisfactorily discharged.	All Directors, whether Executive or Non-Executive dedicate adequate time and effort to ensure that their obligations pertaining to the functioning of the company are satisfactorily executed. The company ensures that the Directors receive the Board papers well in advance for effective review.
A.1.7.	One third of directors can call for a resolution to be presented to the Board where they feel it is in the best interests of the company to do so.	The directors have always been able to present their independent judgement and act in the best interests of the company.
A.1.8.	Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. The Board should regularly review and agree on the training and development needs of the Directors.	Continuous self-development is decided upon by the Directors and executed. The Board is kept constantly updated on all industry and regulatory changes and their effects on company operations.

Ref No:	Guiding Principle	Degree of Compliance
A.2. Chairman and the CEO:- There are two key tasks at the top of every public company – Conducting of the business of the Board, and facilitating executive responsibility for management of the company's business. There should be a clear division of responsibilities at the head of the company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.		
A.2.1.	A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.	The posts of the Chairman and CEO are held by separate persons.
A.3. Chairman's Role: - The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of the Board functions.		
A.3.1.	The Chairman should conduct Board proceedings in a proper manner with the effective participation of all members of the Board	The Chairman ensures that there is effective participation by all members of the Board and encourages and gives the opportunity for all members to be heard. A conducive atmosphere for healthy debate is created.
A.4. Financial Acumen		
	The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	The Board has amongst its membership, adequate professionals with the necessary financial acumen to provide guidance on matters of finance to the Board.
A.5. Board Balance: - The Board is to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-making.		
A.5.1.	The Board should include Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions. The Board should include at least three Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher.	The Board contains 6 Non-Executive Directors who are highly experienced professionals in their respective fields. Out of the seven directors in the Board as at 31st March 2022, six were Non-Executive Directors.
A.5.2.	Where the constitution of the Board of Directors includes only three Non-Executive Directors, all three such Non-Executive Directors should be 'independent.' In all other instances three or two third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent.'	As at 31st March 2022, the Board contained Six Non-Executive Directors. Out of these Six, three of them were Independent Non-Executive Directors.
A.5.3.	For a Director to be deemed independent such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	The Independent Non-Executive Directors of the company fulfil this criteria and are in a position to exercise unfettered and independent judgement.

Ref No:	Guiding Principle	Degree of Compliance
A.5.4.	Each Non-Executive Director should submit a signed and dated declaration annually of his independence or non-independence	The requisite declarations have been submitted
A.5.5.	The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made and other information available to the Board and should set out in the Annual Report the names of Directors determined to be 'independent.'	The requisite determination has been made by the Board based on the declarations submitted and as per the applicable regulatory criteria. The names of the Independent Non-Executive Directors are set out in page 113 of the Annual Report.
A.5.6.	Appointment of an alternate director by a non-executive independent director.	No alternative Directors were appointed during the year under review.
A.5.7.	In the event the Chairman and CEO is the same person, the Board should appoint one of the independent Non-Executive Directors to be the 'Senior Independent Director' (SID) and disclose this appointment in the Annual Report.	The Chairman and the CEO are separate persons. The Company does have a separate Senior Independent Director appointed as per the Finance Companies (Corporate Governance) Directions.
A.5.8.	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	The Senior Independent Director is available for confidential discussions as necessary.
A.5.9.	The Chairman should hold meetings with the Non- Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	The Chairman consults the Non-Executive Directors to obtain their assessments on matters of importance as and when the need arises.
A.5.10.	Where Directors have concerns about the matters of the company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	The Directors always exercise independent, unfettered judgement when expressing their views during meetings and their concerns when matters cannot be unanimously resolved, are recorded in the Board minutes.
A.6. Supply of Information: - The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1.	Management has an obligation to provide the Board with appropriate and timely information. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	The management ensures that the Board is provided with Board papers well in advance of the meetings and the Chairman ensures that all Directors are adequately briefed in all arising issues.
A.6.2.	The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven (7) days before the meeting.	All necessary material for a Board meeting is normally provided to the Board, at least seven days before the meeting.

Ref No:	Guiding Principle	Degree of Compliance
A.7. Appointments to the Board:- There should be a formal and transparent procedure for the appointment of new Directors to the Board.		
A.7.1.	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments.	Nomination Committee has been established during the year, to make recommendations to the Board on all new Board appointments.
A.7.2.	The Nomination Committee should annually assess board composition to ascertain whether the knowledge & experience of the Board matches the strategic demands facing the company.	The Board does an annual self-assessment of its performance and knowledge and decides upon whether it is strategically geared to face future challenges.
A.7.3.	Upon the appointment of a new Director to the Board, the company should disclose such appointment and the relevant details of the Director to shareholders.	All new appointments are immediately disclosed to the shareholders through the disclosures to the Colombo Stock Exchange.
A.8. Re-election:- All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.		
A.8.1.	Non-Executive Directors should be appointed for specified terms subject to re-election and their reappointment should not be automatic.	The Board makes appointments of Non-Executive Directors in line with the Finance Companies (Corporate Governance) Directions and all Directors are subject to re-election as per the Articles of Association.
A.8.2.	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.	The Articles of Association which specifies the timing and procedure for election and re-election of all Directors is in line with this principle.
A.8.3.	Resignation - In the event of a resignation of a director prior to the completion of his appointed term, the director should provide a written communication to the board of his reasons for resignation.	If and when such a resignation arises, the relevant director takes steps to adequately apprise the board with the relevant information as to his resignation.
A.9. Appraisal of Board Performance: - Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
A.9.1.	The Board should annually appraise itself on its performance	The Board has in place a system of self-assessment and appraisal.
A.9.2.	The Board should also undertake an annual self-evaluation of its own performance and that of its committees.	The Board undertakes annual self-evaluations of its own performance and that of its committees.
A.9.3.	The Board should have a process to review the participation, contribution and engagement of each director at the time of re-election.	The Board has appropriate processes in place to appraise the participation, contribution and engagement of directors.
A.9.4.	The Board should state how such performance evaluations have been conducted, in the Annual Report.	The Board has a system of performance evaluation that has been developed as per the Finance Companies (Corporate Governance) Directions.

Ref No:	Guiding Principle	Degree of Compliance
A.10. Disclosure of Information in respect of Directors: - Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1.	Details with regard to each Director to be disclosed in the Annual Report.	The Directors' profiles are stated in pages 13 to 14.
A.11. Appraisal of the CEO:- The Board should be required, at least annually, to assess the performance of the CEO.		
A.11.1	The Board in consultation with the CEO should set out the short, medium & long-term objectives of the company and reasonable financial and nonfinancial targets that should be met by the CEO.	The Board has set out financial and non-financial targets and short, medium and long term objectives that need to be achieved by the CEO.
A.11.2.	The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.	This is an ongoing process and performance at the end of the financial year is assessed by comparing company performance with budgeted targets.
B. Directors' Remuneration		
B.1. Remuneration Procedure:- Companies should establish a formal and transparent procedure for developing a policy on executive remuneration		
B.1.1.	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the company's framework of remunerating Executive Directors.	A Remuneration Committee has been set up and its report is in page 106 of the Annual Report.
B.1.2.	Remuneration Committees should consist exclusively of Non-Executive Directors & should have a Chairman, who should be appointed by the Board.	The Remuneration Committee consists entirely of Non-Executive Directors and two out of the three Non-Executive Directors are Independent. Further, the Chairman is an Independent Non-Executive Director.
B.1.3.	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	The members of the Remuneration Committee and its Chairman are listed in page 115 of the Annual Report.
B.1.4.	The Board as a whole, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association.	The Board decides upon the remuneration of the Non-Executive Directors and the Non-Executive Directors do not play a part in the determination of their own remuneration. This process is conducted as per the Articles of Association of the company.
B.1.5.	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice	As per the terms of reference of the Remuneration Committee, it has access to professional advice and is free to consult the Chairman and/or CEO as it feels fit.

Ref No:	Guiding Principle	Degree of Compliance
B.2. The level & make-up of remuneration: - Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully.		
B.2.1.	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	The remuneration policy of the company is structured in a manner to attract and retain high calibre professionals as Executive Directors, in line with industry standards.
B.2.2.	Executive directors' remuneration should be designed to promote the long-term success of the company.	This has been taken into account when designing the remuneration of the Executive Directors.
B.2.3.	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies.	Industry standards and trends are taken into consideration by the Remuneration Committee when deciding upon levels of remuneration and links are made between remuneration levels and performance.
B.2.4.	The Remuneration Committee should be sensitive to remuneration & employment conditions elsewhere in the company or group of which it is a part, especially when determining annual salary increases.	The Remuneration Committee takes into consideration the remuneration levels elsewhere in the group when determining remuneration levels and increments.
B.2.5.	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the company.	The performance related elements of remuneration have been designed in a way that individual performance and increases in company performance are positively linked.
B.2.6.	Executive share options should not be offered at a discount save as permitted by the Listing Rules of the CSE.	No executive share options exist in this company.
B.2.7.	In designing schemes of performance related remuneration, Remuneration Committees should follow the provisions set out in Schedule E of this code.	The Remuneration Policy of the company encapsulates and is in line with the guidelines provided in Schedule E of the code.
B.2.8.	Remuneration Committee should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination.	These have been adequately considered when determining remuneration.
B.2.9.	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committee should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances.	The Remuneration Policy of the company has been designed to be in line with all applicable legal requirements.
B.2.10.	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options.	The time, commitment and the responsibilities that the role entails are taken into consideration when determining the remuneration of Non-Executive Directors. Remuneration for Non-Executive Directors does not include share options.

Ref No:	Guiding Principle	Degree of Compliance
B.3. Disclosure of remuneration:- The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole and a specimen of a remuneration committee report followed by schedule D		
B.3.1.	The Annual Report should set out the names of Directors comprising the Remuneration Committee, contain a Statement of Remuneration Policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	The names of the Directors comprising the Remuneration Committee have been set out in page 115. The remuneration policy has been set out in page 106. The aggregate remuneration has been set out in page 186.
C. Relations with shareholders		
C.1. Constructive use of the AGM & conduct of general meetings:- Boards should use the AGM to communicate with shareholders and should encourage their participation		
C.1.1.	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	The notice of the AGM and the Annual Report are dispatched to shareholders in compliance with the applicable regulations.
C.1.2.	Companies should propose a separate resolution at the AGM on each substantially separate issue & should in particular propose a resolution at the AGM relating to the adoption of the report and accounts.	A separate resolution is proposed for each separate resolution at the AGM and this applies to the adoption of the Annual Report of the Board of Directors and the accounts.
C.1.3.	The Company should ensure that all valid proxy appointments received for general meetings are properly recorded and counted.	The company has a mechanism in place to count all proxy votes and indicate the level of proxies lodged on each resolution, the balance for and against and withheld for each resolution.
C.1.4.	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration, Nomination and Related Party Transactions Review Committees and the Senior Independent Director to be available to answer questions at the AGM if so requested by the Chairman.	All the Chairman of the respective committees are available to answer any questions at the AGM.
C.1.5.	Companies should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.	A summary of the procedures governing the voting at the AGM are given in the Notice of the AGM itself and circulated to all shareholders.
C.2. Communication with Shareholders:- The Board should implement effective communication with Shareholders		
C.2.1.	There should be a channel to reach all shareholders of the Company in order to disseminate timely information	The channels the company uses to reach all shareholders are the AGM, the Annual Report, Quarterly Financial Statements, Disclosures to the Colombo Stock Exchange, notices in newspapers and the company website.
C.2.2.	The company should disclose the policy and methodology for communication with shareholders	The company's policy with regard to the communication with shareholders is as per applicable statutory requirements and adopted best practices. This involves the utilisation of a variety of effective and formal channels to ensure that accurate information is given in a timely manner.
C.2.3.	The company should disclose how they implement the above policy and methodology	The implementation of this policy is done as through the utilisation of a variety of channels mentioned in C.2.1.

Ref No:	Guiding Principle	Degree of Compliance
C.2.4.	The company should disclose the contact person for such communication	The contact person for shareholder communication is the Company Secretary.
C.2.5.	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the company	All major shareholder issues and concerns are discussed at Board Meetings. During the period under review, there were no such concerns raised that required such discussion.
C.2.6.	The company should decide the person to contact in relation to Shareholder's matters. The relevant person with statutory responsibilities to contact in relation to Shareholder's matters is the company secretary.	The contact person for shareholder communication is the Company Secretary.
C.2.7.	The process for responding to shareholder matters should be formulated by the Board & disclosed.	Appropriate responses and action, if any, are decided upon by the Board and then the company secretary communicates this to the shareholders in the most appropriate manner depending on the circumstances.
C.3. Major & material transactions: - Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the company's net assets base.		
C.3.1.	Directors' responsibility to disclose the details of major & material transactions to shareholders for their approval, prior to entering into them.	There were no major or material transactions during the year that required shareholder approval, as prescribed by this Code.
C.3.2.	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the Securities Exchange Commission and by the Colombo Stock Exchange.	The company has complied with all such disclosure requirements.
D. Accountability and Audit		
D.1. Financial Reporting: - The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
D.1.1.	The Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	The annual report presented by the Board contains financial statements that are true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation have been clearly explained.
D.1.2.	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	The company has prepared and published quarterly, interim and annual financial statements as per the applicable financial standards and within the statutorily prescribed time periods. The company has complied with all applicable statutory disclosures and financial reporting.

