



Mainstreaming Sustainable Finance

With social and environmental challenges taking center stage we have realized the importance of sustainability along with the need for equitable and inclusive financing. Seeing the potential of a sustainable business model we are driven by the firm belief that business can be a force for good. Hence, we have taken the proactive step of inculcating sustainability into the mainstream of our business in a cohesive and strategic manner contributing towards the long-term value of our stakeholders.

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About the Integrated Report

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We are pleased to present our 65th Integrated Annual Report which provides our stakeholders with an in-depth and balanced evaluation of our financial, social and environmental performance.

Scope and Boundary

This Report has been prepared for the 12 months covering the period of 01st April 2020 to 31st March 2021 in line with our annual reporting cycle and other material events after this period and up to 3rd June 2021, as approved by the Board of Directors have been included for completeness. The most recent report of the Company for the year ended 31st March 2020 is available on our website www.alliancefinance.lk. Unless specified, all the financial and non-financial information disclosed herein pertains only to the parent Company. During the year under review there were no significant changes to the Company size, shareholding or supply chain. In addition, there were no significant restatements of previously reported economic, social or environmental information.

Key Concepts Materiality

This report has been produced through the application of principles of materiality to determine the content to be included. Accordingly, the most material aspects to the Company have been identified through a structured process, as detailed in pages 37-39 of this report. The material topics represents our stakeholder interests, risks, opportunities and other factors that could

have a material impact on the ability of AFC to create value.

Forward Looking Statements:

The Report includes forward-looking statements, which relate to the possible future financial position and results of the AFC's operations. These statements involve an element of risk and uncertainty, as they relate to events and depend on circumstances that may or may not occur in the future. However, we do not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise.

Assurance

We use a combination of internal controls, management assurance and compliance and internal audit reviews to ensure the accuracy of our reporting. Further, we have continued to hire independent service providers to assess and assure various aspects of the business operations, including elements of external reporting and Auditing of the Financial Statements by external auditors. (page 146-149).

Integrated Thinking

We have adopted an integrated approach towards our strategic planning process wherein we strive to connect performance with purpose. As a strong purpose driven, sustainability focused organization, we identify and assess business decisions based on long term value creation.

This Report addresses all the issues that are material to the Company's ability to create value and transparently presents its performance and future strategy.

Financial Capital



Manufactured Capital



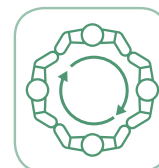
Human Capital



Natural Capital



Social & Relationship capital



Intellectual Capital



Board Responsibility

The Board of Directors of Alliance Finance Company PLC take responsibility for the integrity of the information presented in this report. The Board confirm that they collectively reviewed the Report's contents in conjunction with the assurance reports obtained from our internal and external assurance providers.

Reporting Framework

Financial Reporting

- 1) Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRSs) and Lanka Accounting Standards (LKASs)
- 2) Companies Act No. 07 of 2007
- 3) Finance Business Act No. 42 of 2011 and amendments thereto
- 4) Listing Rules of the Colombo Stock Exchange (CSE)

Corporate Governance Reporting

- 1) Companies Act No. 07 of 2007
- 2) Finance Business Act No. 42 of 2011 and all Directions/ Guidelines issued thereunder
- 3) Corporate Governance Direction No. 03 of 2008 (as amended) issued by the Monetary Board of Central Bank of Sri Lanka
- 4) Listing Rules of the Colombo Stock Exchange (CSE).
- 5) The Code of Best Practice on Corporate Governance as published by the Institute of Chartered Accountants of Sri Lanka
- 6) Finance Leasing Act No. 56 of 2000
- 7) Anti Money Laundering Laws and Regulations
- 8) Inland Revenue Act No. 24 of 2017 and amendments thereto
- 9) Shop & Office Employees Act No. 19 of 1954 and amendments thereto



Integrated Reporting and Sustainability Reporting

- 1) Six Capital Reporting format introduced by the International Integrated Reporting council (IIRC)
- 2) GRI Standards 2017 - In Accordance "Core" option
- 3) The United Nations Sustainability Development Goals (SDGs)

Precautionary Principle

We have applied the precautionary principle in relation to our social and environmental sustainability. As a responsible corporate citizen, we have taken necessary measures to mitigate the risks caused to society and environment through our actions.

Improvements to this Report

This year we have enhanced the presentation and the content of the report with the following improvements:

- Structured to demonstrate our strategic priorities and drivers
- Greater connectivity through navigation icons
- Enhanced the conciseness of the report by reducing 16 pages
- Adoption of Gender Parity Reporting introduced by CA Sri Lanka

Feedback

AFC welcomes feedback and requests that such feedback or queries to be directed to;

AGM Finance, Alliance Finance Company PLC, "Alliance House", 84, Ward Place, Colombo 7, Sri Lanka

Email: info@alliancefinance.lk

GRI 102-16



Our Purpose Statement

Make the world a better place through sustainable finance

Our Core Values

TRUST

Our customers need to trust us and be happy

TEAMWORK

Teamwork will make us stronger

ETHICS

Ethics and integrity are critical

ACCOUNTABILITY

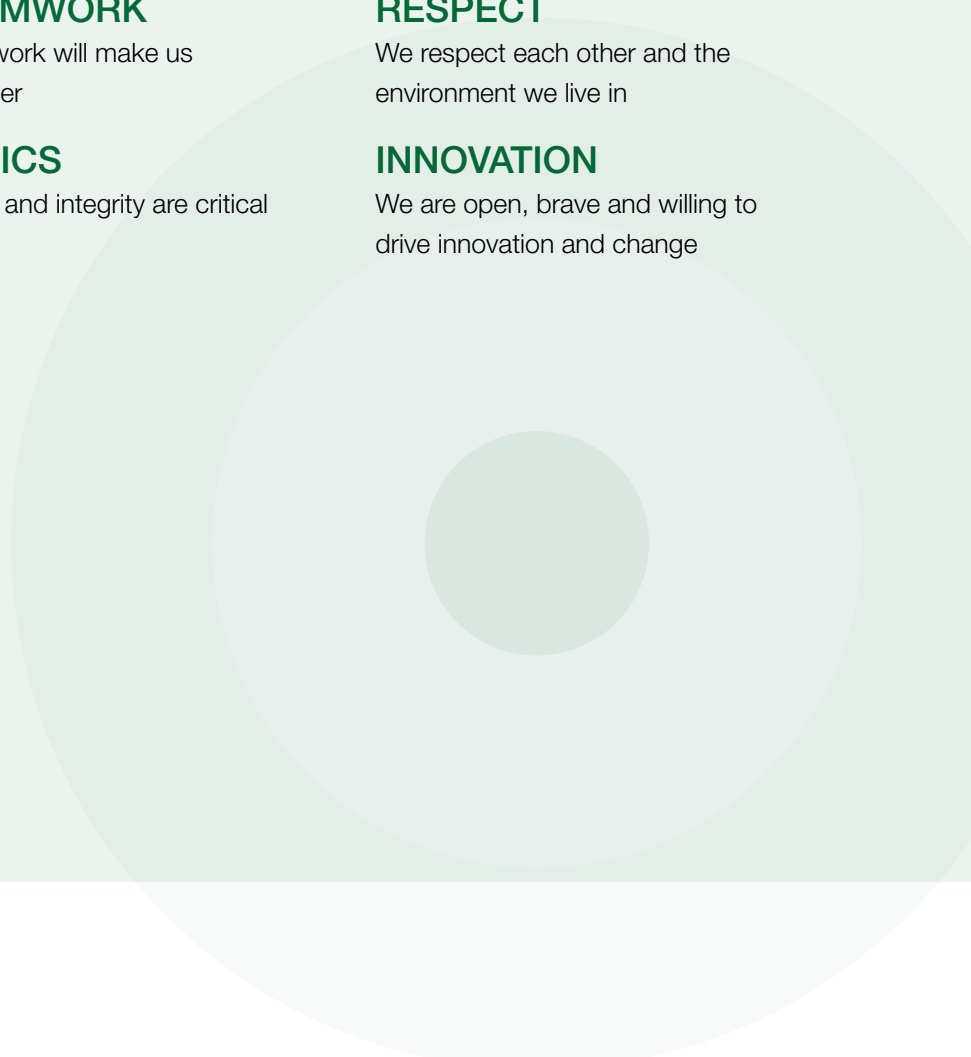
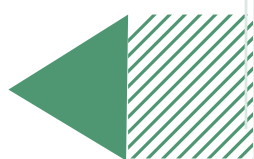
Every one of us is accountable for our actions

RESPECT

We respect each other and the environment we live in

INNOVATION

We are open, brave and willing to drive innovation and change



About Us

GRI 102-1 GRI 102-2 GRI 102-4 GRI 102-5 GRI 102-6 GRI 102-7 GRI 102-8

Alliance Finance Company PLC (AFC) is the oldest finance company in Sri Lanka. Incorporated in 1956 as a licensed finance company registered under the Central Bank of Sri Lanka, we have over the years built a solid brand, based on the principles of trust and integrity.

During our corporate journey of over six decades, we have been recognised as one of the premier Non-Bank Financial institutions in the country, which has earned the trust of four generations of Sri Lankans. The Company offers a range of products and services to the customers including leasing, term loans, gold loans, speed cash, savings and deposits. We also carry out vehicle trade-in services and Ezy drive vehicle fleet services as well under our Commercial Division. Our network of 91 touchpoints across the island reach out to serve a wide spectrum of over 100,000 customers, individuals, micro-entrepreneurs and small and medium enterprises in Sri Lanka. AFC family consists of 1,342 self driven, performance oriented staff members from diverse backgrounds with high levels of skills and expertise to drive the business operations.

In 2020 we have become the first certified financial institution in South Asia for holistic sustainability, in the Banking and Finance sector, under the Sustainability Standards and Certification initiative (SSCI), governed under the International Council of Sustainability Standards for Value-Driven Financial Institutions, Germany. This certificate was a testament to our decade long commitment and contribution towards sustainability. Since embracing the Triple Bottom Line approach in 2012, our efforts were focused on building a sustainability integrated business to ensure value creation in all spheres of sustainability.

We have taken an important step of this journey in 2017 by becoming the first Institution in the Banking and Finance sector of Sri Lanka to commit to the Karlsruhe Resolution, thereby agreeing to work towards achieving the Agenda 2030; to promote UN approved Sustainable Development Goals and the Paris Climate Agreement. Over the years that followed, we have undertaken many sustainability initiatives, to combat Climate Change, promote social entrepreneurship, ensure Biodiversity conservation and ecosystem restoration as well as engage in sustainable business operations that do not compromise the environmental and social wellbeing.

SSCI guidelines were instrumental for us to further integrate the principles of sustainability into the DNA of AFC. The holistic sustainability mandate is the key driving force of our business to realize our purpose to "Make the world a better place through sustainable finance" whilst creating value for all our stakeholders.

Total Assets

Rs. **34** Bn

Customer Touch Points

91

Customer Base

102,223

Investment in Sustainability

Rs **6.5** Mn

No of Employees

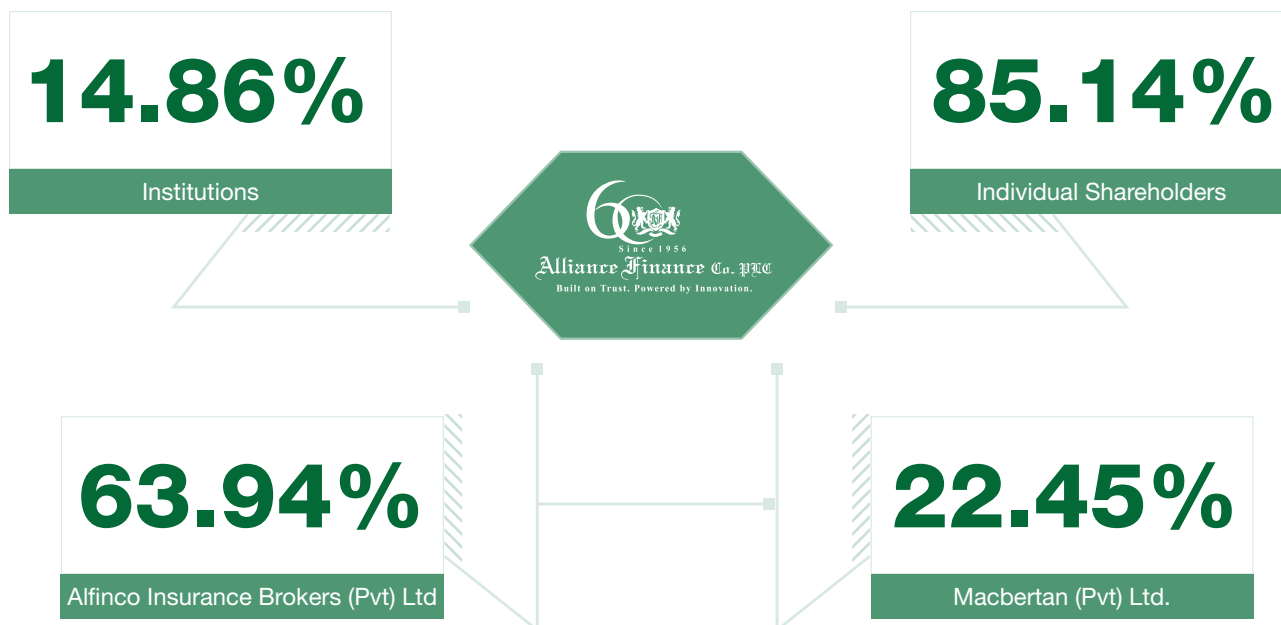
1,342

Profit Before Tax

Rs **1.3** Bn

The Ownership Structure

GRI 102-5



Products and Services

GRI-102-2

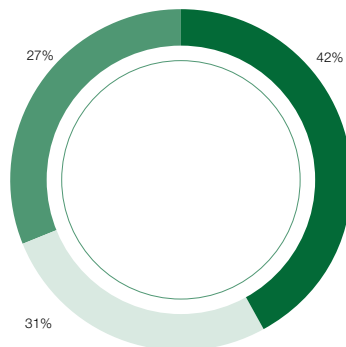
Leasing and Loans	
Vehicle and equipment leasing Quick Cash Speed cash Pledge loans Term loans	Portfolio: Rs. 25,549 Mn No of Customers: 72,425
Gold Loans	
Short term advances collateralized against gold Installment based gold investments	Portfolio: Rs 3,097 Mn No of Customers: 20,875
Savings and Deposits	
Fixed deposits Savings deposits with special products to senior citizens and minors	Deposit Base: Rs. 12,919 Mn No of Investors: 8,923
Commercial Division	
Operating Lease Vehicle trade-in service Rental service Automotive service centre	Hiring Vehicle Fleet: 38

Value Added Statement

GRI 201-1

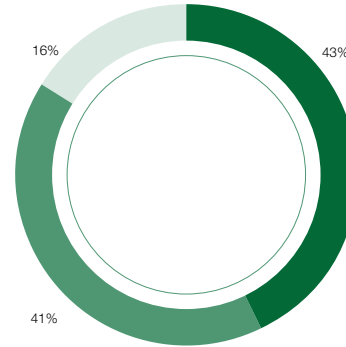
For the year ended 31st March	2021		2020	
	Rs.	%	Rs.	%
VALUE ADDED				
Income	7,527,116,042		7,501,158,320	
Interest Expense	(2,912,756,756)		(3,321,169,317)	
Cost of External Services	(2,412,593,648)		(2,279,913,345)	
	2,201,765,638		1,900,075,658	
DISTRIBUTION OF VALUE ADDED				
To Employees				
Salaries & Other Benefits	923,854,826	42%	821,722,767	43%
To Government				
Taxes	584,750,326	27%	771,768,637	41%
To Providers of Capital				
Dividend	-	0%	-	0%
To Expansion & Growth				
Depreciation	132,270,692	6%	131,646,655	7%
Reserves	560,889,794	25%	174,937,599	9%
	693,160,486	31%	306,584,254	16%
	2,201,765,638	100%	1,900,075,658	100%

Value Distribution - 2020/21



- To Employees
- To Government
- To Providers of Capital
- To Expansion & Growth

Value Distribution - 2019/20



- To Employees
- To Government
- To Providers of Capital
- To Expansion & Growth

Triple Bottom Line Value Creation

	Unit	2020/21	2019/20	Y-o-Y Change (%)
Human Capital				
Employees	No.	1,342	1,282	5
Investment in Training & Development	Rs. Mn	1.9	5.1	(63)
Training Hours	Hours	5,780	19,132	(70)
Social & Relationship Capital				
Customers	No.	102,223	105,713	(3)
Female Customer Base	%	46	48	(4)
Social Sustainability Initiatives	Rs. Mn	2.5	4.8	(48)
CSR Initiatives	Rs. Mn	1.4	1.7	(18)

1,342

WORKFORCE

102,223

CUSTOMER BASE



PEOPLE

	Unit	2020/21	2019/20	Y-o-Y Change (%)
Natural Capital				
No. of Trees Planted	No.	311,610	217,499	43
No of Gas Converted Three wheeler Units	No.	65	25	160
Electricity Consumption (H/Os)	kWh	290,330	356,483	(19)
Fuel Consumption(H/Os)	Liters	32,449	14,996	116
Water Consumption(H/Os)	Cubic Meters	17,796	9,078	96
Paper Consumption	T	13.1	13.6	(4)
Environmental Sustainability Initiatives	Rs. Mn	4.7	4.7	-

311,610

TREES PLANTED

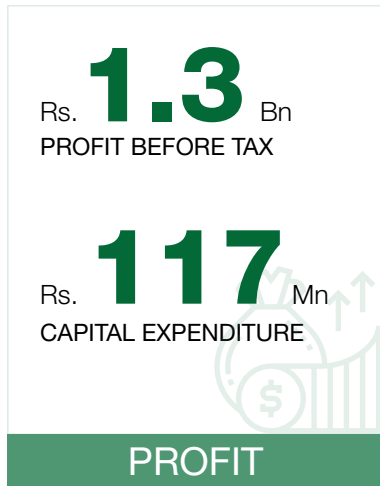
4.7

Rs. Mn

INVESTMENT IN ENVIRONMENTAL SUSTAINABILITY



PLANET



	Unit	2020/21	2019/20	Y-o-Y Change (%)
Financial Capital				
Net Interest Income	Rs. Mn	4,260	3,891	9
PAT	Rs. Mn	561	209	168
Total Assets	Rs. Mn	34,122	33,945	1
ROA (Post Tax)	%	1.6	0.6	1
ROE (Post Tax)	%	10.8	4.6	6
Cost to Income	%	49.0	53.5	(5)
Gross NPL Ratio	%	8.4	11.1	(3)
EPS	Rs.	16.6	6.2	168
Net Asset Value per Share	Rs.	172.6	136.9	26
Market Price per Share	Rs.	49.5	34.4	44
Manufactured Capital				
Points of Presence	No.	91	88	3
New Gold Loan Centers	No.	10	8	25
Capital Expenditure	Rs. Mn	117	78	50
Intellectual Capital				
Credit Rating		BBB-	BBB-	
New Products	No.	2	1	
Awards and Accreditations	No.	2	3	
Investment on Corporate Website	Rs. Mn	1.5	-	

AFC Milestones

1956

AFC was incorporated on 18th July 1956

1959

Quoted in the Colombo Brokers Association (prior to the formation of Colombo Stock Exchange)

1981

Commemorated AFC Silver Jubilee

1995

Introduced the concept of Collaboration Finance, customized financial packages for entrepreneurs

1998

Subscriber to the formation of "Alfinco Insurance Brokers"

2000

Became the first Financial Institution to be awarded the Prestigious ISO 9001:1994 status by DNV (later upgraded into ISO 9001: 2015)

2005

First Finance Company to introduce Savings Accounts

2003

Opened the first Collection Centre in Kurunegala
Launch of Quick Cash Loan plan for Depositors

2008

Entered in to the Gold Loan Market

2012

Formal adoption of the Triple bottom line philosophy (People, Planet, Profit) across the Group

2013

Launch of Microfinance Division
Best innovation in Sustainable Financial Services Merit award, EOSD Global Sustainable Finance Awards, Germany

2014

Green Leadership Winner, Asia Responsible Entrepreneurship awards, Singapore

2015

Obtained AFC's inaugural strategic foreign funding line from Triple Bottom Line based prestigious DFI, Triodos Bank of Netherlands

2016

Obtained ESMS from Steward Red Queen – Netherlands

2017

First time in the CSE history, AFC managed three issues respectively covering subdivision of shares, capitalisation of reserves and rights issue of shares.

Secured an investment grade credit rating of BBB- with a negative outlook from ICRA Lanka

AFC obtained the first USD subordinated debt from Triple Bottom Line DFI, Triodos Bank of Netherlands.

Signed Karlsruhe resolution pledging the contribution towards SDGs and Paris Climate Agreement

2018

Recorded the highest net profit in the history of AFC.

USD 3.5 Mn of foreign debt was approved by DWM (Developing World Markets)

Planted 176,000+ trees on World Environment Day 2018, with 990 schools; 371,000+ school children and completed planting 216,213 saplings during the year

Launch of Autosure division

IFC partnered with AFC by offering a loan of 5 Mn USD and technical assistance to further improve business strategy and process

Launched "AFC Thuru Mithuru" tree planting programme, with a pledge to plant 1 Mn by 2023, to offset the Carbon Foot print of AFC Motor vehicle leasing customers (50 trees/lease)

The Deputy Chairman/Managing Director received international recognition for his commitment and leadership in driving the sustainability mandate of the Company ("Sustainability leader of the year 2018", at Sustainable Finance Awards, Karlsruhe, Germany)

The first company in Sri Lanka and South East Asia to be accepted in to the development of Global Sustainability Standards and Certification Initiative

Joined Wildlife and Wilderness Conservation Trust for the protection of Hill Country Leopard and other flora and fauna species through the development of a Wildlife corridor

Allocation of 4% of the profit for Sustainability initiatives, surpassing the general annual allocation of 3%

Launched AFC Organic Foods - Farm to plate type of a service for organic vegetable delivery for employees

2020

Won Certificate of Merit for outstanding sustainability achievement at the Karlsruhe Sustainable Finance awards, Germany

Formed the AFC Digital Centre

Became ACCA Sustainability Awards winner in the category of Insurance and Finance

Won certificate of Merit at CMA Excellence in Integrated Reporting Awards 2019

Won certificate as a finalist at Asia Sustainability Reporting Awards

2019

Won a Merit Award under the Outstanding Development Project Awards at ADFIAP Awards held in the Philippines

Recorded highest profit allocation for sustainability initiatives (over 4% of the previous year profit)

Obtained the membership of Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and Biodiversity Sri Lanka.

Revised the company statements and adopted one Purpose statement

Launched "One Million Trees for Unity" Project

Joined "Ath Pavura" Social Business Development Platform

Initiated of the low emission Gas kit for three wheeler Project

Received a merit award for Local Economic Development at ADFIAP Awards, Oman

2021

Became the first South Asian financial institution to achieve the prestigious status of being a sustainability certified institution by adopting the globally recognized Sustainability Standard and Certification Initiative (SSCI) awarded by the International Council of Sustainability Standards for Value-Driven Financial Institutions, Germany.

Provided 75,000 plants to the Road Development Authority's "Green Express way project" to be planted alongside the expressway and interchange islands under AFC "One Million Trees for Unity" tree planting initiative

As a Sustainability Certified Financial Institution, Alliance Finance was admitted in September 2020 into the cutting-edge Financing 4.0 Program. It aims to revolutionize mobilization and deployment of funds to radically accelerate national development in the countries and territories of participating financial institutions. Her Excellency Manori Unambuwe, Ambassador of Sri Lanka in Germany received the Certificate of Acceptance on behalf of Alliance Finance. This landmark program, which is an initiative of the European Organisation for Sustainable Development, was launched at a ceremony held during the World Development Forum in Germany and was attended by Ministers, Ambassadors and senior leadership of financial institutions from over 40 countries.

Recorded the highest ever pre-tax profit of Rs.1.3 Bn

Awards and Accolades

Awards & Accreditations

Our commitment to excellence and our efforts to “Make the World a Better Place through Sustainable Finance” continue to be rewarded and reinigorated by the many national and international accolades we win.

2020	Certificate of Merit for Outstanding Sustainability achievement for Integrating Sustainability into the Corporate Strategy, Karlsruhe Sustainable Finance awards, Germany	2016	Merit Award in the large scale of the service sector category Social Dialogue and WorkPlace cooperation Awards, organized by Department of Labour, Ministry of Labour and Trade Union Relations, Sri Lanka
	Winner, in Insurance and Finance sector category, ACCA Sustainability Reporting Awards, Sri Lanka		Certificate of Recognition for Best employer with outstanding employee culture in Sri Lanka, Employer Brand Awards, organized by Employer Branding Institute, India
	Certificate of Merit, in NBFI sector category, CMA Excellence in Integrated Reporting Awards Sri Lanka		Certificate of Compliance, in NBFI sector category, ICASL Annual reports awards, Sri Lanka
2019	Certificate as a finalist, Asia Sustainability Reporting Awards, Singapore	2015	Marketing Campaign of the year award for AFC, Motorbike Show 2016, CMO Asia Awards for Excellence in Branding and Marketing in Sri Lanka
	Merit award for Local Economic Development, Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) Awards, Philippines		Certificate of Recognition in NBFI sector category, ICASL Annual report awards, Sri Lanka
2018	Certificate of Merit at CMA Excellence in Integrated Reporting Awards, Sri Lanka	2014	Winner of Green Leadership Award, Asia Responsible Entrepreneurship awards, Singapore
	Sustainability Leader of the year, Merit Award, Karlsruhe Sustainable Finance Awards, Germany		Certificate of Recognition in NBFI sector category, ICASL Annual report awards, Sri Lanka
	Certificate of Merit, in NBFI sector category CMA Annual Report Awards, Sri Lanka	2013	Best innovation in Sustainable Financial Services Merit award, EOSD Global Sustainable Finance Awards, Germany
Certificate of Compliance, in NBFI sector category, ICASL Annual reports awards, Sri Lanka	Joint Gold award in NBFI sector category at National Business Excellence Awards 2011, National Chamber of Commerce, Sri Lanka		
2017	Certificate of Compliance, in NBFI sector category, ICASL Annual reports awards, Sri Lanka	2012	Silver award for Best Management Practices in the NBFI sector category, at National Business excellence Awards, National Chamber of Commerce in Sri Lanka

List of accreditations

1. Sustainability Standards and Certification Initiative (SSCI), 2020
First finance company in South Asia to be Certified as a value driven financial institution, at Level 4 for Holistic Sustainability in Banking and Finance, under Sustainability Standards and Certification Initiative governed under the International Council of Sustainability Standards for Value-Driven Financial Institutions, Germany.
2. The first organization in Sri Lanka's Non-Bank Finance Sector to become BCMS (Business Continuity Management Systems) ISO 222301 : 2012 certified.
3. First Sri Lankan company in the Banking and Non-Banking Finance Sector to receive the British Standard for BCMS Certification (Business Continuity Management System).
4. First financial institution to be awarded the prestigious ISO 9001 : 1994 status by Det Norske Veritas (DNV) – reflecting our commitment to quality.

Alliance Finance Company PLC - The first sustainability certified financial institution in South Asia



AFC has become the first financial institution in South Asia to achieve the prestigious status of a holistic sustainability certified value driven financial institution, under the pioneering Sustainability Standards and Certification Initiative (SSCI). SSCI is governed under the International Council of Sustainability Standards for Value-Driven Financial Institutions representing members from the fields of development, commercial, central and microfinance banks and non-bank financial institutions. In addition, through the representation of regional associations, the Association of Development Finance Institutions of Asia and the Pacific (ADFIAP) and the African Association of Development Financing Institutions (AADFI), and input from the Global Sustainable Finance Network, the council reflects the voice of financial industry worldwide. The certificate was awarded at the World Development Finance Forum 2020 held in Karlsruhe Germany and the certificate was accepted on behalf of AFC by Her Excellency Ms. Manori Unambawa, the Sri Lankan Ambassador to the Federal Republic of Germany.



Message from Arshad Rab

Chairman, International Council of Sustainability Standards for Value-Driven Financial Institutions and CEO, European Organisation for Sustainable Development, Germany

Alliance Finance has proved to be a sustainability-driven company. It is responsive to the needs of its customers and society at large while making protection of environmental assets of Sri Lanka its

“Alliance Finance has Raised the Bar for Corporate Sri Lanka”

responsibility and its business. The company went beyond marketing buzzwords of social responsibility and environmental reporting by deploying all the resources at its disposal to embrace true and holistic sustainability.

This is not a small achievement - not even for those financial institutions that operate in relatively stable political and economic environment. Alliance Finance operated in extraordinary tough times and in extraordinary difficult circumstances, yet it never compromised on implementing the rigorous sustainability standards.

The members of the International Council of Sustainability Standards for Value-Driven Financial Institutions join me in congratulating the Chairperson and members of the board, CEO, senior management and all the staff members of Alliance Finance Company for achieving the status of Sustainability Certified Financial Institution.

I would like to extend my heartfelt congratulations to Mr. Romani de Silva, Deputy Chairman and CEO, for steering the company through tough times towards holistic sustainability.

Let me take this opportunity to thank the board for putting sustainability at the top of

their agenda. My special thanks also to the entire management and staff of Alliance Finance Company for standing behind their CEO and taking all necessary actions to make the implementation of sustainability standards possible.

As we in Germany and our colleagues across the world join you all in celebrating this special moment in your company's history, please allow me to remind you that the sustainability journey continues. In fact, with sustainability certification comes more responsibility. But I have no doubt that given the commitment demonstrated during the past over 18 months, Alliance Finance will further raise the bars and its board, management and staff will ensure full and continued implementation of sustainability standards.

My special thanks to Mr. Romani de Silva for demonstrating exceptional leadership in making sustainability an integral part of the DNA of Alliance Finance.

I wish Alliance Finance Company every success and offer my sincere respect to each and every member of the board, management and staff.

With best wishes,
Arshad Rab

Chairperson's Statement

Challenging external environments can often prompt one to look within, and extend oneself to expand one's potential. Whilst capitalizing on a strong sustainable model, AFC also reviewed and fine tuned its processes and reaffirmed its commitment to a leaner and agile model. How the Company engaged with its customers was adapted to fill a need of the hour, with more one-on-one direct interactions to find win-win solutions at a difficult time.