Ref No:	Guiding Principle	Degree of Compliance
D.1.3.	The Board should, before it approves the Company's financial statements for a financial period, obtain from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the system of risk management and internal control was operating effectively.	The Board has made the necessary consultations with the Chief Executive Officer and Chief Financial Officer with regard to the fact that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the system of risk management and internal control was operating effectively.
D.1.4.	The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors on the areas covered by the code.	Refer page 112 to 115 for the Annual Report of the Board of Directors and page 102 for the Directors' Statement on Internal Controls.
D.1.5.	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Statement on Internal Controls.	Refer the Annual Report of the Board of Directors from page 112 to 115 The statement issued by the Auditors is in page 119. The Statement of Directors Responsibilities is in page 111. The Statement on Internal Controls is in page 102.
D.1.6.	Annual Report should contain a Management Discussion & Analysis	The Management Discussion & Analysis is from page 30 to 66.
D.1.7.	Requirement to summon an EGM in the event the net assets of the company fall below 50% of the value of the company's shareholders' funds.	This situation did not arise in the year under review.
D.1.8.	The Board should adequately and accurately disclose the related party transactions in its Annual Report	The related party transactions are reported in page 107 to 108.
D.2. Internal Controls: - The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the company's assets.		
D.2.1.	The Directors should, at least annually, conduct a review of the risks facing the company and the effectiveness of the system of internal controls.	The company has in place a system of Board approved internal control and risk management mechanisms. Continuous monitoring is done in this regard by the internal audit and risk management departments. Refer to the Audit Committee report in page 104 to 105 and the Integrated Risk Management Committee report in page 109 to 110.
D.2.2.	The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	Refer the Annual Report of the Board of Directors from page 112 to 115 The Statement of Directors Responsibilities is in page 111. The Statement on Internal Controls is from page 102 to 103.

Ref No:	Guiding Principle	Degree of Compliance
D.2.3.	The company should have an Internal Audit function	The company has a separate Internal Audit department that reports directly to the Audit Committee
D.2.4.	The Board should require the Audit Committee to carry out reviews of the process & effectiveness of risk management & internal controls & to document to the Board.	The Audit Committee carries out regular reviews of the processes and internal controls in place, through the Internal Audit department and reports to the Board of its assessments.
D.2.5.	Responsibilities of Directors in maintaining a sound system of internal control & the contents of the Statement of Internal Control	Refer the Annual Report of the Board of Directors, page 113 and the Statement of Internal Control in page 102.
D.3. Audit Committee: - The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the company's Auditors.		
D.3.1.	The board should establish an audit committee exclusively of non-executive directors with a minimum of three non-executive directors of whom at least two should be independent. If there are more non-executive directors, the majority should be independent. The Committee should be chaired by an independent non-executive director. The board should satisfy itself that at least one member of the audit committee has recent and relevant experience in financial reporting and control.	The Audit Committee contains only Non-Executive Directors and there are three of them. 2 out of the 3 members are Independent Non-Executive Members and the committee chairman is also an Independent Non-Executive Director.
D.3.2.	The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties. The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors, amongst other matters.	These duties are encapsulated in the written terms of reference of the Audit Committee.
D.3.3.	A separate section of the annual report should describe the work of the committee in discharging its responsibilities.	Refer the Audit Committee report in page 104 to 105.
D.4. Related Party Transactions Review Committee: - The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favourable treatment" than that accorded to third parties in the normal course of business.		
D.4.1.	A related party and related party transactions will be as defined in LKAS 24.	The company has adopted these definitions as per LKAS 24 with regard to related parties and related party transactions.

CORPORATE GOVERNANCE DISCLOSURES

Ref No:	Guiding Principle	Degree of Compliance
D.4.2.	The Board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non-Executive Directors with a minimum of three Non- Executive Directors of whom the majority should be independent. Executive Directors may attend by invitation. The Chairman should be an Independent Non-Executive Director appointed by the Board.	The company's Related Party Transactions (RPT) Review Committee consists of two Independent Non-Executive Directors and a Non-Executive Director. The Chairman of the committee is an Independent Non-Executive Director.
D.4.3.	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	The company has a formal RPT Policy and a separate Board approved Terms of Reference in place.
D.5. Code of Business Conduct & Ethics: - Companies must adopt a Code of Business Conduct and Ethics for Directors & KMPs and must promptly disclose any waivers of the Code for Directors or others.		
D.5.1.	Requirement to make disclosures on the availability of a Code of Business Conduct & Ethics.	The company has in place a Code of Business Conduct and Ethics.
D.5.2.	The Company should have a process in placed to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	The company ensures that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.
D.5.3.	The Company should establish a policy, process for monitoring, and disclosure of shares purchased by any director, Key Management Personnel or any other employee involved in financial reporting.	The company ensures that it monitors and discloses as per any applicable statute or regulation, any purchase of shares by any Director or any Key Management Personnel.
D.5.4.	The Chairman must affirm in the Company's Annual Report that a code of conduct and ethics has been introduced companywide and the procedure for disseminating, monitoring and compliance with that code. He must also disclose that he is not aware of any violation of any of the provisions of the Code of Business Conduct & Ethics.	Refer the Annual Report of the Board of Directors from page 112 to 115.
D.6. Corporate Governance Disclosures: - Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.		
D.6.1.	The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	This report demonstrates the way in which the company has adopted this Code.

Ref No:	Guiding Principle	Degree of Compliance
Section 2 : Shareholders		
E. Institutional Investors		
E.1. Shareholder Voting: - Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.		
E.1.1.	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	The Annual General Meeting serves as the forum for the shareholders to express their views. Further, they can raise any issues to the Board through the Company Secretary.
E.2.	Evaluation of governance disclosures: - When evaluating the company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	The Annual Report contains all the necessary governance disclosures applicable to this company. Institutional investors are at liberty to give due weight to the relevant resolutions when exercising their voting rights.
F. Other Investors		
F.1.	Investing/divesting decision: - Individual shareholders, investing directly in shares of the company should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Individual investors are at liberty to carry out adequate analysis or seek independent advice with regard to their investing/ divesting decisions.
F.2.	Shareholder voting:- Individual shareholders should be encouraged to participate in General Meetings of the company and exercise their voting rights.	Individual shareholders are encouraged to participate in General Meetings and exercise their voting rights. The relevant notice of meeting is dispatched to all shareholders as per the statutory requirements.
G. Internet of things and Cyber Security		
G.1.	The Board should have a process to identify how in the organization's business model that IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cyber security risks that may affect the business.	Based on the business requirements of the company and the scope of application and extent of usage of its IT resources, the company will look into introducing an appropriate policy.
G.2.	The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a cyber-security risk management policy which should be approved by the Board.	The company's current Head of IT oversees and handles the management of cyber-security risk. Based on the business requirements of the company and the scope of application and extent of usage of its IT resources, the company will look into introducing an appropriate policy.
G.3.	The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber risk management.	Based on the cyber security risk management related requirements of the company's operations, the Board will allocate appropriate time for such discussions.

Ref No:	Guiding Principle	Degree of Compliance
G.4.	The Board should ensure the effectiveness of the cyber security risk management through independent periodic review and assurance.	As per the business requirements of the company & the scope of application of its IT resources, the Board will consider the usage of independent periodic reviews & assurance with regard to its cyber security risk management.
G.5.	The Board should disclose in the annual report, the process to identify and manage cyber security risks.	Refer the Risk Management Section in page 59 to 66.
H. Environment, Society and Governance (ESG)		
H.1. ESG Reporting:- The Company's annual report should contain sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognized, managed, measured and reported.		
H.1.1	Company should provide information in relation to relevance of environmental, social and governance factors to their business models and strategy, how ESG issues may affect their business and how risks and opportunities pertaining to ESG are recognized, managed, measured and reported.	In the "Our Approach to Value Creation", "Management Discussion & Analysis" and "Accountability & Transparency" sections in its annual report, the referred material is adequately covered.
H.1.2. Environmental Factors		
H.1.2.1	Environmental governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities	Refer the Environmental Contribution section in page 58.
H.1.3. Social Factors		
H.1.3.1	Social governance of an organization should include its relationship with the community, customers, employees, suppliers, outsourced providers and any other party that can influence or be influenced by the organization's business model.	Refer the Social Contribution section in page 57.
H.1.4. Governance		
H.1.4.1	Companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long term, recognizing managing and reporting on all pertinent aspects of ESG.	Refer the Corporate Governance Philosophy section from page 68 to 69.
H.1.5. Board's Role on ESG Factors		
H.1.5.1	ESG reporting is a Board's responsibility and it is designed to add value by providing a credible account of the Company's economic, social and environmental impact.	The Board has taken appropriate cognizance of these requirements and the relevant reporting has been made in the "Our Approach to Value Creation", "Management Discussion & Analysis" and "Accountability & Transparency" sections in the annual report.

GOVERNANCE REPORTS

DIRECTORS ATTENDANCE - BOARD & SUB COMMITTEES IN A SNAPSHOT

ATTENDANCE OF DIRECTORS AT BOARD & SUB-COMMITTEE MEETINGS FROM APRIL TO MARCH 2021/22

						Attendence (BAC)			
Directors	Executive	Non-Executive	Independent	Non-Independent	Attendance (Board Meetings)	Regular Meetings	Meetings without the presence of Executive Directors	Attendence (IRMC)	Attendence (RPT)
Mr. A. Russell-Davison (Chairman)		√		√	11/12	10/12	1/2		
Mr. P. Wijesekera (Chief Executive Officer)	√				12/12			4/4	
Mr. A. C. M. Fernando		√	√		12/12	12/12 *	2/2		4/4*
Mr. A. C. M. Lafir		√		√	12/12				
Mr. D. Renganathan		√	√		12/12	12/12	1/2	4/4*	3/4
Mr. H. K. Kaimal		√		√	12/12				4/4
Ms. A. Goonetilleka		√	√		12/12				

** Committee Chairman/Chairperson*

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Responsibility

According to the Section 10(2) (b) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008, the Board of Directors presents this statement on Internal Control over financial reporting.

The Board of Directors (the "Board") is responsible for the adequacy and effectiveness of Softlogic Finance PLC's (the "Company") system of internal controls over Financial Reporting. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and sub committees appointed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Summary of the Process Adopted in Reviewing the Design and Operating Effectiveness of the Internal Control System

The Board has adopted key processes in reviewing the design and operating effectiveness of the system of internal controls with regard to financial reporting including the following:

- Various appointed Committees are established by the Board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Unit of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any noncompliance. Audits are carried out on branches and other centers, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the internal audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee of the Company review internal control issues identified by the Internal Audit Department, regulatory authorities and management, and evaluate the adequacy and effectiveness of the internal control system over financial reporting. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on page 104.
- In assessing the internal control system, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn were observed and checked by the Internal Audit Unit for suitability of design and effectiveness on an ongoing basis.
- Comments made by the External Auditors in connection with further improvements to the internal control system had been adequately addressed in a written response from the Management. The improvements pointed out by the External Auditors will be implemented during the ensuing year.
- The processes and procedures adopted by the Company are being further strengthened based on feedback received from External Auditors, Internal Audit Department, Regulators and the Board Audit Committee. The Company will continue to further develop the processes such as financial statement closure process including disclosures with regard to financial risk management, related party identification and disclosure, impairment assessment process, management information system and the overall IT control environment including controls over changes and access to systems and data.
- Since the adoption of Sri Lanka Accounting Standards comprising SLFRSs and LKASs, continuous monitoring is in progress and steps are being taken for improvements where required.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

External Auditors' Certification

The external auditors have given their certification on the effectiveness of internal controls of the company.

By order of the Board,

(Sgd.)
Aaron Russell-Davison
Chairman

(Sgd.)
M.H. Priyantha Wijesekera
CEO / Director

(Sgd.)
A C M Fernando
Chairman - Board Audit Committee

29th June 2022

REPORT OF THE AUDIT COMMITTEE

Composition

The Board Audit Committee comprised of the following Non-Executive Directors of the Company during the financial year.

- Mr. A C M Fernando (Chairman from November 2019) - Independent Non-Executive Director (Appointed on 15th November 2019)
- Mr. A Russell-Davison - Non-Executive Director (Appointed on 10th June 2020)
- Mr. D P Renganathan - Independent Non-Executive Director (Appointed on 10th June 2020)

Role of the Board Audit Committee

The Board Audit Committee assists the Board of Directors in fulfilling effectively its responsibilities relating to financial and other related affairs of the Company. The committee is empowered to oversee:

- Preparation, presentation and adequacy of disclosures in the financial statements, in accordance with the Sri Lanka Accounting Standards.
- Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- Processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Accounting Standards and regulatory requirements.
- Assessing the Company's ability to continue as a going concern in the foreseeable future.
- Make determination on the Independence and performance of the Company's external auditors.
- The rationale and basis for the significant estimates and judgments underlying the financial statements.

The Board Audit Committee uses the Audit Committee Charter as a guide in taking appropriate measures in order to safeguard the interests of all stakeholders of the Company.

The global outbreak and spread of COVID-19 from January 2020 has caused disruption to businesses and economic activities. The Board Audit Committee reviewed the changes to the internal control systems of the company. The Internal Audit Department has carried out extended 'off sight audits' and in lockdown lifted areas, special on sight reviews.