PBT Growth

144%

I am pleased to welcome you to the 65th Annual General Meeting of Alliance Finance Company PLC and to present to you the Annual Report and Audited Financial Statements for the year ending 31st March 2021.

Performance in Context

The Company performed well during the year ending 31st March 2021, to achieve a 144% growth in Profit Before Tax (PBT). The Company's resilience, a balanced corporate portfolio and a host of other intangibles enabled us to achieve this commendable performance despite an inimical environment that challenged the entire industry and the nation and resulted in a contraction of the Sri Lankan economy by 3.6%.

I write this message as several parts of the world are seeing a resurgence of the COVID-19 pandemic and grapple once again with a loss of lives and devastating socio economic costs. The emergence of multiple variants of the virus is threatening many countries with another mammoth wave impacting India; whilst Sri Lanka now grapples with a third wave and faces much harsher challenges than we did in 2020.

Following its success in managing the crisis to curtail the spread of the pandemic in 2020, Sri Lanka was beginning to see green shoots of recovery during the second half of the year as the threat of the pandemic seemed to reduce in intensity and vaccinations fueled hope of it receding. The Government's monetary policy measures and large scale relief measures for individuals and businesses in the post lock down period, helped to rekindle economic activity during the second half of 2020, and the nation saw a growth in credit to the private sector supported by low lending rates and surplus liquidity in the market, from February 2020. However, it appears that the third wave is likely to

reverse the prognosis of GDP growth in 2021 to result in an economic contraction for the second successive year.

Challenging external environments can often prompt one to look within, and extend oneself to expand one's potential. Whilst capitalizing on a strong sustainable model, AFC also reviewed and fine tuned its processes and reaffirmed its commitment to a leaner and agile model. How the Company engaged with its customers was adapted to fill a need of the hour, with more one-on-one direct interactions to find win-win solutions at a difficult time. Our team took on a partnership approach to help many MSME customers to restructure their facilities. True to our tagline, as a Company "Built on trust"; AFC will continue with direct and personalized customer engagement, nurturing long term relationships, and in turn gaining greater market and customer insights.

Board Changes

Mrs. Ramani Ponnambalam, who held the position of Chairperson for the past 3 years and served as a Non Executive Director on the Board for 6 years, and Independent Non Executive Director, Lt. Colonel Athula Samarasinghe, who served on the Board as an Independent Non Executive Director; both retired with effect from October 2020, having completed the maximum period of nine years as per the Central Bank rules. We wish to express our sincere appreciation for their invaluable contribution to the progress of the Company and wish them the very best in their future endeavors. I would also like to warmly welcome Mr. Lasantha Hettiarachchi who joined our Board as Independent Non Executive Director on 22nd October 2020. Mr. Hettiarachchi is a leading Commercial lawyer who holds a Doctorate in Civil Laws, and counts over 25 years experience in management and

administration. He owns and manages a private Civil Law practice and possesses in-depth knowledge and experience in Corporate law. I believe that his knowledge and experience will contribute significantly to Board deliberations and the furtherance of good governance.

Governance

As a financial enterprise, your Company believes that the highest standards in governance is indispensable to creating long term value to its stakeholders and must be pursued uncompromisingly. AFC's journey of sustained value creation, to be Sri Lanka's oldest NBFi today, serving its 4th generation of customers has been about engendering trust and about effective, transparent and accountable governance by the management including the Board; the highest governing body. The Board sets the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company. It thus ensures that its mechanisms for good governance are constantly reviewed and benchmarked and strengthened to meet evolving requirements. The Company's benchmark setting international standards and accreditations also help in ensuring Governance by encouraging value based business operations. Additionally, AFC's Board composition, comprising four Executive Directors and four Non Executive Independent Directors, facilitates an appropriate balance - of the strength for implementation with an objective outsider perspective. Shareholders draw confidence from knowing that there are as many as four Executive Directors holding responsibility for operational overview and implementation of Board decisions and hence ensuring strong execution; whilst four Non Executive Directors are able to offer an independent assessment of implementation with the perspective of an outsider looking in, thus improving

Chairperson's Statement

transparency and overall Governance.

Industry & Regulatory Environment

As mentioned previously, the NBFi sector remains intensely competitive, with a large number of players with similar product offerings catering to the same customer base; thus prompting volume driven competition, resulting in a possible compromise of credit quality and the core principles of the financing models and margin compression; thereby challenging the stability of the NBFi sector in the country. The encouragement of consolidation in the industry is hence, a welcome move.

Notwithstanding the present pandemic and its challenges and the fierce competition from within the industry as well as banks, it is opportune time that the industry looks beyond the financing of motor vehicles as their core business, and considers developing new products. Firstly, to support the more established SME's to access Capital goods to enhance their productivity and efficiency. This requires that the industry makes a concerted effort to strengthen the technical skills and knowledge base and works with policy makers to have a more conducive legal accounting and tax framework that is needed to mitigate the inherent risks associated with these products.

Further, it is envisaged that the investment in Capital goods will coincide with the growth in economic activity in the country which would lead to a gradual emergence of a secondary and third tier market for Capital goods, to encourage NBFi's to invest in Capital goods. In the interim, a SME guarantee scheme and appropriate credit insurance scheme facilitated by the Government of Sri Lanka, will help mitigate the risks associated with providing capital

goods to SME's.

Meanwhile, The Central Bank has stipulated, (effective July this year), that the classification of "Non Performing Loans" (NPLs) in the NBFi sector be amended, from 180 days to 120 days past due; moving towards placing it on par with the classification for Banks. With the implementation of this direction, the NBFi sector will be compelled to change its business model and undertake more stringent recovery process.

Consequently, the NBFis will reduce the NBFis' tolerance limit for past due age for termination of leases would be reduced within the framework of all statutory provisions, to accelerate recovery of leased assets, its disposal and realization of its receivables, in order to minimize non-performing lease portfolio.

Sri Lanka's NBFi sector is the leading lender to the most disadvantaged sectors of the economy and this regulation would force the NBFi's to adopt a stringent recovery process as stated above and curtail lending to the Micro and emerging SME sector whose cash flows are more variable and vulnerable than those of established SME's and corporates serviced by the banks. The Micro and emerging SME sector would hence be compelled to resort to informal borrowings facing adverse consequences detrimental to their economic wellbeing. This would in turn result in economic exclusion of them rather than the inclusion we strive for.

We hope that the authorities would reconsider this directive and consider a more suitable past due age tolerance limit for NPL classifications, based on the product risk and business model adopted by the NBFi's to accommodate the disadvantaged sectors of the economy, thereby facilitating the nation's path to

creating financial inclusivity and reducing economic disparities.

Future Strategies

The new generation of customers will be more conscious of, and demand, sustainable business, delivered in a sustainable manner. We are happy to have begun a journey of Sustainable financing long before it became a buzz word; and thus, look with renewed vigour to meet the numerous opportunities ahead. Our uniquely differentiated position in Sri Lanka's finance industry, with the successful integration of the concept of social and environmental sustainability into our business model has helped us earn the confidence of International Development Finance Institutions (DFI's) and Impact Investors. A fact which saw them continue to process loans for us during the bleakest period of the COVID-19 crisis, enabling us to have sufficient liquidity throughout. The "New Normal" that the world is now preparing for, demands a sustainable mindset from individuals, households and corporates across the world. Your Company thus finds itself well positioned with a head start to meet new opportunities in the future. In keeping with its Triple Bottom Line focus and ethos, it will continue to make effort and invest to ensure a sustainable mindset in all its people.

In the backdrop of a weakening exchange rate and the sharp rise in prices of second hand automobiles in the country; it is encouraging that a larger percentage of the vehicle leasing facilities AFC provides are to the MSME sector of the country, and for livelihood generation rather than mere consumption. A Three Wheeler, a lorry, or a van or Tractor in the village is a means of economic value creation. It is important that we remain aware of the current bubble in second hand automobile prices which is owing to the restrictions on imports of

new vehicles. A relaxing of the restrictions in the future would result in a sharp drop in vehicle prices in the second hand market. The next few years ahead will see AFC further expand the Leasing solutions to existing as well as new customers; with greater thrust on its truly Triple Bottom Line product of the LP Gas powered Tuk Tuks.

Excellence in Customer Service has been a priority at AFC and a critical element in our ability to understand customer needs, from the point of approaching potential customer to offering them customized solutions and sustaining relationships for the long term. We will continue to enhance and pursue delivering excellence in customer service through continuous and appropriate training, technology and investment, and recruiting of staff with the right attitude and aptitudes.

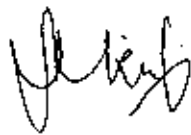
Technology, as for most industries, is an imperative to enhance value creation and sustain our competitiveness. Your Company has prioritised the enhancement of its IT systems with a view to enabling improved customer service and operational efficiencies.

We welcome the Government's policy shift to promote domestic production and climate smart agriculture. Hence, it is expected to promote enhanced markets for Agriculture commodities, value addition in the sector and awakening of entrepreneurial skills amongst farmers; thereby ensuring higher levels of income for those engaged in agriculture and related activities. Your Company, with its island wide presence in the rural areas of the country, hence sees myriad opportunities; subject to having in place appropriate instruments to mitigate the inherent risks attributable to agriculture finance. It will look to propel value addition in the agriculture sector through the funding of climate smart agriculture, initially to the existing customer base, supported

by establishing backward and forward linkages to minimize disruption to their cashflows.

Conclusion

As we look to the year ahead, I would like to convey my sincere appreciation to my colleagues on the Board for their valued contribution and continued support for steering the Company during challenging times and to the entire team of loyal employees led by the Managing Director whose talents, unreserved effort and commitment, continue to broaden the horizons for the Company and its stakeholders as it strives to "Make the World a better Place through Sustainable Finance". My gratitude also to the Governor of the Central Bank of Sri Lanka and other regulatory bodies for their support and understanding and the vital role they play and their contributions to the industry; and to all our stakeholders and valued customers for their loyalty which has inspired us for more than six decades.



Tamara Dharmakirti-Herath (Mrs.)

Chairperson

13th May 2021



Managing Director's Statement

GRI-102-14

AFC's performance during the year was its best since inception, an achievement highlighted by the fact that it was amidst most inimical domestic and external environs which impacted the country and the world at large. We are most heartened to note that this performance is a reflection of the Company's resilience as well as its commitment to a sustainable model of value creation.



Profit Before Tax

Rs. **1.3** Bn

Dear Stakeholder,

It is my pleasure to present our 65th Annual Report and Accounts and our 4th Annual Report to follow an integrated format of reporting.

AFC's performance during the year was its best since inception, an achievement highlighted by the fact that it was amidst most inimical domestic and external environs which impacted the country and the world at large. We are most heartened to note that this performance is a reflection of the Company's resilience as well as its commitment to a sustainable model of value creation.

Performance

The year was undoubtedly the most challenging since the Company's inception, as it was for many other enterprises beleaguered by the COVID-19 pandemic and its implications both locally and globally. AFC's commitment to strong fundamentals and its Triple Bottom Line approach to value creation were key facilitators of its ability to respond swiftly and effectively to the contingencies during an year in which the Sri Lankan economy contracted by 3.6%. We are thus glad to note that the Company was able to reap the dividends of its voluntary commitment over the past years, to international best practices, standards and principles. Furthermore, a strong liquidity position helped the Company build a competitive edge by sustaining its ability to continue lending during these challenging times. AFC was also able to enhance the quality of its credit portfolio by reducing exposure to high-risk market segments and increasing exposure to lower risk segments.

The Company's Profit Before Tax (PBT) reached Rs 1.3 Bn reporting a commendable growth of 144%. It is also noteworthy that your Company was able to grow its lending portfolio, despite overall negative credit growth in the NBF sector

and a decline in the sector's average loan portfolios. Credit to the private sector began to improve in the second and third quarters of the year in response to the relief measures and large scale policy stimuli introduced by the Government and the Central Bank. The policy measures included multiple reductions of policy rates and the Statutory Reserve Ratio (SRR), which helped increase much needed liquidity and reduce borrowing costs. Your Company's core business is lending to the small and medium scale enterprises (SME) sector of the country. Hence, AFC was able to play a valuable role in a revival of this sector, which was fueled by the Government's relief measures such as concessional credit schemes and debt moratorium for businesses and individuals, introduced during the third quarter of 2020.

In an year hard pressed for economic activity, it is commendable that the Company's profitability was not only a result of cost optimization but also of an expansion in net operating income. The growth in AFC's portfolio, facilitated by its strong liquidity position and reduced cost of credit in a low interest rate environment, contributed to its profitability. As I mentioned in my last year's review, AFC launched several initiatives in 2019 to bolster its platform to sustain profitability into the future and to upscale its business over the next decade. Amongst them was a re-engineering of our Core Business Processes (BPR), to enhance efficiencies and customer service across the Company. The BPR initiatives were launched with input from the International Finance Corporation (IFC) under a Technical Assistance program, to achieve greater efficiency and meet the needs of the more tech savvy youth, as well as vital enhancements to our credit and recovery systems. An unprecedented year saw us reap some of the benefits of these Triple Bottom Line initiatives. Centralization of the Company's credit function along with, strategic risk management initiatives,

strengthening the management of early delinquencies and legal processes and revamping of the valuation process to be done internally, contributed to enhanced credit quality. The outcomes of the IFC technical assistance program for recovery and credit process re-engineering continued to render a positive contribution on the credit quality improvements as well, thus enabling the Company to restrain its NPL ratio at a highly commendable 8.4% viz a viz an industry average of 13.9% during the year.

It is also commendable that the Company's loan loss provisioning reduced by a significant 32% to Rs. 752 Mn during the year; an achievement supported by the tightening of our lending norms to asset backed lending, improved collection efforts and target driven recovery actions.

The rating of BBB- (ICRA) awarded to Alliance Finance Company PLC was reaffirmed during the year and as noted by the agency is based on "AFC's established track record, fairly diversified lending and borrowing profiles as well as its adequate capital and liquidity profiles."

Our People

Continuing the initiatives, we launched in 2019 to strengthen our team and to nurture and retain talent, AFC recruited a number of professionals from diverse backgrounds to its senior management team. In addition, job descriptions were aligned and role appraisal and compensation processes have been streamlined and revised to incorporate the achievement of high impact goals under the Company's SSCI certification and the United Nations Sustainable Development Goals, as well as the goals and objectives of Sri Lanka's National Development Agenda. The "One Team – One AFC" concept continued to be strengthened and its cohesive effort played a pivotal role in the Company adapting, responding and providing a continual service to our customers under a "New

Managing Director's Statement

Normal". Moreover, the Company's HR and stakeholder management processes have been streamlined to align job roles, appraisals and compensation that will contribute towards the achievement of these high impact goals, with significant improvements for continuous learning and the wellbeing of all the employees.

Continuing to Bolster our Sustainable Business Model

The year that just ended also marked another significant milestone in our journey of Triple Bottom Line value creation. Benchmarking sustainable financing in Sri Lanka and the region, AFC became the First Company in South Asia to achieve the prestigious endorsement of "a holistic sustainability certified financial institution", by adopting the pioneering global Sustainability Standard and Certification Initiative (SSCI). Alliance Finance became one amongst just four financial institutions in the world to be thus certified. The SSCI is the first measurable and certifiable holistic sustainability standard for value driven financial institutions which encompasses a framework for the holistic integration of social and environmental sustainability, aimed at driving innovation within the organizational structure for long-term benefits for all stakeholders. It aims to create new income streams and opportunities for mobilizing funds, for businesses and projects that create meaningful social and environmental impact in addition to simply creating wealth or economic value.