There was a negative impact from the Moratorium in the results of the company. The Board Audit Committee monitored it through the reviews carried out by the Internal Audit Department and other reports submitted to it.

Financial Reporting

Acting with other Board members the committee reviewed the Company's Interim and Annual Financial Statements and other financial information prior to publication.

The Committee reviewed the operations with respect to risk assessment and monitored the effectiveness of risk management to provide reasonable assurance to the Board that the assets of the Company are safeguarded and that the financial position is maintained according to information made available.

The committee established a mechanism for the confidential receipt, retention and treatment of complaints (if any) alleging fraud or malpractice which may be received from internal/external sources pertaining to accounting, internal controls or other such matters.

External Audits

The Committee assists the Board of Directors in engaging External Auditors for Audit and Non-Audit services in compliance with the statutes.

The Committee discusses the audit plan, key audit issues and their resolutions, management response and proposed remuneration pertaining to the External Auditors. The reappointment of the external auditor Messrs Ernst & Young for the next financial year is recommended subject to the approval of the Shareholders at the AGM.

Internal Audits

During the year the audit committee reviewed the performance of the internal audit function, the findings of internal audits completed, corrective action taken by the management and their evaluation of the Company's internal control system. The committee also reviewed and approved the adequacy and coverage of the risk based internal audit programme. It also assessed the resource requirement and independence of the department.

Meetings

The Board Audit Committee met twelve times (excluding two Board Audit Committee meetings held during the year with external auditors without the presence of any executive director) during the year 2021/22. The attendance of the members at Audit Committee meetings was as follows:

Member	Status	No. of Meetings
Mr. A C M Fernando (Chairman)	Independent Non- Executive Director	12/12
Mr. A Russell-Davison	Non- Executive Director	10/12
Mr. D P Renganathan	Independent Non- Executive Director	12/12

On the invitation of the Committee, the Chief Executive Officer, the Chief Financial Officer, the Chief Internal Auditor, other officers and the external auditors may attend the meetings. Softlogic Corporate Services (Pvt) Ltd acted as Secretaries to the Audit Committee. The proceedings of the audit committee meetings are recorded in adequate detail and reported to the Board.

During the financial year, the committee made determination on the Independence of the Company's external auditors as per the applicable guidelines and disclosures made by them to the committee.

(Sgd.)
A C M Fernando
Chairman
Board Audit Committee

29th June 2022

GOVERNANCE REPORTS
REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee is appointed by the Board of Directors of the Company. The members of the Remuneration Committee are:

- Mr. D. P. Renganathan – Independent Non-Executive Director (Chairman of the Committee)
- Mr. A. Russell-Davison – Non-Executive Director/ Chairman (Member)
- Mr. A. C. M. Fernando – Independent NonExecutive Director (Member)

The Committee meets at least once a year.

Terms Of Reference

a) The Committee operates within Board approved terms of reference and assists the Board of Directors in ensuring that remuneration arrangements in the Company align with Remuneration Policy.

b) The Committee is empowered by its terms of reference to review the structure, size and composition of the Company and make recommendations to the Board with regard to any changes that needs to be introduced.

c) Terms of reference of the Committee preclude its members from participating in decisions relating to his/her own appointment.

Authority Of The Committee

The Committee has the authority to discuss issues under its purview and report back to the Board with recommendations, enabling the Board to take a final decision on the matter. The Committee is authorized by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

Remuneration Policy

The Remuneration Policy of Softlogic Finance determine the formulation of all remuneration based on the job profile, industry remuneration levels and practices and the country's cost of living situation. The Remuneration Policy of the company is developed with a comprehensive compensation and benefit grid. The grid has been developed in par with the industry rates in order to ensure competitive packages at the point of recruiting people to the company.

The Company's reward strategies and remuneration structure is designed to attract, motivate and retain high caliber people at all levels of the organization, in a highly competitive environment.

Accordingly, the salaries and other benefits are reviewed periodically taking into account the performance of the individual, comparisons with peer group companies, institutional guidelines and reports from specialist consultants. The skills, experience of the individual and his/her level of responsibility are also taken into account in deciding on the remuneration.

The Company's Remuneration Strategy

- Remuneration is commensurate with each employee's expertise and contribution and is aligned with the business' performance and long term shareholder returns.
- Industry rates were considered with the aim of attracting, motivating and retaining high calibre people
- There is no discrimination against employees based on diversity or physical differences.
- Remuneration structures encourage a focus on achieving agreed deliverables and behaviours.
- Individual performance appraisals identify talent at all levels in the organisation, enabling fair and competitive remuneration.

(Sgd.)
Mr. D P Renganathan
Chairman - Board Remuneration Committee

29th June 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Introduction

Pursuant to the requirements of the Code of Best Practices on Related Party Transactions 2013 and thereafter as per Section 9 of the Listing Rules of the Colombo Stock Exchange, this Committee was formed as a Board Committee by the Board of Directors of Softlogic Finance PLC.

Composition Of The Committee

As per the requirements of Section 9.2.2 of the Listing Rules, the Board has appointed the following Directors to this Board Committee:

Name of Director	Nature of the Directorship	Status in the Committee
Mr. A. C. M. Fernando	Independent Non- Executive Director	Chairman of the Committee
Mr. D. P. Renganathan	Independent Non-Executive Director	Member
Mr. H. K. Kaimal	Non-Executive Director	Member

Softlogic Corporate Services (Pvt) Ltd, the secretaries of the company, function as the Secretary to the Related Party Transactions Review Committee.

Terms Of Reference

The terms of reference of this committee lays out its purpose, scope, authority and operating guidelines. These terms of reference comprehensively cover all the relevant aspects stated in the Listing Rules. The Board has approved the Terms of Reference of the Related Party Transactions Review Committee.

The Terms of Reference of this Committee are as follows:

- The broad purpose is to ensure that the interests of shareholders as a whole are taken into consideration by the company when entering into related party transactions. Further, this committee is mandated with providing safeguards to prevent directors or substantial shareholders from taking advantage of their positions.
- This committee should review in advance, all proposed related party transactions, with the exception of those that specifically fall within the ambit of the exceptions stated in Section 9.5 of the Listing Rules. Any review should be done prior to that transaction, or if it is conditional on such review, prior to the completion of that transaction.
- Any director who is a related party to a proposed related party transaction is not to participate in any related discussion and not vote on that matter. Such a director is to only participate, only to provide information regarding the related party transaction to the committee at the request of the committee.
- The Committee is to decide whether the related party transactions reviewed by them, require the approval of the Board or the Shareholders of the company.
- During committee meetings, the management is to update the committee on any prospective material changes to any previously reviewed related party transactions and seek committee approval for such changes before those transactions are completed.
- This committee can recommend the creation of a Special Committee to review and approve any related party transaction, if the Committee deems it necessary due to potential conflicts. If it is deemed necessary, approval for a particular related party transaction can be obtained from the Board itself and such approval is to be obtained before that transaction is entered into
- Directors of the committee should ensure that they have or have access to enough knowledge or expertise to asses all aspects of proposed related party transactions and where necessary, they should obtain appropriate professional and expert advice from an appropriately qualified person.
- The Committee shall meet at least once a quarter.
- For ongoing related party transactions, the Committee has a Board approved Related Party Policy in place, for the senior management to follow in continuing transactions with the related parties. In this regard, the committee is to annually review and assess the continuous dealings with related parties to decide on compliance with the set guidelines and whether these continuing related party transactions are appropriate.

Policies And Procedures

The company identifies all persons and entities who are to be recognized as "related parties", as per the respective definitions set out in Section 9 of the Listing Rules. Self-declarations are obtained from each of the key management personnel, in order to identify parties related to them. Further, a Board approved Related Party Policy is in place in respect of the related party transactions and the applicable procedures.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Thereafter, based on these self-declarations, the Company identifies potential related party transactions, as per the guidelines set out in Section 9 of the Listing Rules and forwards them to be reviewed by this committee.

Meetings Of The Committee

The Committee met on four (04) occasions during the year. The attendance at the meeting held is as follows:

Directors	Attendance				Summary
	*23/06/2021	*21/09/2021	*20/12/2021	*31/03/2022	
Mr. A. C. M. Fernando Non-Executive/ Independent Chairman	√	√	√	√	4/4
Mr. D. Renganathan Non-Executive/ Independent	√	√	√	-	3/4
Mr. H. K. Kaimal Non-Executive	√	√	√	√	4/4

** Virtual Meetings*

Compliance With Related Party Transaction Rules

Transactions of related parties (as defined in LKAS 24- Related Parties Disclosure) with the Company are set out in Note 46 to the Financial Statements. There are no any other related party transactions which exceed the threshold of 10% of the equity or 5% of the total assets, whichever is lower in relation to non - recurrent related party transactions or 10% of the gross revenue in relation to recurrent related party transactions other than the transaction mentioned below. The Company had complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party.

Issue of Subordinated Loan of Rs. 900 Mn to meet Tier II Regulatory Capital Requirements

- Transaction Date: 07th October 2021
- Name of the relevant Related Party : Softlogic Capital PLC
- Relationship between the Company and the Related Party Softlogic Capital PLC is the immediate parent company of Softlogic Finance PLC
- Description of the Transaction: The Company to obtain a Subordinate Loan of Sri Lankan Rupees Nine Hundred Million only (Rs.900,000,000/-) from Softlogic Capital PLC with a maturity of 5 years structured in compliance with Directions issued by the Department of Supervision of Non Bank Financial Institutions to qualify for the purpose of meeting Tier II Capital under the Capital Adequacy Requirement by the Company
- Basis of Disclosure: The transaction of value LKR 900,000,000/- exceeds 10% of the equity as per the latest Audited Financial Statements for the year ended 31st March, 2021
- Rationale for entering into the Transaction: To enable Softlogic Finance PLC to meet Tier II Regulatory Capital Requirements as per the Directions of the Department of Supervision of Non Bank Financial Institutions and receiving approval from the Monetary Board of the Central Bank of Sri Lanka for such classification for Tier II Capital.
- The Related Party Transactions Review Committee is of the view that the transaction is on normal commercial terms, and is not prejudicial to the interests of the entity and its minority shareholders and the Related Party Transactions Review Committee has not obtained an opinion from an independent expert prior to forming its view on the transaction.

The aggregate value of all Related Party Transactions with Softlogic Capital PLC including the value of this Subordinated Debt is Rs 901,736,599.62 (unaudited)

The aggregate value of all related party transactions for the financial year including the value of this Subordinated Debt is Rs. 930,851,341.82 (unaudited)

The related party transactions of the Company for the financial year ended 31st March, 2022 have been reviewed by the Committee and the activities and comments of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)
Mr. A. C. M. Fernando
Chairman - Related Party Transactions Review Committee

30th August 2022

GOVERNANCE REPORTS

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

The Integrated Risk Management Committee (IRMC) assists the Board of Directors of Softlogic Finance PLC in fulfilling its responsibilities for overseeing the Company's risk management framework and activities, including the review of major risk exposures and the steps taken to monitor and control those exposures pertaining to the myriad of risks faced by the Company in its business operations. The Committee is a Board appointed committee chaired by an Independent Non-Executive Director in compliance with the Finance Companies Direction No. 3 of 2008 (Corporate Governance) issued by the Monetary Board of the Central Bank of Sri Lanka.

The Committee's composition during the year under review was as follows;

Mr. Dinesh P. Renganathan

Chairman of the Committee/ Independent Non-Executive Director

Mr. Priyantha Wijesekera

Executive Director/ Chief Executive Officer

Ms. Sameera Kaumudi

Head of Risk Management

Meetings

During the year under review, four (04) Committee meetings were held. The attendance of the members at each of these meetings is given on page 101 of this Report.

Key Management Personnel in charge of Finance, Information Technology, Credit, Liquidity, Operational, Human Resources, Compliance and Internal Audit also attended meetings of the Committee, by invitation to assist in the Committee's deliberations.

The Head of Risk Management functioned as the Secretary to the Committee during the year under review.

Duties and responsibilities of the committee

The Terms of Reference (TOR) clearly set out authority/delegations vested with the Committee, composition, responsibilities, meeting frequency and quorum, reporting and other procedures of the Committee.

The duties and responsibilities of the Integrated Risk Management Committee as mandated by the Board of Directors are as follows:

- Assist in the oversight of the review and approval of the Company's risk management policy and risk limits and policies that establish appetite for credit, market, liquidity, operational and other risks, as recommended by the Head of Risk Management including risk appetite and risk strategy.
- Reviewing and/or recommending policies, programmes and Management Committee Charters relating to risk management and compliance
- Review the adequacy and effectiveness of risk identification, measurement, monitoring and mitigation relating to credit, market, liquidity, operational, and compliance risks and other specific risks and manage these risks within quantitative and qualitative risk limits defined in the appetite statement
- Assess all aspects of risk management including updated business continuity and disaster recovery plans.
- Review the adequacy and effectiveness of all Management Level Committees such as the Credit Committee and Assets and Liability Management Committee
- Risk management reports on the risk profile of the Company, as well as current market and regulatory risks and actions undertaken to identify, measure, monitor, and control such risks.
- Oversee management process for the identification of significant risks across the company and the adequacy of prevention, detection and reporting mechanisms
- Recommending and overseeing the corrective action required to mitigate risks that are beyond tolerant levels of the Company
- Review the company's compliance level with applicable laws and regulatory requirements
- Review changes in the economic and business environment, including emerging trends and other factors relevant to the company's risk profile

Committee activities during the financial year 2021/22

The Committee discharged its responsibilities in compliance with its TOR and to enable this, the Committee received regular risk assessed reports on the Company's performance from the Risk Management Department. The reports and the relevant background information have been reviewed in depth and necessary risk mitigation measures have been initiated where necessary, in order to maintain the Company's exposure to risk within its risk appetite limits and to facilitate compliance with regulatory requirements.