In 2012 AFC became the first organization in Sri Lanka's Banking and NBF Sector to receive Certification for BCMS (Business Continuity Management Systems), BS 2599 which was upgraded to ISO 222301: 2012 in the same year. The compliance with these standards has meant that AFC is able to ensure continuity of its business in the event of any natural or man-made disaster including pandemics. The infrastructure, systems and processes

which were already in place thus gave AFC a head start in responding to a lock down and a "New Normal" with minimal inconvenience to customers; in fact, proving the age old adage that "opportunity meets preparation". We are proud to note that AFC was able to continue with the timely payment of monthly interest to its depositors, in fact two weeks ahead of the scheduled date in the month of April 2020 despite the interruptions and restrictions to cash flows during the height of the lock down period.

The Company's unique sustainability initiatives continued during the year, albeit at a reduced pace due to mobility restrictions in 2020 and we continued to deliver value by spending 3% of our Profits in 2019/20 before COVID-19 thus demonstrating our commitment once again to holistic value creation. Our pioneering initiative of Gas powered three wheelers, a result of years of R&D which epitomizes a truly Triple Bottom Line impact; saw the launch of the first batch of three wheelers in Anuradhapura during the year. The Company's project to plant 'One Million Trees for Unity', launched in 2019, has resulted in the planting of over 300,000 saplings to date as the Company progresses towards reaching its target by 2024. This project is also unique in that it incorporates environmental sustainability with social objectives of community engagement, and religious and ethnic harmony by involving school children, the armed forces, clergy and other religious leaders who have undertaken tree planting in each of their schools and places of worship across the island. During the year, AFC was one of the highest contributors of plants to the nation with the contribution of 75,000 saplings to the Road Development Authority's (RDA's) "Green expressway", project. Strengthening our partnership further, we have signed another MoU with RDA, with an undertaking to provide 600,000 plants over a period of four years for their new tree planting project "Maga

Depasa Thuru Sevana" which aims to plant two million trees. The project will also be enhanced in scope with the financial support of AFC, to monitor its effectiveness via the introduction of an app, which tracks the progress of every plant, to ensure our efforts to create a greener road network in Sri Lanka are not in vain.

The Company continued supporting social enterprise development by strengthening the relationship with the "Thuru Viyana" plant nursery; a social enterprise developed through the initial investments received via the pioneering "Ath Pavura" social business platform. We continued to engage the nursery as our main plant supplier for all of AFC's tree planting projects thereby supporting many other stakeholders linked to the "Thuru Viyana" nursery.

Looking ahead

We will continue to pursue strategies which have served us well in the past whilst reviewing and fine tuning our strategies to meet the ever changing socio economic dynamics. Supported by the frameworks of the SSCI, the Company stands well poised to harness opportunities for international funding and to create myriad opportunities for social and environmental value creation in the domestic economy. Accordingly, the Company will continue to pursue three broad High Impact Goals namely, contributing to reduce the national carbon footprint, financing of marginalized communities and developing SME entrepreneurs. Further, promoting organic agriculture, climate smart technology and promoting and sponsoring biodiversity conservation and eco system restoration are also among our strategic priorities. AFC affirmed and made its commitment to these overarching objectives tangible, by encompassing them to the Job Descriptions and the Key performance Indicators of our people.

Digital finance is rapidly changing the way the world transacts and will be a sine qua non in the near to medium term. Your

Company has hence given priority to having a long-term digital strategy in place. We will pursue technology with added vigor, for the digital delivery of our financial products as well as for empowering our team and our internal processes. Recruitment of a Chief Information Officer (which is in progress) and initiating collaboration with Digital Finance (FinTech) companies are strategic initiatives towards these ends.

The Company was able to appreciate the value of its best practices and a lean and agile operating model derived through strategic rationalization of the branch network and staff base during the year and will continue to fine tune our model in the year ahead. As I write this message, the country is threatened by a third wave of the COVID-19 pandemic. Its implications have hit a pause button once again to the nation's attempts at economic revival and also resulted in a reversal of the growth expected in 2021. Whilst adapting to a "new normal" in the short term we will continue to see how best we can contribute to economic revival in the year ahead whilst strengthening our platform for sustained growth.

The Government's increased attention to the Agriculture sector in the post COVID environment is expected to promote enhanced markets for Agriculture commodities, value addition in the sector and entrepreneurial skills amongst farmers; thereby ensuring high levels of income for those engaged in Agriculture and related activities. Your Company, with its presence in the rural sectors of the country hence sees many opportunities to add significant value in this sector; through financing as well as establishment of novel market linkages.

It is also our fervent hope that the Government will facilitate a level playing field and begin to recognize and incentivize

those players who take on leadership roles and higher risk to contribute to Sustainable Development Goals and the country's efforts to achieve macroeconomic objectives.

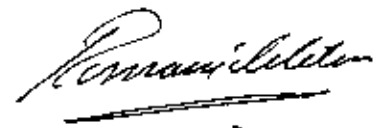
As we continue to be amongst industry leaders, as the oldest NBF in the country serving our fourth generation of customers, we look to the future with much robustness to play an exemplary role in making the world a better place through "sustainable finance" for future generations whilst reaching a new tier of growth and playing our part in the country's growth.

Appreciation

I would like to express my heartfelt appreciation to Mrs. Ramani Ponnambalam, who retired as Chairperson on 22nd October 2020; for her invaluable contribution to the Group, as Chairperson and for very ably leading the Company for three years during a very difficult time period and in addition, serving as a member of the Board for 9 years. My sincere appreciation also to Lt. Colonel (Retd.) Athula Samarasinghe who served on the Board for 9 years and retired with effect from 22nd October 2020, for his contributions in many different areas as an independent Non-Executive Director. I warmly welcome our new Chairperson Mrs. Tamara Dharmakirti-Herath who brings with her a wealth of experience and knowledge. Having served in Senior Management positions in leading NBF's and also having spearheaded the setting up of 2 NBF's in the country; she counts over 35 years of experience in the Financial service sector. In her first year as Chairperson, she has begun to add much value to the Company. Let me also welcome Mr. Lasantha Hettiarachchi who joined our Board as an Independent Non-Executive Director. Mr. Hettiarachchi is a commercial lawyer with over 25 years' experience in the practice of law and management. I wish him well and look forward to his active participation and

contribution to the Company. I would also like to express my sincere thanks to my colleagues on the Board for their collective wisdom, guidance and continual support.

My most sincere appreciation also to all our employees that make up "One AFC Team", whose focused approach, passion and commitment have been indispensable to overcoming a challenging year. I would also like to convey my sincere appreciation to the Central Bank of Sri Lanka for their valuable guidance and support provided to us throughout the year. I also extend my gratitude to our depositors, shareholders, and customers and business partners and other stakeholders for their confidence in us, which has stood the test of time and continues to inspire us to raise the bar for ourselves and reach greater heights.



Romani De Silva
Deputy Chairman/Managing Director

13th May 2021

Board of Directors



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1. Mr. L. J. H. de Silva
Independent Non-Executive Director

2. Mrs. P. de Silva
Independent Non-Executive Director

3. Mr. D. L. I. Hettiarachchi
Independent Non-Executive Senior Director

4. Mrs. G. S. Tamara Dharmakirti-Herath
Chairperson
Independent Non Executive



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5. Mr. R. K. E. P. de Silva
Deputy Chairman/ Managing Director

6. Mr. J. M. Gunasekera
Executive Director-Sustainability

7. Mr. W. P. K. Jayawardana
Executive Director- Finance & Operations

8. Mr. R. E. Rambukwelle
Executive Director-Credit Operations and Marketing

Board of Directors

Mrs. G. S. Tamara Dharmakirti-Herath

Chairperson

Independent Non Executive

(Chairperson of Board Integrated Risk Management Committee and Related Party Transactions Review Committee, Member of Board Audit Committee and Remuneration Committee)

Mrs. G. S. Tamara Dharmakirti-Herath was appointed to the AFC Board of Directors as the Chairperson on 22nd October 2020. She holds over 39 years of experience in the financial services sector and has made significant contributions to the industry and was involved in the setting up two Non-Banking Financial Institutions (NBFI) in the country. In her long professional career, she has been in senior management positions in a few of the premier NBFI's and as a consultant providing technical skill and knowledge to NBFI's and banks engaged in Leasing and Factoring. She has vast knowledge and experience in the multiple aspects of the finance industry. She has facilitated knowledge and skill development to young leasing professionals in Sri Lanka (pro-bono) and advocates best practices and gender equality in the management of the NBFI sector.

Additionally, having represented the country in two team sports she went on to be involved in sports administration at national and international level. She has served as a director of an international sport federation and president of a regional and national sport federation and as a member of the National Sports Council and National Selection Committee for Olympics, Chairperson of the Women and Sports Committee NOC Sri Lanka, and in other positions of repute.

Mr. R. K. E. P. de Silva

Deputy Chairman/ Managing Director

(Member of Board Integrated Risk Management Committee)

Mr. Romani de Silva was appointed to the Board on 9th March 1990 and currently holds the position of Deputy Chairman and Managing Director of Alliance Finance Co. PLC. He holds Directorates in many other companies and counts over 30 years of experience in the finance industry. He is a

Life member of the Sri Lanka Institute of Directors, a member of the Chamber of Young Lankan Entrepreneurs, and currently represents AFC as a Council Member of The Finance Houses Association of Sri Lanka (FHASL); the representative body of the Non-Bank Financial Sector of Sri Lanka. He also serves as the Hon. Treasurer of the Sri Lanka Institute of Credit Management (SLICM) and as a member of the FHASL sub-committee on Sustainability related matters.

He has also represented the FHASL on the Steering Committee initiated by the Central Bank of Sri Lanka to develop a Sustainable Finance Road map for Sri Lanka. He also represented the NBFC industry as a working committee member of the National Financial Inclusion Strategy Project recently concluded by the IFC/World Bank Group and the Central Bank of Sri Lanka.

In 2018 he was also selected to serve on the SSCI Council - a global council initiated by the European Organization for Sustainable Development (EOSD) in Karlsruhe Germany, mandated to develop the world's first measurable, certifiable and holistic sustainability standard for value driven financial institutions. This novel initiative known as the Sustainability Standard Certification Initiative or SSCI was launched in 2018 and is supported by the Association of Development Finance Institutions of Asia and the Pacific (ADFIAP), the African Association of Development Financing Institutions (AADFI) and the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI).

He also sits as a member of the Global Council for the Financing 4.0 program - an initiative by the EOSD which is mandated to drive finance as a force for good.

Through a philanthropic foundation supported by Alliance Finance Co PLC, Mr. de Silva is also a pioneering corporate investor in the pioneering "Ath Pavura" reality TV Programme in Sri Lanka which aims to create awareness for Social Enterprise in Sri Lanka and develop an impact investing culture in the country. Through this program, the foundation was able to invest in five social enterprises many of which are now nurtured and supported by AFC.

Mr. de Silva is a Fellow of the Institute of Credit Management, Sri Lanka.

Mr. J. M. Gunasekera

Executive Director-Sustainability

(Member of Board Integrated Risk Management Committee)

Mr. J. M. Gunasekera was appointed to the AFC Board of Directors on 23rd June 2015. He currently serves as the Executive Director Sustainability of AFC. An industry expert in rural financing, he counts over 30 years of experience in Microfinance, SME financing, livelihood development and agribusiness in Sri Lanka, Afghanistan, Bangladesh and Nepal. He has also served in multilateral agencies such as the US Agency for International Development and undertaken special assignments with the World Bank/IFC, the ADB and US based INGOs/PVOs in many markets such as Philippines, Thailand, Japan and the United States. He holds an MBA, BSc in Agriculture and Microfinance training from the University of Colorado. He has previously functioned as Managing Director/ CEO of 3 MFIs, one in Afghanistan and two in Sri Lanka.

Mr. W. P. K. Jayawardana

Executive Director- Finance & Operations

(Member of Board Integrated Risk Management Committee)

Mr. W.P.K. Jayawardana was appointed to the AFC Board of Directors on 4th April 2017 and currently serves as Executive Director Finance and Operations and he brings over 24 years of experience in investment banking, corporate finance, credit and operations. He is involved in and has led teams in launching several innovative products in Sri Lanka and Bangladesh, including securitisation structures, convertible securities and derivatives and has executed several landmark capital market transactions. He played a key role in setting up NDB Capital Limited, Bangladesh and Emerald Sri Lanka Fund, being the first private equity country fund set up in Sri Lanka. He is a Chartered Financial Analyst, an Associate Member of the Chartered Institute of Management Accountants and the Chartered Global Management Accountants. He is also an

Associate Member of the Association of Chartered Certified Accountants- UK. He holds an MBA from the Open University of Sri Lanka in collaboration with Commonwealth of Learning, Canada. Other Appointments His previous appointments include, Managing Director/CEO of NDB Capital Limited, Bangladesh and COO of NDB Capital Holdings Limited. He has held Board positions in several listed and private entities including Resus Energy PLC, PanAsian Power PLC, Lanka Communication Services Limited and NDB Capital Limited. He holds Directorates in two non related companies.

Mr. R. E. Rambukwelle

Executive Director-Credit Operations and Marketing

(Member of Board Integrated Risk Management Committee)

Mr. R. E. Rambukwelle was appointed to the AFC Board of Directors on 6th September 2018 and serves as the Executive Director Credit Marketing and Operations. His wealth of experience spans over 35 years' in Management both in Sri Lanka and overseas and his expertise and extensive knowledge of the industry is his hallmark. His last position was Director Marketing and Operations in one of the largest Non-Bank Financial Institutions in the country, where he was employed for twenty-four years until his retirement in June 2018. He possesses a Bachelor's Degree in Economics and Political Science from the Peradeniya University, a Diploma in Marketing from the Chartered Institute of Marketing UK and a Diploma in Commerce from the Institute of Commerce UK.

Mrs. P. de Silva

Independent Non-Executive Director

(Chairperson of Audit Committee and Member of Board Integrated Risk Management Committee)

Mrs. Priyanthi de Silva was appointed to the AFC Board of Directors on 9th August 2018 as an Independent Non-Executive Director. She is a Fellow of the Chartered Institute of Management Accountants (FCMA) and the Chartered Global Management Accountants (CGMA) of UK and a Fellow of Certified Practising Accountants, (FCPA) of Australia. She is also an Associate member of the Association of Chartered Certified Accountants of UK (ACCA).

She has over 30 years of experience in the FMCG, Leisure, Healthcare, Travel, and Financial Services sectors in Sri Lanka and Australia. The senior positions held by her in Sri Lanka include Manager Compliance at Sri Lankan Airlines and Manager Finance and Systems at Sri Lankan Catering, Financial Controller of Hemas Holdings PLC, Finance Manager at Arpico Finance Co. PLC, Manager Finance and MIS at Eagle NDB Fund Management and in Australia as a Financial Specialist at Goston Awend Pty Ltd, and as an Accountant at GE Money and Coles Express.

Mr. L. J. H. de Silva

Independent Non-Executive Director

(Chairman of Remuneration Committee, Member of Related Party Transactions Review Committee and Audit Committee)

Mr. L. J. H. de Silva was appointed to the AFC Board of Directors on 16th October 2019 as an Independent Non-Executive Director. He is presently the Managing Director of Alliance Agencies Ltd., exclusive agents in Sri Lanka for Heidelberger Druckmaschinen AG Germany and Drive One (Pvt) Ltd., sole distributor for Audi AG, Germany. He has over 30 years of management experience. He has acquired significant experience in brand building, strategic planning and key account management. Former president of the Association for Print and Design Professionals and is a Member of the Board of Governors of the institute of Printing in Sri Lanka. Mr. de Silva attended Hauchler Studio College and Print Media Academy Heidelberg, Germany, is a fellow of the Sri Lanka Institute of Printing and has over 40 years of experience in the graphic arts industry.

Mr. D. L. I. Hettiarachchi

Independent Non-Executive Senior Director

(Member of Remuneration Committee and Related Party Transactions Review Committee)

Mr. D. L. I. Hettiarachchi was appointed to the AFC Board of Directors on 22nd October 2020 as an Independent Non-Executive Director. He has over 25 years' experience in management and administration. Since 2002 onwards he owns and manages a private

civil law practice and has over 30 years' experience in commercial and civil litigation in original/appellate courts and arbitrations in a range of matters. He possesses in-depth and wide experience in transactional legal services and consultancy, including a wide scope of matters covered in commercial/corporate law practice. He is an Attorney at Law of the Supreme Court of Sri Lanka and holds a Master of Law degree from McGill University in Montreal, Canada and Doctor of Civil Laws degree from McGill University in Montreal, Canada. He holds a Directorate in a non related company.

The Management Team

Corporate Management Team

Name	Designation
Emmanuel Muttupulle	Chief Talent Management Officer
Michael Benedict	Chief Collection and Recovery Officer
Aruna Rodrigo	Chief Credit Officer/Head of Branch Operations
Ajantha Kumara	Chief Commercial Officer
Champa Nakandala	Assistant General Manager - Deposit
Sujith Fernando	Assistant General Manager - Digital Transformation and Collaboration Finance
Thamara Rathnayake	Assistant General Manager - Compliance and Risk Management
Sampath Wickramarachchi	Assistant General Manager - Internal Audit
Dimuthu Tillakaratne	Assistant General Manager - Finance
Roshan Rathnayaka	Regional Head
Sujan Cooray	Regional Head
Wasantha Maldeniya	Regional Head
Isanka Gayan	Regional Head
Saman Medagoda	Regional Head
Selvaratnam Nishanth	Regional Head
Udaya Suranjith	Regional Head
Mallika Baddage Jayathilaka	Regional Head
Nalin Kodagoda	Regional Head
Surendra Rodrigo	Head of Gold Loan Operations

Management Team

Name	Designation
Roshan Faris Carrim	Unit Head - Recovery
Chrishanthi Wevita	Senior Manager - Deposits
Achala Wanniarachchi	Senior Manager - Legal
Ganeshalingam Mathieswarann	Senior Manager - MIS
Kasun Sandanayake	Senior Manager - Finance
Ranil Perera	Senior Manager - Branch Operations & Performance
Dillon Thajudeen	Senior Manager - Marketing
Manoj Siriwardana	Senior Manager - Business Channel Development
Asanka Atapattu	Senior Manager - Treasury
Chatura Senarathne	Manager - Procurement Procurement
Samapath Wijesuriya	Manager - Administration
Anupa Jayasekara	Manager - Premises Management
Lakmal Maniksagara	Manager - QM & BCMS
Chanuka Dilhani	Manager - Strategic Planning & Sustainability
Sachinthani Meeriyagalla	Manager - Human Resources
Senani Kaluarachchi	Assistant Manager - Customer Care & Relationship Management

Regional Managers and Senior Branch Managers

Name	Designation
Nohan Krishantha	Regional Manager - Group Loan Recovery
Thanubalasingam Kumarathas	Regional Manager - Gold Loan
Pradeep Kumara	Senior Branch Manager
Hirosh Ramanayake	Senior Branch Manager
Manoj de Silva	Senior Branch Manager
Priyantha Guruge	Senior Branch Manager
Thusitha Karunarathna	Senior Branch Manager
Saman Kumara	Senior Branch Manager
Upul Pathirana	Senior Branch Manager
Sithumina Jayasundara	Senior Branch Manager
Meganathan Thayaparan	Senior Branch Manager
Ranil Palansuriya	Senior Branch Manager

AFC Business Philosophy

GRI 102-20 GRI 102-26 GRI 103-2 GRI 103-3 GRI 305-1 GRI 305-4 GRI 305-5

The business philosophy of AFC revolves around creating a better world through sustainable, inclusive and responsible financing. Our purpose statement and high impact goals have been structured in line with our business philosophy and our sustainability embedded business strategy is designed to navigate the Company's performance towards the achievement of these goals. Resonating across every facet of the Company, our business philosophy serves as the foundation in shaping our business towards deliverance of superior value to all our stakeholders via innovative, sustainable and responsible means.

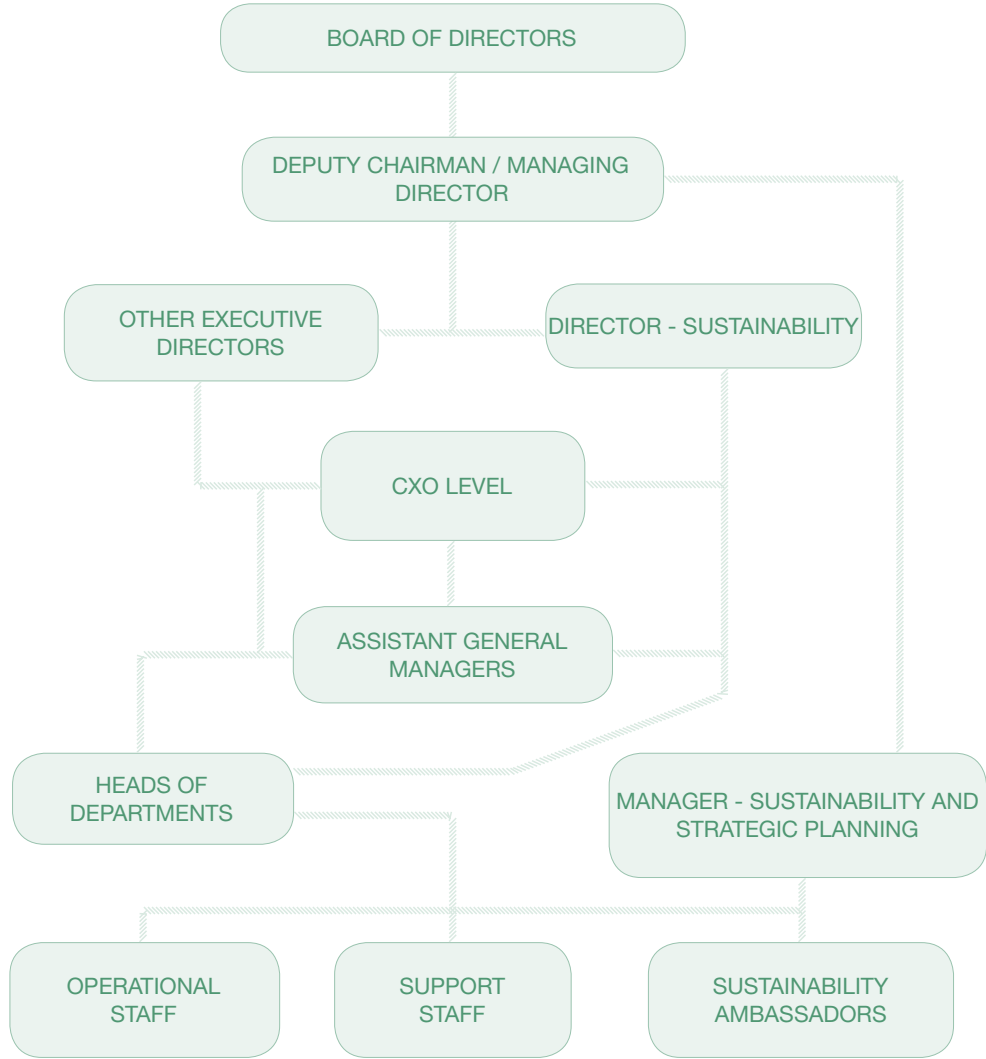
Our Approach

As a means of further integrating our business philosophy to our core business operations and corporate DNA, we have adopted the sustainability standards defined by the Sustainable Standards and Certificate Initiative (SSCI). SSCI is the first global standard developed for value creating financial institutions, governed by the International Council of Sustainability Standards for Value-Driven Financial Institutions in Germany. While providing a comprehensive framework, this standard has been instrumental in streamlining and fine-tuning our entire business model to create sustainable value to the society, environment and economy ensuring that each and every function, policy, procedure and employee role has been aligned with the company's purpose and high impact goals. During the year, AFC received the Level 4 SSCI certification, becoming the first financial institution in South Asia and one of just four companies in the world to receive this honor.

Reaffirming our dedication towards our business philosophy we have upgraded our Triple Bottom Line approach to encapsulate a broader spectrum including two more SDGs, peace and partnerships, in adherence to the 5P approach to sustainable development based on the UN Sustainable Development Goals (UN SDGs). The Company has pledged its commitment to contribute towards the Agenda 2030 including UN SDGs by signing the Karlsruhe Resolution, at the Sustainable Finance Conference in Karlsruhe, Germany in 2017 and since then worked ambitiously to make sure that its business operations endorse these goals.

Sustainability Governance

AFC has a clearly defined sustainability governance structure in place with responsibility cascading down from the Board to all levels of the organization. The Board of Directors has actively supported and endorsed the business philosophy geared towards achieving the desired sustainability objectives and has thus been involved in redefining the growth trajectory of the company, by way of revising the corporate strategy, risk management aspects, as well as relevant policies and procedures. Led by the Managing Director, the Director Sustainability and other Executive Directors supervise the entire sustainability function while the Strategic Planning Unit headed by the Manager Sustainability and Strategic Planning, provides the overall coordination, implementation and monitoring support to drive the sustainability agenda and purpose across the entire Company. The progress is discussed with the Board on a monthly basis at the Board meeting while all records relating to the value created are assessed on a quarterly basis.



The Board's role in supporting the Business Philosophy

- Setting the overall strategic direction
- Monitoring sustainability performance
- Engage and provide advice on corporate decisions
- Support stakeholder management and value creation
- Provide feedback for rectifying ESG issues

AFC Business Philosophy

Our Investment

AFC has a separate budget for sustainability initiatives with a 3% annual profit allocation. During the year under review, we have invested Rs. 6.5 Mn (3% of 2019/20 profit) on a diverse range of initiatives, creating value in all, environmental, social and economic spheres of sustainability, taking us a step closer towards achieving our high impact goals.

Sustainability Initiative	Amount (Rs.)
Environmental sustainability	3,990,264
Social development	1,874,477
Religious and cultural activities	10,000
Donations for charities and homes	618,000
Total	6,492,740

Our sustainability driven business philosophy transpired to be our core strength during the year and contributed immensely towards facing the challenges brought on by the COVID-19 pandemic efficiently and effectively. While organizations were facing heightened pressure battling the trade-off between sustainability and business performance, we were able to carry on our business activities with minimum disruptions and work towards our high impact goals by virtue of our sustainability integrated value proposition.

Reduce the national carbon footprint of Sri Lanka by 118,000 tCO₂e by 2025



Target achievement 3%

311, 610 trees planted
65 three-wheelers converted to gas

PEOPLE



Ensure social wellbeing through inclusive and responsible financial services.

- Income generation portfolio - **79%**
- No of customers - **102,223**
- Portfolio in rural and marginalized areas - **Rs. 8,728 Mn**
- Female employee base - **30%**
- Female customers – **46%**
- Lending to female customers - **27%**
- Value created for employees - **Rs. 924 Mn**
- Investment in Training - **Rs. 1.9 Mn**
- Investment in Social sustainability initiatives - **Rs. 2.5 Mn**

PLANET



Ensure environmental well-being by supporting environmentally friendly businesses and undertaking environmental protection initiatives.

- Carbon footprint – **2,900 tCO₂**
- Contribution of plants during the year – **75,000**
- Total no. of trees planted – **311,610**
- Flora and fauna species identified for conservation - **36**
- Reduction of GHG emissions (CO₂) - **7%**
- GHG emission intensity/employee - **2.2 tCO₂**
- No of gas converted three-wheelers units produced - **65**

Improve the living standards of 5% of the households in the Northern Province and other marginalised and rural areas through inclusive financial products and services

GOAL 2

Target achievement 49%
33% outreach
42,701 contracts

Develop 75,000 MSME entrepreneurs and self-employment opportunities by 2023

GOAL 3

Target achievement 21%
Rs. 6.7 Bn- SME portfolio
15,549 contracts

PROSPERITY



Support the economy by creating an environment for our existing and prospective customers to prosper through our sustainable financial solutions.

- No of customer touch points - **91**
- District presence - **100%**
- Total lending portfolio - **Rs. 28,646 Mn**
- Geographical Presence outside Western Province - **65%**
- Portfolio outside Western Province - **65%**
- Portfolio growth - **2%**
- Presence in rural and marginalized areas - **33%**
- Value created to the government - **Rs. 585 Mn**

PEACE



Inclusivity and accountability to promote peace and inclusivity in communities

- Portfolio in Northern, Eastern and plantation regions - **26%**
- Portfolio of Female Customer Base - **Rs. 7,679 Mn**
- CSR expenses - **Rs.1.4 Mn**

PARTNERSHIPS



Build partnerships and join networks to fuel the sustainable development momentum at national and global levels

- Network Partners/Associations
 - Local**
 - Road Development Authority
 - Finance Houses Association
 - Biodiversity Sri Lanka
 - CSR Sri Lanka
 - Foreign**
 - European Organization for Sustainable Development
 - Association for Development Financing Institutions in Asia and the Pacific
- Impact Investors
 - Triodos, FMO, IFC, DWM
- Total supplier base - **245**
- Investment in partnerships and networks - **Rs. 1.1 Mn**