The Committee reviewed significant risks comprising strategic, operational, credit, market, information technology and other emerging risk categories during the year. The activities carried out by the Committee are given below;

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE

- Main focus area was on the deteriorated credit quality level of the industry amidst the economic crisis Sri Lanka is currently facing and the socio-economic challenges due to legacy of the COVID-19 pandemic situation. Deliberations on sectors affected and the factors that are within the control of the Company to mitigate the risks were given due cognisance with a view to arresting deterioration of credit quality.
- Another focus area of the Committee under the prevailing conditions was the information security implications arising out of the rapid shift to the "Work-From-Home" environment and the enhancements required to ensure strong security for the remote access arrangements in terms of management, technical and physical controls.
- The Committee gave special attention to the impact assessments of the COVID-19 lockdown and the moratorium measures on SFP's cashflow.
- Reviewed the adequacy of the business continuity and disaster recovery plans of the Company, in line with the statutory requirements.
- Reviewed periodic reports from the Management on the metrics used to measure, monitor and manage risks, including acceptable and appropriate levels of risk exposures.
- Approval of parameters and limits set by the Management against various categories of risk upon ascertaining that they are in accordance with the relevant laws and regulations as well as internal guidelines of the Company.
- Improvements were recommended to the Company's risk management framework and related policies and procedures as deemed suitable, by considering the anticipated changes in the economic and business environment.
- Regular reviews of compliance risk, particularly in the context of AML concerns

Reporting to the Board

The Minutes of the Committee meetings were tabled at Board meetings thereby providing the Board members with access to the deliberations of the Committee. The risk assessments were submitted to the Board within an adequate time period from each Board Integrated Risk Management Committee meeting.

Committee Evaluation

The Committee evaluates its performance annually and is satisfied that it has functioned effectively in the past year.

Outlook for the financial year 2022/23

Looking ahead, we anticipate the inflationary pressure to elevate in 2022/23 as a result of the prevailing economic crisis which will exert an immense pressure specially on SFP's liquidity positions and its credit risk profile. Accordingly, SFP will have to maintain a cautious approach to new lending opportunities in 2022. The IRMC will continue to review and oversee SFP's risk profile and its control environment with a special focus on credit and liquidity risk. Further, the Committee will continually review various risks that could be encountered by the company and strive to promote a robust risk governance framework and explicit risk appetite for SFP. The Committee continues to be cautious and recognises that its focus must be further improved to fine tune its risk management strategy with the improvement of technology, increased vulnerability with macroeconomic shocks and volatility that poses a greater challenge in business continuity.

(Sgd.)
Dinesh P. Renganathan
Chairman
Integrated Risk Management Committee

29th June 2022

GOVERNANCE REPORTS
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors, in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on pages 119 to 122.

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparing the Annual Report and the financial statements. Company law requires the Directors to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the statement of comprehensive income of the Company for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing the financial statements set out in pages 123 to 194 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and in compliance with the Sri Lanka Accounting Standards (SLFRSs / LKASs), Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Finance Business Act No. 42 of 2011 and the Directions issued thereunder. The Directors confirm that they have justified in adopting the going concern basis in preparing the financial statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act No. 07 of 2007.

They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal control.

The Directors are required to prepare the financial statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

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

Compliance Report

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and other known statutory dues as were due and payable by the Company as at the date of the Statement of Financial Position have been paid or, where relevant provided for, in arriving at the financial results for the year under review.

For and on behalf of the Board of

(Sgd.)
Softlogic Corporate Services (Pvt) Ltd
Secretaries

30th August 2022
Colombo

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Softlogic Finance PLC have pleasure in presenting to the members of their report together with the Audited Financial Statements of the Company for the year ended 31 March 2022.

General

Softlogic Finance PLC is a public limited liability Company which was incorporated on 24 August 1999 under the Companies Act No. 17 of 1982 as "Vanik Leasing Limited".

On 14 July 2005 the name of the Company was changed to "Capital Reach Leasing Limited". The Company was reregistered under the Companies Act No. 07 of 2007 on 29 September 2008 under Registration No. PB 641 PQ.

The Ordinary Shares of the Company were listed on the Dirisavi Board of the Colombo Stock Exchange on 22 January 2009.

The name of the Company was changed to Softlogic Finance PLC on 12 November 2010.

Softlogic Finance PLC is a licensed Finance Company in terms of the Finance Business Act No.42 of 2011 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

Principal Activities Of The Company And Review Of Performance During The Year

The principal activities of the Company during the year were granting lease facilities, vehicle loans, group personal loans, personal loans, business loans, small business loans, SME loans, gold loans, mortgage loans, other credit facilities, vehicle hiring, factoring, acceptance of deposits and the operation of savings accounts.

Future Developments

A review of the business of the Company and its performance during the year with comments on the financial results, future strategies and prospects are contained in the Chairman's & CEO's Messages.

This Report, together with the Financial Statements, reflects the state of affairs of the Company.

Financial Statements

The complete financial statements of the Company prepared in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 inclusive of specific disclosures, duly signed by two Directors on behalf of the Board and the Auditors are given on pages 123 to 194.

Auditor's Report

The Report of the Auditors on the Financial Statements of the Company is given on pages 119 to 122.

Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards and the policies adopted thereof are given on pages 128 to 147 Figures pertaining to the previous periods have been re-stated where necessary to conform to the presentation for the year under review.

Directors' Responsibility For Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

Property, Plant & Equipment

The details and movement of property, plant and equipment during the year under review is set out in Note No 27 to the Financial Statements on pages 161 to 163.

Land Holdings

The Company owns freehold land worth of Rs.234,300,000/- with the value of the total freehold land and building coming to Rs.337,600,000/- The freehold land extent is 12.62 perches and is located at No: 13, De Fonseka Place, Colombo 04. This land was valued by Mr. G. W. G. Abeygunawardene, who is a Chartered Valuation Surveyor, on 31st March 2022.

Investments

Details of quoted and unquoted investments made by the Company as at 31st March 2022 are given in Note No 26 to the Financial Statements on page 160.

Donations

The Company did not make any donations during the year under review.

Reserves

The movement of reserves during the year are given under the Statement of Changes in Equity from pages 170 to 171.

Stated Capital

The stated capital of the Company as at 31 March 2022 was Rs. 6,746,427,723.12 represented by 492,726,902 ordinary shares.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the date of the Statement of Financial Position, have been paid or, where relevant, provided for.

Related Party Transactions

Transactions of the related parties (as defined in LKAS 24 – Related Parties Disclosure) with the Company are set out in Note No. 46 to the Financial Statements. There are no any other related party transaction which exceed the threshold of 10% of the equity or 5% of the total assets, whichever is lower than in relation to non-recurrent related party transactions or 10% of the gross revenue in relation to recurrent related party transactions other than the transaction mentioned in page 108. The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transaction

Directorate

The following Directors held Office during the year under review. The biographical details of the Board members are set out on pages 13 to 14.

Executive Director

- **Mr. M.H.P. Wijesekera**
  Director/CEO Non – Executive Director

Non-Executive Directors

- **Mr. A. Russell-Davison**
  (Resigned with effect from 31st July 2022) (A) Non-Executive Chairman

- **Mr. D. P. Renganathan**
  Non – Executive Independent Director – (Appointed as a Chairman w.e.f. 15th August 2022) (B)

- **Mr. H. K. Kaimal**
  Non – Executive Non – Independent Director

- **Mr. A. C. M. Fernando**
  Non – Executive Senior Independent Director

- **Ms. A. Goonetilleka**
  Independent Non – Executive Director

- **Mr. Aashiq Cader Mohamed Lafir**
  Non – Independent, Non – Executive Director

- **Mr. Pasan Thaminda Wanigasekara**
  Independent Non – Executive Director – (Appointed w.e.f 30th June 2022) (c)

(A) The approval has been granted by the Central Bank of Sri Lanka for the aforesaid resignation in terms of Section 8.1 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

(B) The approval has been granted by the Central Bank of Sri Lanka to change the designation as Chairman of the Board of Directors of the Company, in terms of Section 3.2 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

(C) The approval has been granted by the Central Bank of Sri Lanka for the aforesaid appointment in terms of Section 3.2 of the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021.

In terms of Article 91 and 92 of the Articles of Association of the Company Mr. A. C. M Fernando, Mr. D. P. Renganathan retire and being eligible, offer themself for re-election

In terms of Article 97 of the Article of Association of the Company Mr. Pasan Thaminda Wanigasekara retire and being eligible offer himself for election.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2022 and 01 April 2021 are as follows:

Name of Director	No. of Shares as at 31/03/2022	No. of Shares as at 31/03/2021
Mr. A. Russell – Davison (Resigned w.e.f. 31/07/2022)	Nil	Nil
Mr. H.K. Kaimal	Nil	Nil
Mr. A.C.M. Fernando	Nil	Nil
Mr. D.P. Renganathan	Nil	Nil
Mr. M.H.P. Wijesekera	Nil	Nil
Ms. A. Goonetilleka	Nil	Nil
Mr. Aashiq Lafir	Nil	Nil
Mr. Pasan T Wanigasekara (Appointed w.e.f. 30/06/2022)	Nil	Nil

Mr. A Russell-Davison is a Director of Softlogic Capital PLC, which held 449,195,807 shares (91.17%) in Softlogic Finance PLC as at 31 March 2022. Messrs. A Russell-Davison and H K Kaimal are Directors of Softlogic Holdings PLC which held 5,657,598 shares (1.15%) in Softlogic Finance PLC as at 31 March 2022.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year ended 31 March 2022 Is disclosed under the transactions with key managerial personnel in Note No 46 to the Financial Statements on page 186.

Interests Register

The Company maintains an Interest Register in terms of the Companies Act No. 07 of 2007 which is deemed to form part and parcel of this Annual Report and available for inspection upon request. All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interest Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

Shareholders' Information

The distribution of shareholders, information on the twenty (20) largest shareholders of the Company, percentage of shares held by the public, market values per share as per the requirements of the Listing Rules of the Colombo Stock Exchange are given on the page 198 to 200 under the Investor Information section.

Compliance

The Company has established a permeant and effective compliance function. A Compliance Officer appointed by the Board independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board and the Integrated Risk Management Committee. Monthly and quarterly compliance reports are submitted confirming compliance with laws and regulations as applicable to the Company.

The Compliance Officer also ensures that compliance reports are submitted to the Central Bank of Sri Lanka confirming Company's compliance with the directions, rules, determinations, notices and guidelines issued under the Finance Business Act No. 42 of 2011.

Internal Control

The Directors are responsible for the governance of the Company including the establishment and maintenance of the Company's system of internal control. Internal control systems are designed to cover financial, operational and compliance controls. The Internal Auditors are responsible to review and report on the efficacy of the internal control system and other regulations and the Company's accounting and operational policies, which are subject to further review by the Audit Committee as elaborated in the report of Audit Committee on page 104.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee and the Integrated Risk Management Committee.

The Risk Management section on page 59 to 66 sets out the processes currently practiced by the Company to identify and manage the risks.

Contingent Liabilities

Except as disclosed in Note No.43 to the Financial Statements, there were no material contingent liabilities as at the date of the Financial Position of the Company.

Corporate Governance

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

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

The Company's Corporate Governance model has been built and enhanced based on the following requirements and guidelines, within the legal framework of the Companies Act No. 07 of 2007

1. The Listing Rules of the CSE.
2. Finance Companies (Corporate Governance) Direction No.03 of 2008 issued by the Central Bank of Sri Lanka.
3. Finance Companies (Corporate Governance-Amendments) Direction No.04 of 2008 issued by the Central Bank of Sri Lanka.
4. Finance Companies (Corporate Governance-Amendments) Direction No.06 of 2013 issued by the Central Bank of Sri Lanka.
5. Finance Business Act Direction (Corporate Governance) No. 05 of 2021 issued by the Central Bank of Sri Lanka.

6. Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible persons) No. 06 of 2021 issued by the Central Bank of Sri Lanka.

The Company's compliance with the voluntary Code of Best Practice in Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and Securities & Exchange Commission of Sri Lanka (SEC), is subordinate to the prevalent CBSL Directions and the applicable Listing Rules issued by the Colombo Stock Exchange.

The Board of Directors confirm that the Company is complied with Section 7.10 of the Listing Rules of the CSE on Corporate Governance and the said Direction issued by the Monetary Board of the Central Bank of Sri Lanka save and except in respect of the matters referred to in the Annual Corporate Governance Report on page 70 to 100.

An Audit Committee, Human Resource and Remuneration Committee, Related Party Transaction Review Committee, Credit Committee, IT Steering Committee, Nomination Committee and Integrated Risk Management Committee function as Board Sub Committees with Directors who possess the requisite qualifications and experience. In addition to Directors, certain key management personnel also serve on the Integrated Risk Management Committee and the IT Steering Committee.