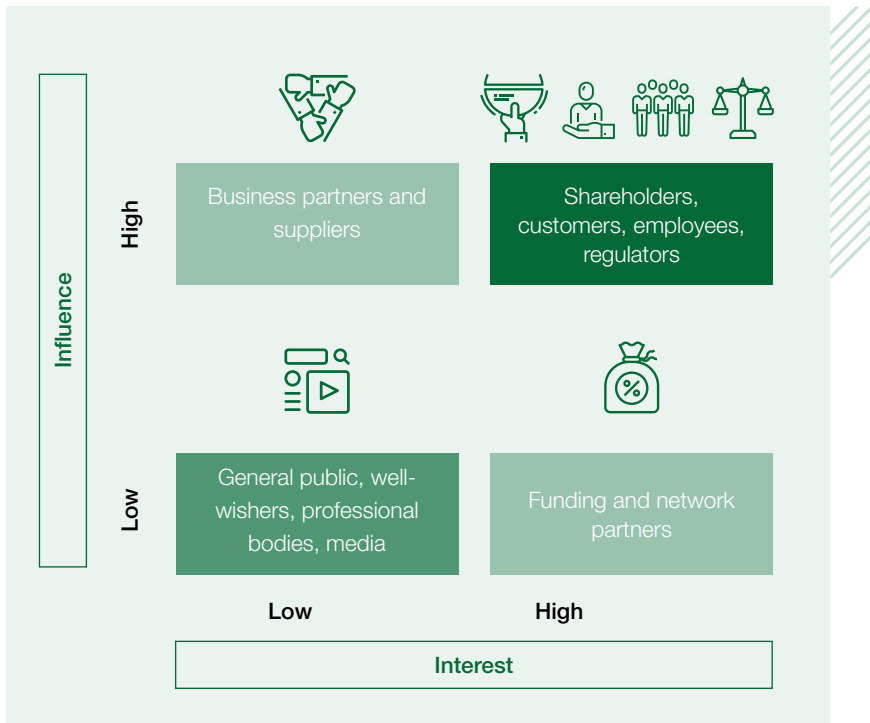
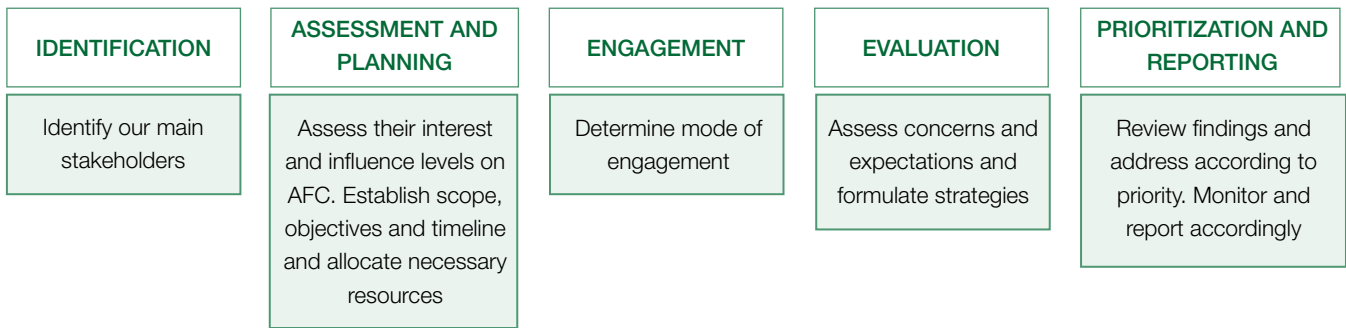
Stakeholder Engagement




GRI 102-40 GRI 102-42 GRI 103-2 GRI 103-3 GRI 102-43 GRI 102-44

Regularly engaging our stakeholders and obtaining their feedback helps us gauge their expectations and possible improvements to our value creation process. Using multiple channels, AFC engages with all key stakeholder groups thereby obtaining the necessary inputs for the strategic planning process while simultaneously improving the level of trust and assurance placed on the Company for over six decades and achieving a sustainable growth.





AFC has introduced a separate SMP (Stakeholder Management Plan) report to monitor the engagements and review the feedback received. The customer care unit holds responsibility towards monitoring and producing an annual report based on the Board approved SMP report format.

The stakeholder engagement process of the Company is outlined below:



Stakeholder	Methods of Engagement	Frequency of Engagement	Stakeholder Expectations	Management Response
Shareholders 	<ul style="list-style-type: none"> AGM and Annual Report Interim Financial Statements Corporate website Announcements to the CSE Press releases 	Annually Quarterly Continuously Continuously Continuously	<ul style="list-style-type: none"> Sustainable growth Adequate risk return balance Corporate governance and risk management framework Corporate reputation and brand Transparency and credibility of disclosures 	<ul style="list-style-type: none"> Revised strategic way forward with sustainability integrated corporate plan and high impact goals Revised targets aimed at Triple Bottom Line value creation Corrective actions to further improve Credit, Recovery and Risk Management aspects of AFC
Customers 	<ul style="list-style-type: none"> Customer satisfaction survey Customer relationship management function Customer exit surveys in Microfinance Customer hotline Customer education programs Online and social mediaplatforms 	Annually Continuously Annually Continuously Continuously Continuously	<ul style="list-style-type: none"> Value for money Convenience and accessibility Innovative product offerings Security of deposits and favorable returns Ease of transacting Sustainable business growth and stability High quality of service Corporate reputation and brand Access to transparent and credible information 	<ul style="list-style-type: none"> Revised strategic way forward with sustainability integrated corporate plan and high impact goals Attractive terms and rates in accordance with the government policies and regulations Range of products and services that ensures responsible and inclusive financing Highest level of service quality and customer concern Island-wide network of 42 customer touch points to provide all products and services under one roof
Employees 	<ul style="list-style-type: none"> Employee feedback survey Performance appraisal Multi-level staff meetings Open door policy Training needs assessment Social media platforms Work-life balance initiatives 	Annually Annually Continuously Continuously Annually Continuously Continuously	<ul style="list-style-type: none"> Competitive remuneration Equal opportunity Opportunities for skill development and career progression Work-life balance 	<ul style="list-style-type: none"> Attractive compensation package and benefits Conducive environment to learn and grow Opportunities for career advancement Programs that promote health and well-being Opportunities to volunteer in social and environmental value creation activities Performance based remuneration structure Training and development opportunity

Stakeholder Engagement

Stakeholder	Methods of Engagement	Frequency of Engagement	Stakeholder Expectations	Management Response
Regulators 	<ul style="list-style-type: none"> Regulatory reporting CBSL audits Special meetings for regulatory clarifications Press releases and CSE publications 	Continuously Annually Need basis Continuously	<ul style="list-style-type: none"> Good governance and compliance Sustainable business practices Ethical business 	<ul style="list-style-type: none"> Adhere to all provided compliance requirements Provision of timely and accurate information/ reports Facilitate on-site/off-site audits Sustainability embedded corporate plan
Business Partners and Suppliers 	<ul style="list-style-type: none"> Direct dialogue Service quality survey Stakeholder feedback survey 	Continuously Annually Annually	<ul style="list-style-type: none"> Ease of transactions Business expansion Capacity building and financial support Equitable and on-time payments 	<ul style="list-style-type: none"> Maintain long term partnerships based on mutual trust and understanding Engage likeminded partners in line with our sustainable business agenda Ensure timely payments and required support Dedicated team to engage with, to exchange an effective service
Funding and Network Partners 	<ul style="list-style-type: none"> Annual Report Interim Financial Statements Monitoring reports Progress presentations Corporate website 	Annually Quarterly Periodically Periodically Continuously	<ul style="list-style-type: none"> Favorable business performance Submission of timely and credible progress information Transparency Sustainability performance 	<ul style="list-style-type: none"> Revised strategic way forward with sustainability integrated corporate plan and high impact goals Revised targets aimed at Triple Bottom Line value creation Corrective actions to further improve Credit, Recovery and Risk Management aspects of AFC
General Public, Well-wishers, Professional Bodies, Media 	<ul style="list-style-type: none"> CSR initiatives Press releases and publications Relevant engagements when required 	Periodically Continuously Continuously	<ul style="list-style-type: none"> Employment generation Livelihood and community development Sustainability performance Brand visibility and reputation 	<ul style="list-style-type: none"> Maintain mutually respectful and cordial relationships CSR and social sustainability initiatives to generate positive outcomes Generate opportunities to engage with the business as customers, employees or beneficiaries Launched www.afcdalu.com featuring the sustainability efforts of AFC and creating the opportunity for likeminded people to join our green cause


















Materiality Assessment

GRI 102-47

Material issues reflect those which substantially affect the Group’s value creation process and sustainability over the short, medium and long term. Meeting the needs and aspirations and addressing the material issues of our stakeholders is the foundation of the Group’s strategy. Our focus on materiality is based on significant economic, social and environmental aspects that impact the company and our stakeholders.







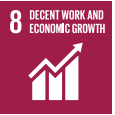





The materiality assessment process enables the Group to define key triple bottom line issues that are vital to our business and stakeholders and is crucial to drive performance and improve our sustainability framework.

Based on the trends observed and the concerns of stakeholders, following material topics were prioritized in alignment with the relevant SDGs as follows. There are no restatements or significant changes in the list of material topics and topic boundaries compared to the previous year.

Material Topic	Related GRI standard	Related SDG	Page Reference
1 Sustainable Development Ensuring business development through stakeholder value creation is crucial to the sustainability of AFC	201	    	9, 30-33
2 Energy Efficiency Reducing the carbon footprint and energy costs of the Company thereby ensuring resource efficiency and sustainability	302	   	84-86
3 Sustainable business practices AFC strives to adhere to sustainable business practices in line with its mandate and ensures these practices flow through the corporate DNA	302, 308, 414	  	82, 84-86
4 Innovation and digitization Innovation and digitization are the drivers of business success in today’s ever evolving business environment creating a competitive advantage and continue to be two vital focus areas of AFC	102-2, 302, 305, 308, 417-3	    	7, 8, 32, 64, 76-77, 84-86

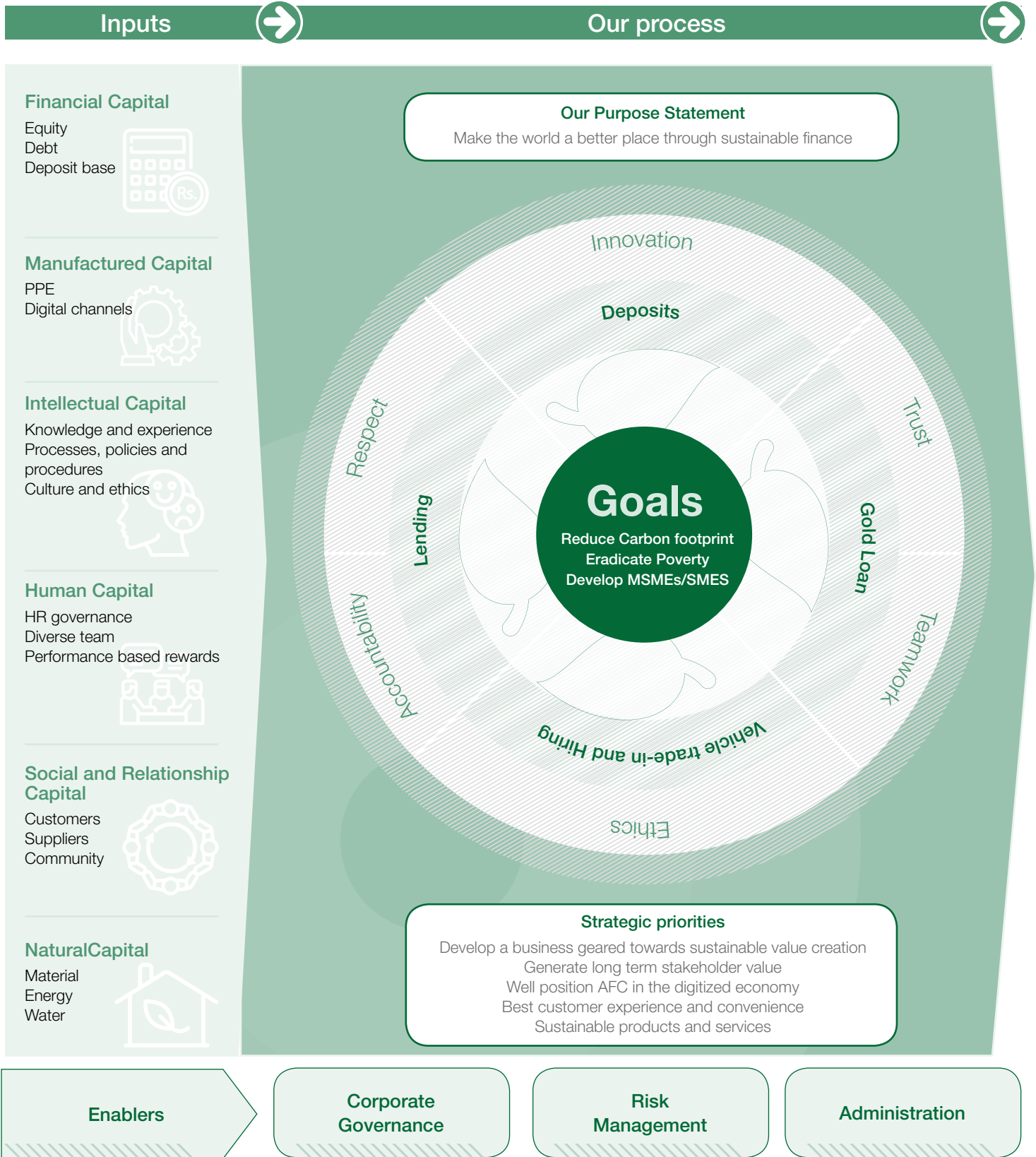
Materiality Assessment

Material Topic	Related GRI standard	Related SDG	Page Reference
<p>5 Battling climate change and environmental protection AFC strives to align its business functions and activities towards this goal. The impact on the environment is closely monitored and reported whilst screening all suppliers and internal business processes to contribute positively to the battle against climate change</p>	302, 304, 305, 417-3	   	32, 51, 85, 87, 88
<p>6 Business Ethics Good governance, legal and regulatory compliance and ethics provide the foundation for all business activities of AFC, determining and shaping the organizational culture</p>	206, 307, 418, 419	   	5, 81, 82, 86
<p>7 Supply chain development AFC aims to connect with responsible suppliers whose work ethic is well aligned with the sustainability mandate</p>	308, 414	  	82
<p>8 Talent attraction and retention The right talent nurtures our value creation process and steers growth. Thus, AFC places great importance in attracting the right personnel and retaining its valuable human resources</p>	401, 404	  	69-75
<p>9 People development A skilled workforce is crucial for sustainable growth and we make sure regular training opportunities are available to upskill the workforce</p>	404	 	70-71
<p>10 Non-discrimination AFC believes in diversity and equality and upholds the highest level of best practices related to non-discrimination and providing equal opportunities</p>	405, 406	  	67-71, 74, 75

	Material Topic	Related GRI standard	Related SDG	Page Reference
11	<p>Reputation and brand value We place utmost important in maintaining a good reputation and brand value as our growth is dependent on the trust and confidence stakeholders place on us</p>	206		33, 64
12	<p>Customer attraction and retention AFC aims to provide the necessary financial support towards all its customers to help develop their standards of living. Customer protection and service quality are given high priority so that a loyal customer base is created and they remain with us for the longer term</p>	102-2 417-3, 418	  	8, 79-82
13	<p>Stakeholder satisfaction and transparency Managing and meeting the needs of all stakeholders is critical to the Company's performance, achievement of goals and growth. In recognition of this AFC has a stakeholder management plan in place to ensure all relationships are sustained and nurtured.</p>	102-40, 41, 42, 43, 44	       	34-36

AFC Value Creation Model

GRI 103-2



Outcomes



Value for key stakeholders



UN SDGs

Financial Capital

Revenue
PAT
ROE
EPS



Page 56 -59

Manufactured Capital

Touch points
PPE



Page 60-62

Intellectual Capital

Brand Value
ICRA rating



Page 63-65

Human Capital

Benefits paid
Training hours



Page 66-77

Social and Relationship Capital

Customer base
Investment in CSR



Page 78-83

Natural Capital

Trees planted



Page 84-88

Shareholders

- Sustainable growth
- Investment opportunities

Customers

- Financial security
- Superior delivery of service

Employees

- Well-being
- Work life balance
- Career progression and development
- Empowerment
- Equal opportunity

Regulators

- Compliance with all regulatory requirements

Business partners and suppliers

- Long-term relationships
- Transparency

Funding and Network partners

- Long-term relationships

Community

- Financial inclusion
- Contribution to SDGs
- Environmental conservation



HR

IT

Finance

Legal

Impact Assessment of Externalities

GRI 102-15 GRI 103-2 GRI 103-3 GRI 201-02

Identification and timely response to external risks and opportunities is vital towards ensuring our strategies are in line with the industry changes and consumer preferences. Amidst the COVID-19 pandemic and resulting uncertainties, additional effort was put in to assess the external impacts more diligently and comprehensively to safeguard the business from any unexpected adverse circumstances and ensure stakeholder interests were met.

POLITICAL

P

Challenges/Opportunities

- Fiscal and Monetary policy changes
- Political unrest

Our response

- Improve our business expertise and technical knowledge to facilitate timely response to changes
- Preserved the overall strategic direction while maintaining the Risk Appetite of the company
- Engaged with the regulator via the industry association to address the adverse impact on the industry

ECONOMIC

E

Challenges/Opportunities

- Interest rate and exchange rate fluctuations
- Reduction in demand for credit
- Rising NPLs
- Growth in infrastructure development and construction

Our response

- Placed high emphasis on the Gold Loan product line
- Introduced special loan schemes aimed at aiding customers meet the education needs of their children
- Carried out cost rationalization initiatives to optimize the cost structure
- Focused on the growth of the low risk and high yielding segments such as three-wheelers and introduced the gas conversion project as a diversification measure

SOCIAL

S

Challenges/Opportunities

- Changing demands due to the pandemic
- Changing demands due to environmental concerns
- Customer sophistication and demand for greater convenience

Our response

- Strategic relocation of 11 branches
- Expansion of the Gold Loan product to 10 further branches
- Provided concessions to all eligible customers in accordance with the CBSL guidelines
- Enabled employees the option to work from home causing no disruption to business activities
- Provision of transport services for all employees using public transport to ensure safety and well-being

TECHNOLOGICAL



Challenges/Opportunities

- Improvements in the digital front to obtain competitive advantage
- Increased customer demand for online services
- Data security

Our response

- Completed the integration of X-Gen, the delinquency management system
- Formulated the Digital Center of the Company to oversee the digitization initiatives
- Further progress achieved in the upgrading of the core banking system
- Nearing completion of the new Corporate website
- Necessary measures were taken to improve data security

ENVIRONMENTAL



Challenges/Opportunities

- Negative impacts of adverse weather patterns on social and economic wellbeing
- Opening avenues for more sustainable, environment friendly products, services and businesses
- Increasing environmental consciousness in communities

Our response

- Passed the 300,000 mark of planting trees, with 75,000 new plants provided to the Road Development Authority's 'Green Expressway' project
- Launched the gas three-wheeler product, initiating the pilot program in Anuradhapura
- Launched www.afcdalu.com showcasing the sustainability efforts of AFC and engage interested parties in our tree planting projects
- Launched the 'AFC dalu' social media and influencer campaign to enlighten the communities on environmental protection, climate change and tackling environmental issues

LEGAL



Challenges/Opportunities

- Relief schemes introduced by the CBSL for COVID-19 affected businesses and individuals
- Reduction of the statutory reserve ratio

Our response

- Complied with all stipulated regulations and directions of the CBSL
- Took proactive measures to maintain adequate liquidity reserves

AFC Strategy Implementation

GRI 103-2 GRI 103-3

As a socially responsible corporate citizen we believe that the Company's long-term sustainability depends on the positive impact our business activities generate towards the economy, society and environment. Therefore, our strategy is aimed at expanding the impact of our business activities beyond the core business boundaries and embracing the social and environmental elements of sustainability as well. Through these strategic ideals we aim to optimize our resources ensuring that our investments are appropriately allocated towards the vital business lines to expand the reach of our portfolio and deliver superior value to our stakeholders.

AFC TRIPLE BOTTOM LINE STRATEGY

People



- People development
- Best practices of social sustainability
- Corporate stewardship

Planet



- Reduce carbon footprint
- Bio-diversity conservation and eco-system restoration
- Best practices of environmental sustainability
- Corporate stewardship

Profit



- Increase operational efficiency
- Improve the scalability of the business
- Maintain a healthy portfolio quality
- Improve employee productivity
- Manage core capital efficiency

HIGH IMPACT GOALS

GOAL 1



Reduce the national carbon footprint of Sri Lanka by 118,000 tCO₂e by 2025

GOAL 2



Improve the living standards of 5% of the households in the Northern Province and other marginalised and rural areas through inclusive financial products and services.

GOAL 3



Develop 75,000 MSME entrepreneurs and self-employment opportunities by 2023

PURPOSE STATEMENT

MAKE THE WORLD A BETTER PLACE THROUGH SUSTAINABLE FINANCE

Strategic actions and progress made during 2020/21

Strategy	Target area	Achievement in 2020/21
Improving profitability	Expand the Gold Loan Branches	<ul style="list-style-type: none"> • Expansion of Gold Loan services to 10 new branches • Growth in the Gold Loan portfolio increased by 47% compared to 2019/20
	Revamp organizational structure	<ul style="list-style-type: none"> • Continuation of the Concept of “One team - One AFC” offering all products through 42 fully fledged branches • Relocation of 11 branches to more accessible locations • Appointment of four coordinators for the eight regions to provide better customer service • Recruitment of a new Chief Commercial Officer to strengthen the operations
	Create new business lines	<ul style="list-style-type: none"> • Introduction of the gas three-wheeler conversion project • Special loan schemes directed towards providing support for educational needs of COVID-19 affected individuals
	Yard management	<ul style="list-style-type: none"> • Discontinuation of vehicle auctions • Conversion of yards to sales points • Elimination of disposal losses and achievement of better sales
Business growth through digitization	Introducing the new core-banking system	<ul style="list-style-type: none"> • Completed evaluation of tender proposals and shortlisted potential service providers • Currently in the process of carrying out final negotiations
	New Corporate website	<ul style="list-style-type: none"> • 90% completion of the development with expected launch in June-2021
Increase Employee Productivity	Training and development	<ul style="list-style-type: none"> • Conducted 47 training for the employees during the financial year. • Investment on training and development Rs. 1.9 Mn
Funding and technical capability acquisition	New funding lines and Technical Assistance facilities	<ul style="list-style-type: none"> • FMO renewed the partnership by offering of 10 Mn USD funding line to AFC
Improve brand visibility	Change branch appearance	<ul style="list-style-type: none"> • Outlook and appearance of 38 branches were changed to increase customer convenience and attraction
Social and environmental best practices	Become a certified sustainable finance organization	<ul style="list-style-type: none"> • Certified for holistic sustainability under the Sustainability standards and certification initiative (SSCI)
	Stakeholder engagement for environmental protection	<ul style="list-style-type: none"> • Launched www.afcdalu.com; the sustainability web portal of AFC to increase stakeholder engagement for our sustainability programs
Corporate stewardship	Combat climate change	<ul style="list-style-type: none"> • Provided 75,000 plants for the RDA Green Expressway Project, surpassing the 300,000 mark of planted trees since 2018, under AFC Thuru Mithuru Program • Completed 65 units of gas converted three wheelers
	Biodiversity conservation and Eco system restoration	<ul style="list-style-type: none"> • Supported identifying and conserving 36 flora and fauna species in the Central Highlands including the engendered Hill Country Leopard, <i>Panthera pardus kotiya</i>, through the joint program with Wilderness and Wildlife Conservation Trust.
	Social Development	<ul style="list-style-type: none"> • Invested Rs. 2.5 Mn on social development and wellbeing initiatives

AFC Strategy Implementation

Strategies and goals for Gender Parity

Inclusion of women in high impact goals	Inclusion of women in company strategies
<p>Improve living standards of 5% of the households in the Northern Province and other rural and marginalized areas through inclusive financial products and services: Special focus to include potential women customers/ women headed households.</p> <p>Develop 75,000 MSME entrepreneurs and self-employment opportunities by 2023: Inclusive financing to increase women engagement beyond 50%.</p>	<p>New and existing product development:</p> <ul style="list-style-type: none"> • Women entrepreneurship development • Increased financial literacy <p>Value creation in all aspects of sustainability; Social – Women development:</p> <p>Empower women entrepreneurs for livelihood development by making them a priority group for suitable existing products and designing tailor-made products exclusively for that segment.</p> <p>Product strategies- Consumer financing (leasing, gold loans) / savings and deposits: Focused products for housewives, working women and women who seeks self-employment.</p>

Strategic response to COVID-19

The disruptions and downturns caused by COVID-19 across the globe and the nation have been disturbing, giving rise to newfound complexities and vulnerabilities. Mobility restrictions, market volatility, risk of poverty and downward consumer demand have impacted the economy as well as the NBF sector significantly during 2020. As economic conditions gradually begin to mend, the need to rethink an approach with increased preparedness and timely response is heightened in the context of the ‘new-normal’. Embracing the changes of the post pandemic era will be an essential determinant of ensuring business sustainability and resilience.

The impacts of COVID-19 on the operations of AFC and the responses taken are summarized below.

COVID-19 impact on AFC

- Impact on business operations caused by mobility restrictions
- Lower collections and increased non-performing loans
- Implications of moratorium schemes announced by the Central Bank
- Restrictions imposed on vehicle imports and repossession of non-performing assets

AFC’s Responses

Business Continuity

The Business Continuity Management system (BCMS) of AFC is designed with the core objectives of protecting, reducing the likelihood of occurrence, preparing for, responding to and recovering from disruptive incidents as and when they arise. This is a comprehensive process that meets international standards ensuring the continuity of operations and safeguarding the stakeholders in the event of any major disruption, thus classifying AFC as an ISO 22301:2012 and BSI 25999 accredited institution. In compliance with this standard and the BCMS the Company developed a comprehensive COVID-19 Response Plan covering all important stakeholders of AFC in late February 2020 and began executing the plan as needed, in stages, commencing from the 20th of March 2020 and throughout the financial year, to effectively manage any unexpected consequences of the pandemic.

Employee safety

Proactive and comprehensive measures to ensure the health and safety of our employees including;

- Identified mission critical functions and staff during the pandemic situation.
- Developed and implemented health and safety measures in line with guidelines issued by the government to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

- Implementing work from home policy for employees in curfew zones as well as for non-critical staff.
- Roster arrangement to minimize infection risk.
- Intensified use of technological platforms.
- Strengthened the control measures to suit new workplace arrangements.
- Salary advances to our employees to support their daily essentials.
- Staff Transport facilities to our employees who are using public transport to ensure their safety
- Provision of personnel protective equipment.

Maintaining healthy levels of liquidity

- Maintaining a liquidity buffer of Rs. 2 Bn.
- Negotiating fresh funding facilities from both foreign and local lenders.

Customer support

- Customers were given concessions such as moratoriums as directed by the CBSL, waiver of penal interest for delayed payments, rescheduling of facilities with affordable repayment structures etc.
- Heightened focus on digitalization to enable easier customer engagement and reach.
- Intensified Call Centre Activity to support customers.
- A customer survey was conducted to identify possible emerging needs and trends of the post-pandemic period.

Diversification and realignment of business division focus areas to minimize risk

- More focus on high yielding high demand products during the period.

Cost reductions

- Deferment of capital expenditure of all non-essential items.
- Negotiating better terms with suppliers.

Support for the Government

- Contribution towards the country’s economic revival through supporting affected businesses.

Rs. 2.5 Mn
Expenditure incurred on COVID protection

19,266
Customers received CBSL moratorium

5,446
Customers received alternative solutions

Rs.10.6 Mn
Investment on technological enhancements

74%
Customers received overdue interest waivers

Operating Environment Review

GRI 103-2 GRI 103-3

Global Economy

The global economy was challenged through the year 2020 with the health and economic impacts triggered by the COVID-19 pandemic. During the first half of the year economic activity severely contracted, with most countries imposing strict lockdown measures aimed towards containing the spread of the pandemic and protecting vulnerable populations. Even though the Gross Domestic Product (GDP) recovered better than expected in the second half of the year, it remains significantly below the pre-pandemic levels in most countries. Consumption of contact-intensive services has remained low with travel and hospitality being some of the main hard-hit sectors operating far below capacity, while a significant boost in demand was seen for products that supported working from home. The second and third waves of the pandemic have led countries to renew the restrictions which they were beginning to ease and the path to recovery is expected to vary across nations, depending on the access to medical services and effective policy support. Even though vaccine approvals and the global vaccination programs have reinforced positive sentiments, strong multinational cooperation may be vital to overcome and limit the damage brought about by this unprecedented crisis to economies across the globe.

Sri Lankan Economy

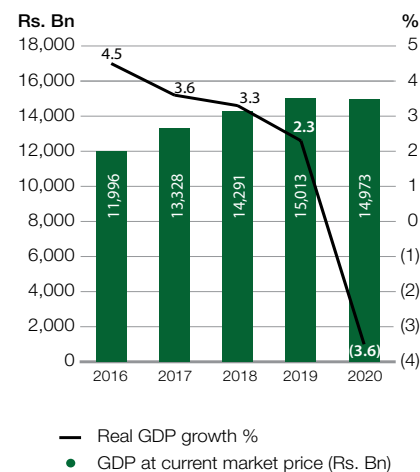
The Sri Lankan economy was severely affected by the mobility restrictions imposed due to the COVID-19 pandemic and experienced an economic contraction of 3.6 percent in 2020. Just as the economy was beginning to recover from the effects of the Easter attacks, the strict lockdown measures imposed during the first wave of the pandemic during April-May

2020 caused a severe shock to economic activity. The containment measures hit sectors such as tourism, construction and travel especially hard, while the fall in global demand affected the textile industry. Rising uncertainty impeded investments and especially small and medium scale enterprises were seen to face substantial financial difficulties. These turbulent conditions resulted in decisions being taken to restrict non-essential imports while encouraging foreign exchange inflows. Additionally, tax and legislative reforms were also introduced to improve the depression in investments both local and foreign.

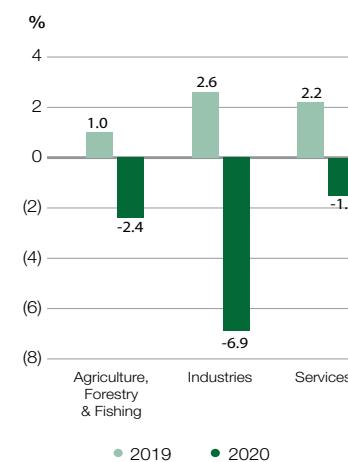
The Government together with the Central Bank of Sri Lanka (CBSL) took various measures to reduce the impact of the pandemic and support the nation. Policy interest rates together with the Statutory Reserve Ratio were reduced and special lending schemes were introduced at concessionary rates. Debt moratoriums and concessions were offered to support individuals and businesses affected by the pandemic along with various other additional measures to increase market liquidity.

Mobility restrictions negatively impacted government revenue while public expenditure increased, further extending the fiscal deficit. Towards the third quarter however, the economy began to slowly recover as the restrictions were relaxed and this momentum continued to the fourth quarter as well. Economic recovery to pre-pandemic levels may however hinge largely upon the ability to mitigate any future challenges and uncertainties and steer the economy and financial sector towards a platform of growth.