The compositions of the committees are as follows:

Audit Committee

- Mr. A. C. M. Fernando (Chairman)
- Mr. D. P. Renganathan
- Mr. A. Russell-Davison - Resigned w.e.f. 31/07/2022

Human Resource and Remuneration Committee

- Mr. Dinesh Renganathan – Chairman
- Mr. Aaron Russell-Davison – Member-Resigned w.e.f. 31/07/2022
- Mr. Manilka Fernando – Member

Credit Committee

- Ms. Aruni Goonetileke – Chair Person
- Mr. Dinesh Renganathan – Member
- Mr. Priyantha Wijesekera – Member
- Mr. Namal Sumanaratne – Member/ Secretary to the committee

Integrated Risk Management Committee

- Mr. Dinesh Renganathan - Chairman
- Mr. Priyantha Wijesekera – Member
- Ms. Sameera Kaumadi - Member

IT Steering Committee

- Mr. Haresh Kaimal – Chairman
- Mr. Dinesh Renganathan – Member
- Mr. Priyantha Wijesekera – Member
- Mr. Channa De Silva – Member / Secretary to the committee

Nomination Committee

- Mr. D.P.Renganathan - Chairman
- Mr. A Russell-Davison - Member Resigned w.e.f. 31/07/2022
- Ms. A. Goonetilleke - Member

Related Party Transaction Review Committee

- Mr. A. C. M. Fernando - Chairman
- Mr. H.K. Kaimal - Member
- Mr. D.P.Renganathan - Member

The Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non-audit/tax compliance services. As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

A total amount of Rs. 3,500,000 is payable by the Company to the Auditors for the year under review as audit fees.

A resolution to reappoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held by electronic means on Thursday, the 29th September, 2022 at 10.00a.m. The Notice of the Annual General Meeting is on page 203 of the Annual Report.

Acknowledgement Of The Contents Of The Report

As required by Section 168(1)(k) of the Companies Act No. 07 of 2007, this report is signed on behalf of the Board of the Company by two Directors and the Secretaries of the Company. Signed for and on behalf of the Board of Directors by

(Sgd.)
D. P. Renganathan
Chairman

(Sgd)
M. H. P. Wijesekera
Director/CEO

(Sgd.)
Softlogic Corporate Services (Pvt) Ltd
Secretaries

30th August 2022
Colombo

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

2021/22

Publication of Audited Financial Statements for the year ended 31 March 2021	30th June 2021
13th Annual General Meeting held on	24th August 2021
Publication of half yearly Financial Statements (1st half of year 2021/22) (Unaudited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Languages	05th November 2021
Publication of half yearly Financial Statements (2nd half of year 2021/22) (Audited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Languages	30th June 2022

PUBLICATION OF INTERIM FINANCIAL STATEMENTS IN TERMS OF LISTING RULES 7.4 OF THE COLOMBO STOCK EXCHANGE

1st Quarter ended 30 June 2021	09th August 2021
2nd Quarter ended 30 September 2021	05th November 2021
3rd Quarter ended 31 December 2021	25th January 2022
4th Quarter ended 31 March 2022	31st May 2022

PROPOSED FINANCIAL CALENDAR 2022/2023

Publication of Audited Financial Statements for the year ended 31 March 2022	30th June 2022
14th Annual General Meeting to be held on	29th September 2022
Publication of half yearly Financial Statements (1st half of year 2022/23) (Unaudited) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 30th November 2022
Publication of half yearly Financial Statements (2nd half of year 2022/23) (Audited)) as per the requirements of Central Bank of Sri Lanka in Sinhala, Tamil, & English Language	On or before 30th June 2023

PUBLICATION OF INTERIM FINANCIAL STATEMENTS IN TERMS OF LISTING RULES 7.4 OF THE COLOMBO STOCK EXCHANGE

1st Quarter ended 30 June 2022	On or before 15th August 2022
2nd Quarter ended 30 September 2022	On or before 15th November 2022
3rd Quarter ended 31 December 2022	On or before 15th February 2023
4th Quarter ended 31 March 2023	On or before 31st May 2023

INDEPENDENT AUDITORS' REPORT

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

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

APAG/WDPL/IP/MHM

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.

Key audit matter	How our audit addressed the key audit matter
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.	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.

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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1697.

29 June 2022

Colombo

INCOME STATEMENT

For the year ended 31 March	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	-	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 128 to 194 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	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	34.1	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 128 to 194 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	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.

(Sgd.)
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,

(Sgd.)
A. Russell - Davison
Chairman

(Sgd.)
M.H.P. Wijesekera
CEO/Director

The Accounting policies and Notes to the Financial Statements from pages 128 to 194 form an integral part of these Financial Statements.

29 June 2022
Colombo

STATEMENT OF CHANGES IN EQUITY

	Note	Stated Capital Rs.	Statutory Reserve Fund Rs.	Revaluation Reserve Rs.	Available for Sale Reserve Rs.	Retained Earnings Rs.	Total Rs.
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 128 to 194 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	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
		2,904,934,854	**2,566,094,092**
Operating profit before working capital changes		**1,969,189,281**	**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		**(2,829,587,539)**	**(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		**(4,434,743,342)**	**(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			
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		**(205,992,366)**	**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		**376,109,922**	**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 128 to 194 form an integral part of these Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 follo

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.

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 17 "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.

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.

'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.

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.

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.

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.

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.

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.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

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

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.

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.)

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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

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.

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.

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

6. 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.

NOTES TO THE FINANCIAL STATEMENTS

7. NET INTEREST INCOME

7.1 Interest Income

For the year ended 31 March	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

For the year ended 31 March	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

For the year ended 31 March	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

For the year ended 31 March	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**

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.

For the year ended 31 March	2022 Rs. Stage 1	2022 Rs. Stage 2	2022 Rs. Stage 3	2022 Rs. Stage 4
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**	**1,210,260,697**

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.

For the year ended 31 March	2021 Rs. Stage 1	2021 Rs. Stage 2	2021 Rs. Stage 3	2021 Rs. Stage 4
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

For the year ended 31 March	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 OPERATING EXPENSES

For the year ended 31 March	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**

12.1 Depreciation & Amortization Expenses

For the year ended 31 March	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

For the year ended 31 March	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.

For the year ended 31 March	2022 Rs.	2021 Rs.
Income statement		
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.

For the year ended 31 March	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.)

For the year ended 31 March	2022	2021
Profit attributable to ordinary shareholders (Rs.)	(935,745,573)	(902,851,105)
Weighted average number of ordinary shares during the year (15.1)	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		Weighted Average No: of Shares	
For the year ended 31 March	2022	2021	2022	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.

16. DIVIDEND PAID

For the year ended 31 March	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

18. CASH AND BANK BALANCES

As at 31 March	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

As at 31 March	2022 Rs.	2021 Rs.
Placements with banks	-	204,827,995

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

As at 31 March	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)

As at 31 March	2022 Rs.	2021 Rs.
Unquoted unit investment in unit trusts	-	300,809,707
	-	**300,809,707**

20. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

As at 31 March	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

As at 31 March	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**

21.3 Allowance for Expected Credit Losses/Impairment Provision

subject to collective impairment

As at 31 March	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

As at 31 March 2022	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

As at 31 March 2021	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

As at 31 March	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 receivables-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 Risks

As at 31 March 2021	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold loan receivables-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

As at 31 March	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

As at 31 March 2022	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**

22.5 Movement in Allowance for Expected Credit Losses

As at 31 March 2021	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

As at 31 March	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

As at 31 March	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

As at 31 March	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

As at 31 March 2022	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**

23.6 Movement in Allowance for Expected Credit Losses

As at 31 March 2021	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

As at 31 March	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**

24.5 Allowance for Expected Credit Losses/Impairment

Loans subject to collective impairment

As at 31 March	2022 Rs.	2021 Rs.
Collective Impairment		
Balance as at 01 April	156,521,582	128,881,165
Charge/ (Reversal) to income statement	99,778,254	27,640,417
Balance as at 31 March	**256,299,836**	**156,521,582**
Individual Impairment		
Balance as at 01 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 31 March	**98,258,239**	**49,079,698**

24.6 Movement in Allowance for Expected Credit Losses

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 31 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 31 March 2022	**37,044,922**	**131,673,093**	**185,840,060**	**354,558,075**

24.7 Movement in Allowance for Expected Credit Losses

As at 31 March 2021	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 31 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 31 March 2021	**23,632,135**	**36,127,882**	**145,841,263**	**205,601,280**

25. OTHER ASSETS

As at 31 March		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**

25.1 Provision for Repossessed Stock

As at 31 March	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

As at 31 March	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

As at 31 March	2022 Rs.	2021 Rs.
Softlogic Retail (Pvt) Ltd	597,484	1,142,484
Softlogic Life PLC	900,000	2,858,315
	1,497,484	**4,000,799**

26. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 March		2022 Rs.	2021 Rs.
Equity instruments at fair value through OCI - Quoted	Note 26.1	-	37,429,767
Equity instruments at fair value through OCI - Unquoted	Note 26.2	30,600	30,600
		30,600	**37,460,367**

26.1 Financial Instruments - Quoted

As at 31 March	2022		
	No of Shares	Cost Rs.	Market Value Rs.
Asiri Hospitals PLC	-	-	-

As at 31 March	2021		
	No of Shares	Cost Rs.	Market Value Rs.
Asiri Hospitals PLC	1,467,834	40,018,290	37,429,767

26.2 Financial Instruments - Un.Quoted

As at 31 March	2022		
	No of Shares	Cost Rs.	Market Value Rs.
Credit Information Bureau of Sri Lanka	100	30,600	30,600

As at 31 March	2021		
	No of Shares	Cost Rs.	Market Value Rs.
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.

27. PROPERTY, PLANT AND EQUIPMENT

27.1 Cost/Valuation

As at 31 March 2022	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

As at 31 March 2022	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)	-
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

As at 31 March	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**

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.

As at 31 March	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

27.8 Intangible Assets

As at 31 March	2022 Rs.	2021 Rs.
Cost as at 01 April	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

As at 31 March	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

As at 31 March	2022 Rs.	2021 Rs.
Cost as at 01 April	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

As at 31 March	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

As at 31 March	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

As at 31 March	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 other borrowed funds	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

As at 31 March	Tenor	2022 Rs.	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
		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.

31.2.1 Loans - on maturity

Detail analysis of loans obtained as follows.

Lending Institution	Nature of Facility	Interest rate	Repayment Term	2022 Rs.	2021 Rs.	Carrying value of Collaterals Rs. Mn	Security
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

Lending Institution	Nature of Facility	Interest rate	Repayment Term	2022 Rs.	2021 Rs.	Carrying value of Collaterals Rs. Mn	Security
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
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	-	-	

32. OTHER PAYABLES

As at 31 March	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	258,291,965	340,631,855
	525,122,930	**550,598,721**

32.1 Related Party Payables

As at 31 March	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.

As at 31 March	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

As at 31 March	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)

As at 31 March	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

As at 31 March	2022		2021	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Deferred tax assets on:				
Gratuity Provision	46,459,268	11,150,224	57,407,951	13,777,908
Impairment and CBSL provision	1,188,019,045	285,124,571	1,684,503,296	404,280,791
Unutilised Tax Losses	821,819,829	197,236,759	696,727,808	167,214,674
Right of use 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:				
Accelerated depreciation for tax purpose - Own assets	221,838,087	53,241,141	179,476,951	43,074,468
Revaluation of land & building	28,470,000	6,832,800	11,400,000	2,736,000
Accelerated depreciation for tax purpose - Lease 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

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

As at 31 March		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

As at 31 March	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)

As at 31 March	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

As at 31 March	2022	2021
Discount rate *	14.00%	6.71%
Future salary increment rate *	10.00%	7.00%
Mortality	A 1967/70	A 1967/70
	Mortality Table	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

As at 31 March	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**

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		2021	
		Sensitivity Effect on gratuity liability- Increase/(Decrease) in the Liability (Rs. Mn.)	Sensitivity Effect on Comprehensive Income-(Charged)/ Reversal (Rs. Mn.)	Sensitivity Effect on gratuity liability- Increase/(Decrease) in the Liability (Rs. Mn.)	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

As at 31 March	2022		2021	
	No. of shares	Rs.	No. of shares	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)
Revaluation surplus (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.

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	**(2,803,598,408)**	**(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.

As at 31 March	2022 Fair value measurement using				
	Carrying value Rs.	Quoted prices in active markets (Level I) Rs.	Significant observable inputs (Level 2 Rs.	Significant unobservable inputs (Level 3) Rs.	Total Fair Value Rs.
FINANCIAL ASSETS					
Cash and bank balances	438,009,460	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	1,457,460,165	-	1,457,460,165	-	1,457,460,165
Factoring receivables	710,253,049	-	-	710,253,049	710,253,049
Gold loan receivables	2,891,741,116	-	-	2,891,741,116	2,891,741,116
Loan receivables	5,721,832,163	-	-	5,662,886,967	5,662,886,967
Lease and hire purchase receivables	11,262,883,980	-	-	10,215,642,862	10,215,642,862
Other Financial assets	1,041,889,120	-	-	1,041,889,120	1,041,889,120
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	-	30,600
TOTAL FINANCIAL ASSETS	**23,524,099,652**	**438,009,460**	**1,457,490,765**	**20,522,413,114**	**22,417,913,339**
FINANCIAL LIABILITIES					
Due to customers	15,599,352,518	-	-	15,164,560,790	15,164,560,790
Other borrowed funds	4,844,445,609	-	4,844,445,609	-	4,844,445,609
TOTAL FINANCIAL LIABILITIES	**20,443,798,127**	**-**	**4,844,445,609**	**15,164,560,790**	**20,009,006,399**

As at 31 March	2021 Fair value measurement using				
	Carrying value Rs.	Quoted prices in active markets (Level I) Rs.	Significant observable inputs (Level 2 Rs.	Significant unobservable inputs (Level 3) Rs.	Total Fair Value Rs.
FINANCIAL ASSETS					
Cash and bank balances	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	1,001,933,146	-	1,001,933,146	-	1,001,933,146
Factoring receivables	564,990,812	-	-	564,990,812	564,990,812
Gold loan receivables	2,250,074,022	-	-	2,250,074,022	2,250,074,022
Loan receivables	8,454,723,905	-	-	8,308,120,979	8,308,120,979
Lease and hire purchase receivables	5,262,704,090	-	-	5,555,528,589	5,555,528,589
Other Financial assets	434,395,836	-	-	434,395,836	434,395,836
Equity Instruments at fair value through other comprehensive income	37,460,367	37,429,767	30,600	-	37,460,367
TOTAL FINANCIAL ASSETS	**19,139,558,979**	**665,519,558**	**1,507,150,756**	**17,113,110,239**	**19,285,780,552**
FINANCIAL LIABILITIES					
Due to customers	14,598,143,536	-	-	14,119,605,535	14,119,605,535
Other borrowed funds	2,639,021,605	-	2,639,021,605	-	2,639,021,605
TOTAL FINANCIAL LIABILITIES	**17,237,165,141**	-	**2,639,021,605**	**14,119,605,535**	**16,758,627,140**

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.
- Ensured adequate liquidity resources were held to meet Company's obligations, given the uncertainties caused by the pandemic.

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 Rs.	2021 Carrying amount Rs.
Equity Instruments at fair value through other comprehensive income	30,600	37,460,367
	30,600	37,460,367

Financial assets 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:

	31 March 2022 Rs.	31 March 2021 Rs.
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 equity 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)

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.	More than 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**

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.	More than 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**

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 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.

Assessment of Expected Credit Losses

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

As at 31 March 2022	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
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**

As at 31 March 2021	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
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

As at 31 March	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.

As at	31 March 2022		31 March 2021	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
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)

As at 31 March	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**

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

As at 31 March	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

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.	More than 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**

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.	More than 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**

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:

As at 31 March	2022 Rs.	2021 Rs.
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:

As at 31 March	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
	1,895,469,625	**1,834,400,240**

Total Liquid Assets as at end of March

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

As at 31 March	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%.

As at 31 March	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%) (6.5% in 2021)	7.1%	-3.9%
Total Capital ratio - (Minimum Requirement 11%) (10.5% in 2021)	12.1%	-3.9%

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

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	Amount utilised in Rs. (B)	% 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	Amount utilised in Rs. (B)	% 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		

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	Amount utilised in Rs. (B)	% 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		

43. COMMITMENTS AND CONTINGENCIES

As at 31 March	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

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.	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**

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.	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.

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

As at 31 March	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.

As at 31 March	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

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
Softlogic Corporate Services (Pvt) Ltd	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Softlogic Stock Brokers (Pvt) Ltd	Affiliated Company	2021/22	-	738	-
	Affiliated Company	2020/21	-	81,786	-
Softlogic Holdings PLC	Ultimate Parent Company	2021/22	1,881,223	-	680,813,733
	Ultimate Parent Company	2020/21	-	-	-
Softlogic Retail (Pvt) Ltd	Affiliated Company	2021/22	(597,484)	-	284
	Affiliated Company	2020/21	(1,142,484)	-	271
Softlogic Communications (Pvt) Ltd	Affiliated Company	2021/22	-	-	-
		2020/21	-	-	-
Softlogic Brands (Pvt) Ltd	Affiliated Company	2021/22	-	-	313,499
		2020/21	-	152,565,312	752,186
Softlogic Information Technologies (Pvt) Ltd	Affiliated Company	2021/22	429,250	-	-
	Affiliated Company	2020/21	-	-	-
Softlogic Life Insurance PLC	Affiliated Company	2021/22	18,039,735	-	-
	Affiliated Company	2020/21	16,646,070	-	-
Softlogic Computers (Pvt) Ltd	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-

Income Earned	Cost Incurred	Plant & Equip. Purchased / (sold)	Sale of equity shares under FVTOCI	Nature and Terms of the Transaction
-	3,163,407	-	-	> Cost for secretarial services provided > ROC charges
-	2,729,561	-	-	> Cost for secretarial services provided
13,074	-	-	-	> Leasing facility granted at market rate for a period of 12 months
4,362	530,568	-	-	> Stock broker fees > Leasing facility granted at market rate for a period of 12 months
-	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
-	2,988,834	-	-	> Reimbursement of directors annual insurance liability premium > Payment for fuel & fuel cards > Top Jobs annual subscription renewal 2021
-	1,185,013	-	-	> Cost for staff mobile phone vouchers. > Maintaining savings accounts at a Interest rate of 5%
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
-	-	-	-	-
-	373,866	-	-	> Purchasing of tabs for recovery staff
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
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
-	237,650	19,819,000	-	> Equipment maintenance > Purchase of fixed assets
-	12,500	4,229,460	-	> Cost of fixing of networking cabling > Purchase of fixed assets
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
-	21,948,839	-	-	> Business promotional activities - Covid 19 insurance coverage for for gold loan Customers > Staff insurance premium for 2021
-	527,945	-	-	> Maintenance cost
-	-	795,085	-	> Purchase of computers & related

Company	Relationship	F/Y	(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits
Softlogic Capital PLC	Parent Company	2021/22	894,526	-	1,401,250,219
	Parent Company	2020/21	4,322,927	-	-
Nextage (Pvt) Ltd	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Central Hospital Ltd	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Softlogic Asset Management Ltd	Affiliated Company	2021/22	-	-	17,032,300
	Affiliated Company	2020/21	-	-	40,000,000
Future Automobiles (Pvt) Ltd	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Softlogic Mobile Distributors (Pvt) Ltd	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Suzuki Motors Lanka (Pvt)Ltd	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	1,573,891
Asiri Surgical Hospital	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Asiri Hospital Matara	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Asiri Hospital Kandy	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Asiri Hospital Galle	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Softlogic Restaurants (Pvt) Ltd	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-
Odel PLC	Affiliated Company	2021/22	-	-	-
	Affiliated Company	2020/21	-	-	-

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

Income Earned	Cost Incurred	Plant & Equip. Purchased / (sold)	Sale of equity shares under FVTOCI	Nature and Terms of the Transaction
-	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
-	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"
-	-	-	-	-
-	33,786	-	-	> Advertising & agency services
-	17,600	-	-	> Purchasing Diesel
-	69,000	-	-	> Obtaining auditorium facilities
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"
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"
-	5,701,341	-	-	> Vehicle repair services
-	3,450,227	-	-	> Vehicle repair services
-	-	296,765	-	> Purchasing tabs
-	-	254,202	-	> Purchasing tabs for E-lease app
-	13,559	-	-	> Interest cost on fixed deposit
-	164,960	-	-	"> Accepted fixed deposit at a rate of 10.19% p.a. for one year period > Interest cost on fixed deposit"
-	385,501	-	-	> Rapid antigen test
-	-	-	-	-
-	13,000	-	-	> PCR test
-	-	-	-	-
110,500	-	-	-	> Rapid antigen test
-	-	-	-	
-	30,000	-	-	> Rapid antigen test
-	-	-	-	-
-	55,230	-	-	> Payment for refreshments
-	-	-	-	-
-	217,500	-	-	> Payment for microfiber woven tie
-	-	-	-	-

47. BUSINESS SEGMENT INFORMATION

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.

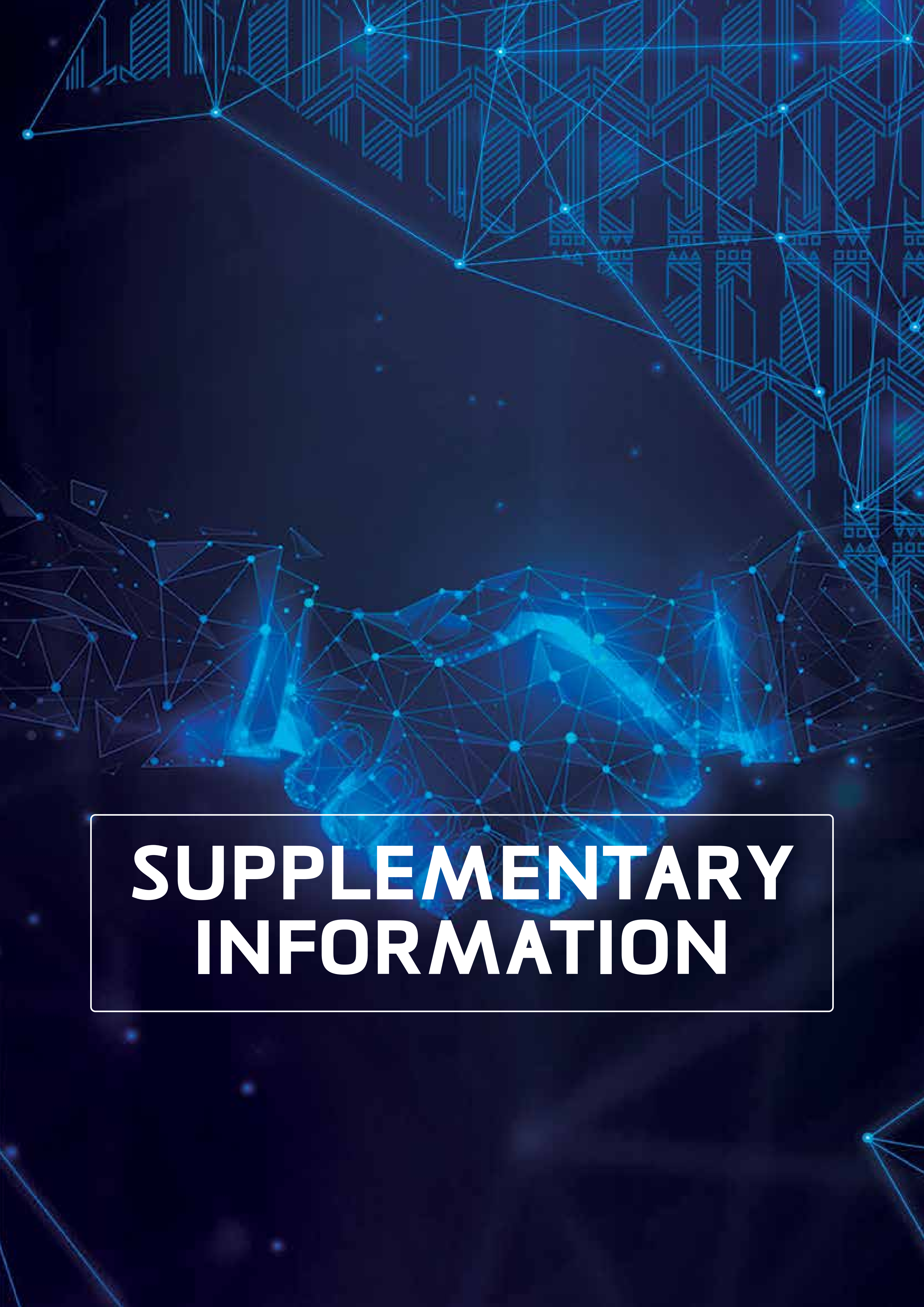
	Leasing & Hire Purchases		Vehicle Loans	
	2022	2021	2022	2021
Interest income	1,538,314,320	676,566,645	142,040,066	247,581,446
Interest expenses	-	-	-	-
Net interest income	**1,538,314,320**	**676,566,645**	**142,040,066**	**247,581,446**
Fee and commission income	78,157,839	21,728,934	7,216,695	7,951,443
Net trading income / (loss)	-	-	-	-
Other operating income	-	-	-	-
Total operating income	**1,616,472,158**	**698,295,579**	**149,256,760**	**255,532,889**
Impairment charges for loan and advances	(164,886,047)	(57,545,635)	15,472,644	7,054,914
Net operating income	**1,451,586,111**	**640,749,944**	**164,729,404**	**262,587,803**
Depreciation for property, plant and equipment	(19,871,984)	(12,504,229)	(1,153,296)	(2,252,431)
Amortisation of intangible assets	(14,750,345)	(7,879,968)	(856,055)	(1,419,446)
Personal cost	-	-	-	-
Other operating expenses	40,745,184	(220,386,918)	3,762,202	(80,647,948)
Segment profit before VAT on financial services	**1,457,708,966**	**399,978,829**	**166,482,254**	**178,267,978**
VAT and NBT on financial services				-
Segment profit / (loss) before tax	**1,457,708,966**	**399,978,829**	**166,482,254**	**178,267,978**
Income tax reversal / (expenses)	-	-	-	-
Profit / (Loss) for the year	**1,457,708,966**	**399,978,829**	**166,482,254**	**178,267,978**
Total assets	**11,262,883,980**	**5,295,824,671**	**653,656,119**	**953,955,403**
Total Liabilities	**9,326,436,975**	**4,527,601,298**	**541,271,899**	**815,572,642**

Gold Loans		Loans and Receivables		Others		Total	
2022	2021	2022	2021	2022	2021	2022	2021
535,796,246	574,971,269	637,264,156	803,884,976	92,000,719	140,386,842	2,945,415,506	2,443,391,179
-	-	-	-	(1,593,117,271)	(1,894,556,639)	(1,593,117,271)	(1,894,556,639)
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
27,222,445	18,466,049	32,377,771	25,817,949	4,674,323	4,508,730	149,649,072	78,473,105
-	-	-	-	1,414,267	1,494,267	1,414,267	1,494,267
-	-	-	-	107,798,615	63,919,373	107,798,615	63,919,373
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
3,723,062	(2,390,572)	(1,064,570,356)	(438,850,305)	-	-	(1,210,260,697)	(491,731,597)
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
(5,102,124)	(5,312,759)	(10,195,333)	(18,966,254)	(8,455,059)	(10,248,728)	(44,777,797)	(49,284,401)
(3,787,145)	(3,348,017)	(7,567,673)	(11,952,234)	(6,275,923)	(6,458,587)	(33,237,142)	(31,058,253)
-	-	-	-	(460,384,590)	(404,341,679)	(460,384,590)	(404,341,679)
14,191,584	(187,292,925)	16,879,155	(261,859,986)	2,436,814	(45,730,045)	78,014,939	(795,917,823)
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)
				-	-	-	-
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)
-	-	-	-	-	109,257,073	-	109,257,073
572,044,067	395,093,045	**(395,812,280)**	98,074,146	**(1,859,908,105)**	(2,041,769,393)	**(59,485,097)**	(970,355,393)
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
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

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.

As at 31 March	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**



SUPPLEMENTARY INFORMATION

10 YEAR SUMMARY

(Rs.'000)	2021/22	2020/21	2019/20	2018/19
OPERATING RESULTS				
Interest income	2,945,416	2,443,391	3,597,061	3,674,450
Interest Expense	(1,593,117)	(1,894,557)	(2,516,527)	(2,490,557)
Net intrest income	**1,352,298**	**548,835**	**1,080,535**	**1,183,892**
Other Income	258,862	143,887	219,915	344,443
Operating Income	**1,611,160**	**692,721**	**1,300,450**	**1,528,335**
Operating expense	(1,336,645)	(1,213,098)	(1,395,845)	(1,274,180)
Operating Profit / (Loss)	**274,515**	**(520,377)**	**(95,395)**	**254,155**
Impairment charge	(1,210,261)	(491,732)	(390,137)	(189,682)
Taxes on financial Services	-	-	(53,081)	(1,358)
Profit / (Loss) before taxation	**(935,746)**	**(1,012,108)**	**(538,613)**	**63,115**
Tax expenses	-	109,257	204,654	140,854
Profit / (Loss) for the year	**(935,746)**	**(902,851)**	**(333,959)**	**203,969**
As at 31 March				
ASSETS				
Cash and bank balances	438,009	628,090	389,597	709,895
Financial & Equity Investments	1,457,491	1,544,581	2,551,733	1,971,432
Lease, Loans & Advances	20,586,710	16,532,493	16,712,383	18,018,225
PPE & Intangible Assets	609,276	629,248	675,587	571,205
Right of Use Assets	141,980	111,013	176,873	-
Other Assets	2,145,335	1,427,638	1,240,418	1,133,845
	25,378,801	**20,873,062**	**21,746,592**	**22,404,601**
LIABILITIES				
Public Deposits	15,599,353	14,598,144	17,063,396	17,115,400
Borrowings	4,844,446	2,639,022	2,179,026	3,342,706
Other Liabilities	571,582	608,007	463,181	130,612
	21,015,380	**17,845,172**	**19,705,603**	**20,647,904**
SHAREHOLDERS' FUNDS				
Stated Capital	6,746,428	4,506,760	2,604,765	2,002,270
Reserves & Retained Earnings	(2,383,007)	(1,478,870)	(563,776)	(245,573)
	4,363,421	**3,027,890**	**2,040,989**	**1,756,697**
Growth in Interest Income	21%	-32%	-2%	4%
Growth Interest Expenses	-16%	-25%	1%	-3%
Growth in Operating Profit	153%	-445%	-138%	-37%
Growth in Profit / (Loss) After Tax(PAT)	-4%	-170%	-264%	-7%
Earnings / (Loss) Per Share (Rs.)	-2.33	-5.95	-4.29	3.00
Growth in Advances	25%	-1%	-7%	4%
Growth in Deposits	7%	-14%	0.5%	4%
Debt to Equity Ratio (times)	4.82	5.89	9.65	11.75
Net Assets Per Share (Rs.)	8.86	11.27	19.74	25.86
OTHER INFORMATION				
No. of Employees	494	463	475	528
Supporting Branch Network	33	34	35	35

	2017/18	2016/17 Restated	2015/16 Restated	2014/15	2013/14	2012/13
	3,523,556	3,431,752	3,558,081	3,545,704	3,338,543	2,277,546
	(2,561,130)	(2,291,408)	(2,002,506)	(2,081,375)	(2,057,633)	(1,391,050)
	962,426	**1,140,343**	**1,555,575**	**1,464,329**	**1,280,910**	**886,497**
	622,837	746,956	522,517	427,198	152,351	161,742
	1,585,264	**1,887,299**	**2,078,092**	**1,891,527**	**1,433,261**	**1,048,238**
	(1,184,430)	(1,122,141)	(1,208,537)	(1,098,298)	(877,014)	(742,095)
	400,834	**765,158**	**869,555**	**793,229**	**556,246**	**306,143**
	(108,425)	(440,822)	(711,846)	(522,296)	(327,796)	(72,964)
	(99,329)	(40,734)	(67,129)	(50,273)	(37,025)	(36,913)
	193,079	**283,603**	**90,581**	**220,661**	**191,425**	**196,267**
	25,686	(39,268)	(17,438)	(4,172)	(25,771)	(32,213)
	218,766	**244,335**	**73,142**	**216,490**	**165,654**	**164,054**
	945,104	754,813	509,281	1,078,469	2,431,469	1,472,506
	2,110,743	1,962,016	2,165,798	2,059,796	1,600,660	193,668
	17,377,793	17,989,809	15,906,349	15,528,099	12,212,184	10,634,877
	600,609	468,884	410,783	367,465	322,171	186,214
	-	-	-	-	-	-
	645,968	530,460	950,173	980,006	1,693,255	731,538
	21,680,217	**21,705,982**	**19,942,383**	**20,013,834**	**18,259,739**	**13,218,803**
	16,391,947	16,048,474	14,055,203	12,077,054	9,312,743	6,956,951
	2,916,905	3,671,392	4,076,520	5,396,150	6,484,267	4,234,833
	90,914	144,575	154,810	590,995	1,153,180	822,422
	19,399,767	**19,864,440**	**18,286,533**	**18,064,199**	**16,950,191**	**12,014,206**
	2,002,270	1,692,615	1,692,615	1,404,523	1,003,231	1,003,231
	278,180	148,927	(36,765)	545,112	306,318	201,366
	2,280,450	**1,841,542**	**1,655,850**	**1,949,635**	**1,309,549**	**1,204,597**
	3%	-4%	0.3%	6%	47%	48%
	12%	14%	-4%	1%	48%	75%
	-48%	-12%	10%	43%	82%	52%
	-10%	234%	-66%	31%	1%	36%
	3.70	4.14	1.40	5.44	4.42	3.66
	-3%	13%	2%	27%	15%	29%
	2%	14%	16%	30%	34%	49%
	8.51	10.79	11.04	10.69	12.94	9.97
	33.57	31.18	28.03	33.23	34.96	32.16
	551	490	491	521	502	467
	35	31	30	18	17	17

INVESTOR INFORMATION

1. GENERAL

	As at 31/03/2022	As at 31/03/2021
Stated Capital (Rs.)	6,746,427,723.10	4,506,759,983.10

2. STOCK EXCHANGE LISTING

The ordinary shares of Softlogic Finance PLC were listed in the Colombo Stock Exchange of Sri Lanka.

3. SHARES HELD BY THE PUBLIC

	2021/22	2020/21
Shares held by the public (%)	4.17%	7.60%
The number of public shareholders	1,877	1,632
Float Adjusted Market Capitalization (Rs.)	193,139,091.05	204,257,697.28

The Company is not Compliant with Option 2 of the Listing Rules 7.13.1 (b), where the Float Adjusted Market Capitalization is less than Rs. 1.0 Bn and requires a minimum 10% public holding. Accordingly, the Company is exploring possibilities of complying with the Listing Rules of the Colombo Stock Exchange.

4. DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2022

There were 1,881 Registered shareholders as at 31st March 2022 and 1,637 Registered shareholders as at 31st March 2021.

	No. of Shareholders		% of Shareholders		No. of Shares		% of Shares	
From To	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
1 - 1,000	1,230	1,080	65.39%	65.97%	358,423	305,858	0.07%	0.11%
1,001 - 10,000	488	426	25.94%	26.02%	1,736,756	1,493,752	0.35%	0.56%
10,001 - 100,000	144	106	7.66%	6.48%	4,098,616	2,709,465	0.83%	1.01%
100,001 - 1,000,000	10	17	0.53%	1.04%	2,300,550	4,124,196	0.47%	1.53%
Over 1,000,000	9	8	0.48%	0.49%	484,232,557	260,126,857	98.28%	96.79%
Total	**1,881**	**1,637**	**100.00%**	**100.00%**	**492,726,902**	**268,760,128**	**100.00%**	**100.00%**

5. ANALYSIS REPORT OF SHAREHOLDERS AS AT 31ST MARCH 2022

	No. of Shareholders		% of Shareholders		No. of Shares		% of Shares	
Category	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Individual	1,766	1,529	93.89%	93.40%	8,715,624	8,220,438	1.77%	3.06%
Institutional	115	108	6.11%	6.60%	484,011,278	260,539,690	98.23%	96.94%
Total	**1,881**	**1,637**	**100.00%**	**100.00%**	**492,726,902**	**268,760,128**	**100.00%**	**100.00%**
Resident	1,874	1,628	99.63%	99.45%	492,705,851	268,674,844	99.996%	99.97%
Non-resident	7	9	0.37%	0.55%	21,051	85,284	0.004%	0.03%
Total	**1,881**	**1,637**	**100.00%**	**100.00%**	**492,726,902**	**268,760,128**	**100.00%**	**100.00%**

6. TWENTY MAJOR SHAREHOLDERS AS AT 31ST MARCH 2022

No	Name	No. of Shares as at 31-03-2022	%	No. of Shares as at 31-03-2021	%
1	M/s SOFTLOGIC CAPITAL PLC	449,195,807	91.17	228,647,351	85.07
2	M/s SOFTLOGIC LIFE INSURANCE PLC-A/C NO. 04 (PARTICIPATING FUND)	15,688,030	3.18	15,688,030	5.84
3	M/s SOFTLOGIC HOLDINGS PLC	5,657,598	1.15	3,085,963	1.15
4	M/s VANIK INCORPORATION LTD	5,376,068	1.09	5,376,068	2.00
5	MR. KULAPPUARACHCHIGE DON DAMMIKA PERERA	3,154,253	0.64	3,276,253	1.22
6	M/s L.B. FINANCE LIMITED.	2,090,000	0.42	2,090,000	0.78
7	M/s PEOPLES BANK/ASOKA KARIYAWASAM PATHIRAGE	1,653,822	0.34	902,085	0.34
8	M/s HATTON NATIONAL BANK PLC/SUBRAMANIAM VASUDEVAN	1,416,979	0.29	1,963,192	0.73
9	M/s PEOPLE'S LEASING & FINANCE PLC/L.P.HAPANGAMA	767,992	0.16	767,992	0.29
10	M/s HATTON NATIONAL BANK PLC/ARUNASALAM SITHAMPALAM	300,000	0.06	300,000	0.11
11	M/s MERCHANT BANK OF SRI LANKA & FINANCE PLC/B. JANEGAN	231,865	0.05	-	-
12	MR. DICKOWITA KANKANAMGE ATHULA KITHSIRI WEERATHUNGA	175,000	0.04	-	-
13	MR. BALENDIRAN JANEGAN	165,250	0.03	144,111	0.05
14	M/s SAMPATH BANK PLC/MR. ABISHEK SITHAMPALAM	159,782	0.03	159,782	0.06
15	MR. LEKAM MUDIYANSELAGE AMITH NAMAL LEKAMGE	150,000	0.03	-	-
16	MRS. PAMELA CHRISTINE COORAY	132,444	0.03	132,444	0.05
17	M/s SEYLAN BANK LIMITED/JAMES HENRY PAUL RATNAYAKE	110,367	0.02	-	-
18	M/s PEOPLE'S LEASING & FINANCE PLC/L.H.L.M.P.HARADASA	107,850	0.02	-	-
19	MR. ADDARA PATHIRANAGE SOMASIRI	100,000	0.02	-	-
20	MR. WELIWATTAGE LUCILLE PERERA WIJEWARDENA	100,000	0.02	-	-
	Total of top 20 shareholders	**486,733,107**	**98.78**	**262,533,271**	**97.68**
	Others	5,993,795	1.22	6,226,857	2.32
	Total	**492,726,902**	**100.00**	**268,760,128**	**100.00**

7. SHARE TRADING INFORMATION

	CRL.N000		CRL.R000	
	2021/22	2020/21	2021/22	2020/21
Highest (Rs.)	32.00	14.00	1.00	0.10
Lowest (Rs.)	8.70	9.40	0.10	0.10
Closing (Rs.)	9.40	10.00	0.10	0.10
Turnover (Rs.)	281,355,771.40	82,798,865.40	2,729,360.70	61,286.40
No. of Shares Traded	15,447,627	6,741,470	11,522,560	612,864
No. of Trades	10,471	5,115	1063	80

8. SELECTED KEY PERFORMANCE INDICATORS

Item	As at 31.03.2022 Actual	As at 31.03.2022 Required	As at 31.03.2021 Actual	As at 31.03.2021 Required
Regulatory Capital Adequacy				
Tier 1 Capital Adequacy Ratio	7.1%	7.0%	-3.9%	6.5%
Total Capital Adequacy Ratio	12.1%	11.0%	-3.9%	10.5%
Capital Funds to Deposit Liabilities Ratio	27.6%	10.0%	20.8%	10.0%
Quality of Loan Portfolio (%)				
Gross Non- Performing Loans Ratio	27.2%		34.4%	
Net Non- Performing Loans Ratio	22.9%		29.7%	
Net Non-Performing Loans to Core Capital Ratio	123.8%		188.9%	
Provision Coverage Ratio	62.4%		61.3%	
Profitability				
Net Interest Margin	5.8%		2.6%	
Return on Assets	-4.0%		-4.7%	
Return on Equity	-25.3%		-35.6%	
Cost to Income Ratio	83.0%		175.1%	
Liquidity				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	101.1%		207.1%	
Liquid Assets to External Funds	9.0%		11.2%	
Memorandum information				
Number of Branches	33		33	
External Credit Rating	[SL] BB (Stable), Upgraded from [SL] BB- (Stable)		[SL] BB-; On watch with developing implications	

RATIOS

	2021/22	2020/21
Debt to Equity Ratio (Times)	4.82	5.89
Interest Cover (Times)	0.41	0.47

INTEREST RATE OF COMPARABLE GOVERNMENT SECURITIES

	2021/22	2020/21
3 Year Treasury Bond	14.89%	6.41%
5 Year Treasury Bond	15.11%	7.05%

BRANCH NETWORK

No	Branch	Address	Telephone Number	Fax Number	Email
1	Anuradhapura	No. 561/11, Maithreepala Senanayaka Mw, New Town, Anuradhapura	025-2226279	025-2234743	anuradhapura@softlogicfinance.lk
2	Badulla	NO. 38, Anagarika Dharmapala Mawatha, Badulla.	055-2224205	055-2223905	badulla@softlogicfinance.lk
3	Borella	No.1072,Maradana Road,Borella	011-2698016	011-2694261	borella@softlogicfinance.lk
4	Chilaw	No: 28B, Kurunegala Road, Chilaw	032-2221415	032-2223754	chilaw@softlogicfinance.lk
5	Chunnakam	No: 101 & 105, K.K.S Road, Chunnakam	021-2242770	021-2242772	chunnakam@softlogicfinance.lk
6	City Office	29/2, Visaka Road, Colombo 04	011-2055572	011-2303363	cityoffice@softlogicfinance.lk
7	Dambulla	No: 719, Anuradhapura Road, Dambulla	066-2284737	066-2284717	dambulla@softlogicfinance.lk
8	Dematagoda	No: 85, Kolonnawa Road, Dematagoda, Colombo 09	011-2679089	011-2646226	dematagoda@softlogicfinance.lk
9	Embilipitiya	No.59/1,Main Street,Pallegama,Embilipitiya.	047-2230590	047-2230592	embilipitiya@softlogicfinance.lk
10	Galle	No: 64, Colombo Road, Kaluwella, Galle	091-2248920	091-2248095	galle@softlogicfinance.lk
11	Gampaha	No: 57/A, Bauddhaloka Mawatha, Gampaha	033-2227436	033-2227506	gampaha@softlogicfinance.lk
12	Hatton	No: 115, Main Street, Hatton	051-2222108	051-2225739	hatton@softlogicfinance.lk
13	Head Office	No: 13, De Fonseka Place, Colombo 04	011-2359700	011-2359799	headoffice@softlogicfinance.lk
14	Jaffna	No: 62/64, Stanley Road, Jaffna	021-2219444	021-2219666	jaffna@softlogicfinance.lk
15	Kadawatha	No.139/7D, Kandy Road,Kadawatha	011-2923011	011-2923013	kadawatha@softlogicfinance.lk
16	Kalutara	No: 264, Galle Road, Kalutara South, Kalutara	034-2224714	034-2223262	kalutara@softlogicfinance.lk
17	Kandy	No: 165, Kotugodella Street, Kandy	081-2224912	081-2224916	kandy@softlogicfinance.lk
18	Kotahena	No.244, George R De Silva Mawatha, Colombo 13	011-2462819	'011-2337040	kotahena@softlogicfinance.lk
19	Kottawa	No: 87/A, Highlevel Road, Kottawa	011-2178464	011-2842824	kottawa@softlogicfinance.lk
20	Kurunegala	No: 13, Rajapihilla Road, Kurunegala	037-2232875	037-2232565	kurunegala@softlogicfinance.lk
21	Matale	No: 253, Main Street, Matale	066-2226461	066-2228863	matale@softlogicfinance.lk
22	Matara	No: 08A KKK Building, Station Road Matara	041-2220195	041-2227257	matara@softlogicfinance.lk
23	Nawala	No: 305B, Nawala Road, Nawala	011-2807080	011-2807082	nawala@softlogicfinance.lk
24	Negombo	86 Josephs Street Negombo	031-2224714	031-2224716	negombo@softlogicfinance.lk
25	Nuwara Eliya	No: 72, Kandy Road, Nuwara Eliya	052-2223382	052-2223383	nuwaraeliya@softlogicfinance.lk
26	Grandpass	No. 408 Grandpass Road Colombo 14	011-2334461	011-2334549	pettah@softlogicfinance.lk
27	Polonnaruwa	No: 125, Batticaloa Road, Polonnaruwa	027-2226727	027-2225909	polonnaruwa@softlogicfinance.lk
28	Ratnapura	No. 374, Main Street, Kudugalwatta, Ratnapura	045-2230677	045-2223574	rathnapura@softlogicfinance.lk
29	Senkadagala	No.288, Katugasthota Road, Mahiyyawa	081-2232601	081-2232603	senkadagala@softlogicfinance.lk
30	Thissamaharama	No: 28, Main Street, Thissamaharama	047-2239933	047-2239504	tissamaharama@softlogicfinance.lk
31	Wattala	No: 182, Negombo Road, Wattala	011-2051660	011-2051676	wattala@softlogicfinance.lk
32	Weligama	No: 2, Matara Road, Weligama	041-2252888	041-2260523	weligama@softlogicfinance.lk
33	Mawanella	No: 131,132, Kandy Road, Mawanella	035-2247304	-	mawanella@softlogicfinance.lk

CORPORATE INFORMATION

Name of the Company
Softlogic Finance PLC

Holding Company
Softlogic Capital PLC

Legal Form
- Incorporated under the Companies Act No 17 of 1982
- Date of Incorporation 24th August 1999.
- Re-registered under the Companies Act No. 7 of 2007 on 29th September 2008.
- Registered under the Finance Business Act No. 42 of 2011.
- Registered under the Finance Leasing Act No. 56 0f 2000.
- Approved Credit Agency under the Mortgage Act No. 06 of 1949 and Inland Trust Receipts Act No. 14 of 1990.
- Quoted in the Colombo Stock Exchange on 22nd January 2009.
- Registered under the Securities & Exchange Commission of Sri Lanka Act No. 36 of 1987 as a Margin Provider

Company Registration Number
PB641 PQ

Tax Payer Identification Number (TIN)
134008350

Accounting Year End
31st March

Registered Office
No.13, De Fonseka Place, Colombo 4.

Principal Place of Business
No.13, De Fonseka Place, Colombo 4
Tel : 94-112-359600, 94-112-359700
Facsimile : 94-112-359799
E-mail : info@softlogicfinance.lk
Website : www.softlogicfinance.lk
Hotline : 94-112-104204

Board of Directors
- Mr. A. Russell - Davison (Resigned w.e.f. 31 July 2022)
- Mr. M.H. Priyantha Wijesekera
- Mr. H.K. Kaimal
- Mr. Manilka Fernando
- Mr. Dinesh P. Renganathan (Appointed as Chairman w.e.f. 15 August 2022)
- Ms. Aruni Goonetilleke
- Mr. A.C. Mohamed Lafir
- Mr. P.T. Wanigasekara (Appointed w.e.f. 30 June 2022)

Secretaries
Softlogic Corporate Services (Pvt) Ltd

Auditors
Ernst & Young
Chartered Accountants

Legal Advisors to the Company
Nithya Partners

Bankers
- Hatton National Bank PLC
- Commercial Bank of Ceylon PLC
- Seylan Bank PLC
- People's Bank
- Pan Asia Banking Corporation PLC
- Sampath Bank PLC
- Bank of Ceylon
- Nations Trust Bank PLC
- DFCC Bank PLC
- Union Bank of Colombo PLC
- National Savings Bank
- Cargills Bank Limited

Visit Our Website
- We've introduced QR code links to information that is suitable to view on your smartphone.
- Scan the barcode link and the relevant page will open in your browser window.

SCAN ME

NOTICE OF MEETING

SOFTLOGIC FINANCE PLC
Co. Reg. No. PB 641 PQ
13, De Fonseka Place,
Colombo 04

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting of **SOFTLOGIC FINANCE PLC** will be held by electronic means on **Thursday, the 29th September 2022 at 10.00 a.m** centered at No. 13, De Fonseka Place, Colombo 04 for the following purposes:

(1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company for the year ended 31st March 2022 together with the Report of the Auditors thereon.

(2) To re-elect Mr. A.C.M.Fernando who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.

(3) To re-elect Mr Dinesh P. Renganathan who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.

(4) To appoint Mr. P.T.Wanigasekara in terms of Article 97 of the Articles of Association, as a Director of the Company

(5) To re-appoint Messrs. Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

(6) To authorise the Directors to determine and make donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.

By Order of the Board,
SOFTLOGCI FINANCE PLC

(Sgd.)
SOFTLOGIC CORPORATE SERVICES (PVT) LTD.
Company Secretaries

30th August 2022
Colombo

Note:

1. A Shareholder who is entitled to participate, speak and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means as per the attached guidelines.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Attendance Registration Process for the Annual General Meeting available on the Corporate Website of the Company and the Website of the Colombo Stock Exchange.

NOTES

NOTES

NOTES

FORM OF PROXY

SOFTLOGIC FINANCE PLC
Co. Reg. No. PB 641 PQ
13, De Fonseka Place, Colombo 04

**I/We ....of
.... being *a
member/members of SOFTLOGIC FINANCE PLC, do hereby appoint ....
.... (holder of N.I.C. No. ....) of ....
.... or (whom failing)

Mr. D. P. Renganathan	whom failing him
Mr. A. C. M. Fernando	whom failing him
Mr. H.K. Kaimal	whom failing him
Mr. M. H. P. Wijesekera	whom failing him
Ms. A. Goonetilleke	whom failing him
Mr. A.C.M Lafir	whom failing him
Mr. P.T. Wanigasekara	whom failing him

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held by electronic means on 29th day of September 2022 at 10 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	For	Against
1) To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Company for the year ended 31st March 2022 together with the Report of the Auditors thereon.		
2) To re-elect Mr. A.C.M.Fernando who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.		
3) To re- elect Mr.Dinesh P Renganathan who retires in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.		
4) To elect Mr. P.T.Wanigasekara in terms of Article 97 of the Articles of Association, as a Director of the Company.		
5) To re-appoint Messrs. Ernst & Young, as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.		
6) To authorize the Directors to determine and make Donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.		

Signed this .... day of .... Two Thousand Twenty-Two

....
Signature/s   Date

Note:

1) A proxy need not be a Shareholder of the Company.

2) Instructions as to completion appear overleaf.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, Softlogic Corporate Services (Pvt) Ltd, No.14, De Fonseka Place, Colombo 05 marked "Softlogic Finance PLC – 14th Annual General Meeting" or email corporateservices@softlogic.lk not later than 48 hours before the time appointed for the Meeting.

   In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Attendance Registration Process for the Annual General Meeting attached to the Notice of Annual General Meeting.

3. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a Company or Corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or Corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)

4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

Designed & Produced by :

SKILLS

softlogic Finance
SOFTLOGIC FINANCE PLC
No.13, De Fonseka Place, Colombo 4.
Tel : 94-11- 2359600, 94-11-2359700
Facsimile : 94-11-2359799
E-mail : info@softlogicfinance.lk
Website : www.softlogicfinance.lk