GDP and GDP Growth



Sector GDP Growth



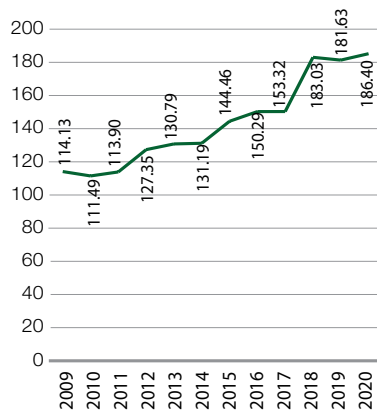
Headline inflation remained subdued despite some acceleration in food inflation. The Colombo Consumer Price Index (CPI) based headline inflation remained broadly within the 4-6 per cent range over the year under the current flexible inflation targeting framework. Core inflation remained muted, emphasizing low levels of demand-driven inflationary pressures.

Heightened volatility was seen in the exchange rates during 2020 with the Sri Lankan Rupee depreciating to Rs. 186.40

as at the end of the year against the US dollar compared to Rs. 181.63 recorded at the end of 2019. This is a drop of approximately 2.6%. During the initial stages of the COVID-19 lockdown the rupee declined drastically compared to the rates recorded at the beginning of the year and has since then been on a downward trend.

Sri Lanka's sovereign rating was downgraded by all three international rating agencies, in view of the challenging external debt-repayment position, fiscal prudence and concerns on growth prospects.

YOY Exchange Rate Movement

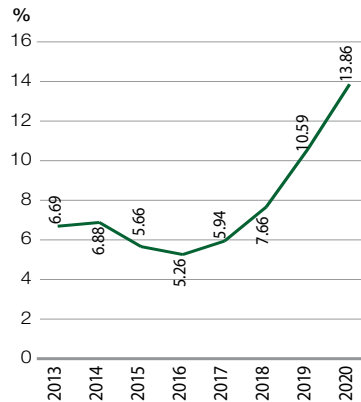


The Non Bank Financial Institutions Sector (NBFI)

The Non-Bank Financial Institutions Sector experienced a turbulent year due to negative credit growth, declining profitability and increasing non-performing loans (NPLs). Gross NPLs as a percentage of Total Advances increased to 13.9% recording a 3.3% hike over the prior year. Subdued economic activity hampered new lending and industry credit growth rates declined by 3.0% during the year. The restrictions imposed on repossession of non-performing assets coupled with curtailment of vehicle imports triggered

further pressure on operations of the sector.

YOY Sector Gross NPL



With the view of safeguarding individuals and businesses impacted by the pandemic the CBSL issued Directions to Licensed Finance Companies and Specialized Leasing Companies to provide reliefs in the form of debt moratoriums and concessions. In turn, several measures were introduced to provide flexibility to LFCs and SLCs in order to encourage their operations in supporting the COVID-19 affected parties.

The total asset base of the sector contracted by 2.2% from Rs. 1,433 Bn to Rs. 1,402 Bn during the year, compared to 0.1% growth reported in 2019. The asset base of the sector mainly consisted of loans and advances which accounted for 74.2% of the total assets. Finance leases accounted for the major part, representing 53.7% of the gross loans and advances, followed by other secured loans, representing 36.2%.

Net interest income of the sector fell by 5.3% during the year to Rs. 111.2 Bn. Net interest margin of the sector (net interest income as a percentage of average assets) decreased to 7.3% in 2019 from 7.7% in 2018, due to the combined effects of fall in

net interest income and reduction in gross average assets.

Amidst the turbulent conditions the sector remained resilient, maintaining capital at healthy levels. The total regulatory capital levels improved by Rs. 36.9 Bn in 2020, compared to the figures reported in 2019. The sector's core capital to risk weighted assets and total regulated capital to risk weighted assets increased by 3.5% and 3.2% over 2019, to stand at 14.5% and 15.7% respectively in 2020.

The CBSL continued to review and monitor the key prudential indicators and introduced several regulatory and supervisory frameworks to strengthen the business functionality of certain weak LFCs in order to support and revive them. The need to strengthen the sector was more pronounced and certain actions to limit or cease the operations of finance companies which have continued to under-perform were taken with the view of safeguarding depositors and ensuring the stability of the sector.

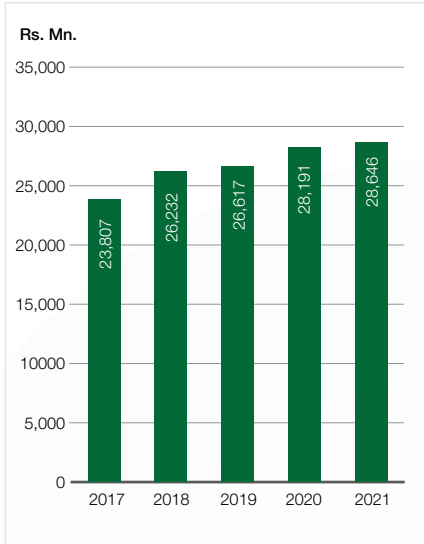
Lending

GRI 102-2 GRI 103-2 GRI 103-3

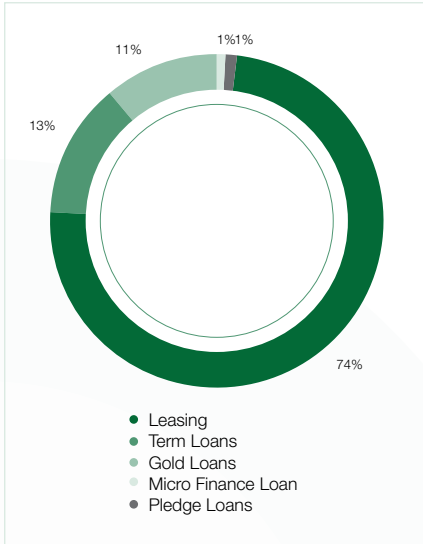
Core Products



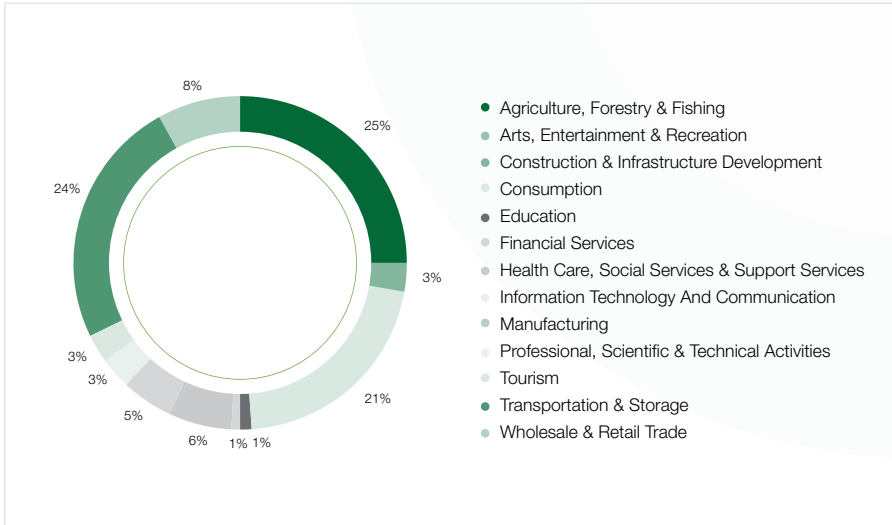
Portfolio Growth



Product-wise Portfolio



Sector-wise Portfolio



Value to Customers

- Diversified product range
- Inclusive financing with 100% district presence with 91 points of presence
- 42 fully fledged branches that offer all products under one roof
- Dedicated customer care unit and branch level engagement for customer grievance handling

Initiatives in 2020

- Introduced leasing for gas three wheelers and started the pilot project in Anuradhapura
- Launched "AFC Friendship" loan scheme, to financially support our existing clients during the COVID-19 pandemic

Operating context and strategic responses

The COVID-19 outbreak spanning throughout the financial year and severely impacting the activities of the first quarter posed numerous challenges to the entire industry as well as the economy. The finance sector in particular, had to adapt to new government policy changes, debt moratoriums and credit regulations while simultaneously battling slow credit growth, higher NPLs and overall sluggish economic activity. However, despite such economic slowdown AFC was able to leverage decades of experience and continuously provide all its services without any interruption, thereby meeting the needs of its customers with utmost precision.

AFC took measures early to ensure adequate levels of liquidity were available to face any adverse consequences in the periods ahead as a result of unexpected lockdowns or restrictions. Additionally, negotiations were also carried out with suppliers to pursue cost reduction strategies and manage cashflows more effectively.

The overall portfolio recorded a marginal growth during the year due to unfavorable market and economic conditions. However, impairment charges during the year declined by 32% compared to the previous year. Strengthened credit approval and effective management of collections and recovery processes were essential to

support asset quality during the year due to the economic conditions that prevailed. The three-wheeler segment continued to contribute largely towards maintaining high net interest margins which to a certain extent helped offset the drastic slow down experienced during the first quarter of the year. The gas three-wheeler conversion project launched in Anuradhapura is also expected to progress as planned, contributing towards business growth. AFC also converted 03 vehicle yards to selling points during the year thus reducing auction losses, achieving faster sales and contributing to profits.

AFC's gold loan product continued to flourish during the financial year enabling the Company to further strengthen its market share and recognition. The product was aggressively marketed, with heightened focus being placed on leveraging the notable rise in demand, with more and more customers using gold loan advances as a solution to support their working capital requirements during the pandemic stricken challenging times. The product was able to achieve a portfolio growth of 47% compared to the previous year, reaching Rs. 3,097 Mn as at 31st March 2021.

Furthermore, in order to cater to the growing customer demand and ensure greater accessibility, the product was added to 10 additional branches at Matale, Nuwara Eliya, Pudukuduiruppu,

Galle, Ambalanthota, Nikaweratiya, Medawachchiya, Kohuwala, Hingurakgoda and Embilipitiya.

The 'Ran Ayojana' product segment targeting jewelry sales to existing customers in partnership with gold jewellers performed satisfactorily, achieving the set monthly target at year end with and recording a commendable portfolio growth above 80%. The product is expected to gain strengthened footing in the next financial year supported by focused monthly promotions at different branches and has been set a progressive monthly target of Rs. 50 Mn.

Additionally, in recognition of the increasing demand for digital accessibility the Company continued its focus on upgrading the Corporate website and digital marketing plan which will provide greater customer convenience while keeping the Company abreast with the latest technological changes in the industry.

Future Outlook 2021

- Scale up operations through opening new branches and converting branches to fully fledged status
- Expand the Gold Loan product accessibility
- Increase focus on new products
- Greater focus on digital marketing and online accessibility
- Further strengthen the recovery division and action plans

Commercial Division

GRI 102-2 GRI 103-2 GRI 103-3

Core Products



Automotive
Repair Centre

Yearly Highlights

63%

Growth in Net
Operating Income

38

Hiring Vehicle Fleet

Value to Customers

Range of service offerings

- Vehicle Sourcing
- Vehicle Sales and Part Exchange
- Vehicle Hiring Services
- Vehicle Repairing

Initiatives in 2020

- Opened a new state-of-the-art vehicle showroom at the AFC super branch premises
- Divisional business expanded to branches
- Restructured the Motor Division
- Amalgamated the yard operations to be managed under the division
- Completed 65 units of gas converted threewheelers

Operating context and strategic responses

The commercial division of AFC comprises of three main sub-divisions: Autosure, (Automotive), Ezy Drive (Rental/Hiring) and Motor (Service and Repair). Autosure is the motor vehicle trading arm of AFC. The main services offered include vehicle sourcing, vehicle trade-in, and vehicle sales. Ezy Drive operates a vehicle renting/hiring service catering to the short and long-term needs of potential corporate as well as individual customers. The AFC Motor Division offers after sales services to both internal and external customers through a well-equipped workshop and a highly trained and skilled workforce.

During the first half of the year the Autosure division encountered very challenging conditions with vehicle imports being curtailed due to the COVID-19 pandemic, resulting in economic disruptions, as well as the rising vehicle prices. In response, the division shifted its focus towards the local second-hand market, mainly refurbishing its repossessed vehicles and selling them in the open market through effective advertising and promotions. Stringent cost control measures were established which substantially lowered the operating cost, largely contributing towards the turnaround of the business. The division also adopted a policy of quick turnaround of vehicles which acted as a core strength to enhance sales and achieve

better performance. During the second half of the year however, amidst the challenging economic conditions, the division managed to achieve positive financial results. The Company hopes to expand this product product via AFC branch and a franchise dealer network during the upcoming financial year, with primary focus on locations out of Colombo, encouraged by a very successful test project operated through the AFC branch in Badulla. The product is expected to add value to the core leasing business and enhance customer convenience via the provision of a one stop shop for customers through a total value chain enhancement.

The retraction of vehicles imports leading to an increase in the average price of motor vehicles, resulted in the Ezy Drive segment witnessing a surge in demand for the long-term hiring business among the corporates and the individual customers. Accordingly, the business unit was able to achieve very good profits during the financial year under review and has thus set itself an ambitious target of doubling its fleet by the end of the next financial year with a very healthy profit forecast.

The Motor Division has mainly been catering to the requirements of the internal customers thus far. During the year, the division has been restructured to accommodate external customers as well in order to take advantage of the growing demand for quality repair and service workshops and expand the divisions operations.

Overall, 2020/21 was a successful year for the Commercial division during which many changes including restructures, amalgamation of new units, improvement of sales channels and aggressive marketing tactics were implemented, creating a notable turnaround in business operations and steering the Auto Sure and Ezy drive units towards profitability for the first time since inception.

Future Outlook 2021


- Expand the Autosure service to further branches
- Further improve the trading business and profitability of the division
- Expand of the Motor Division establishing accessibility for external customers
- Expand the Ezy Drive fleet
- Further strengthen the marketing campaigns to aggressively promote Ezy Drive and Auto Sure units


Deposits

GRI 102-2 GRI 103-2 GRI 103-3

Core Products

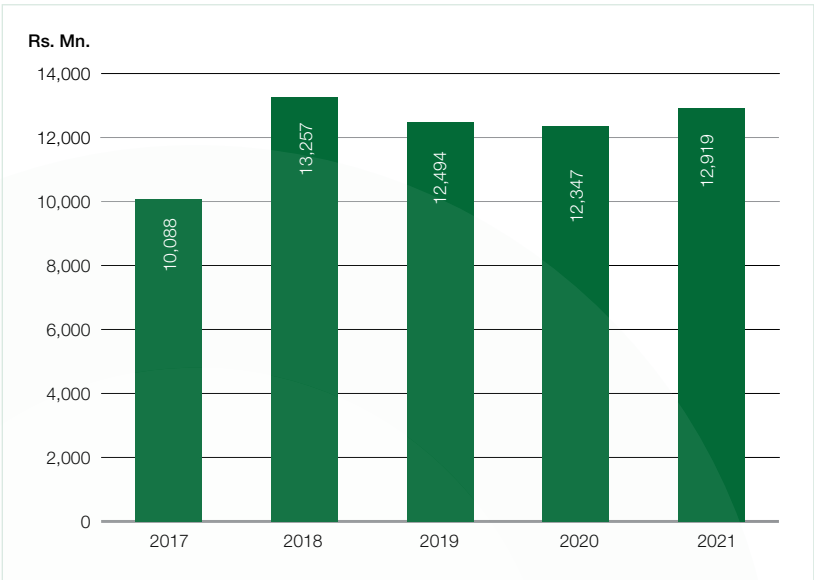
AFC Fixed Deposits



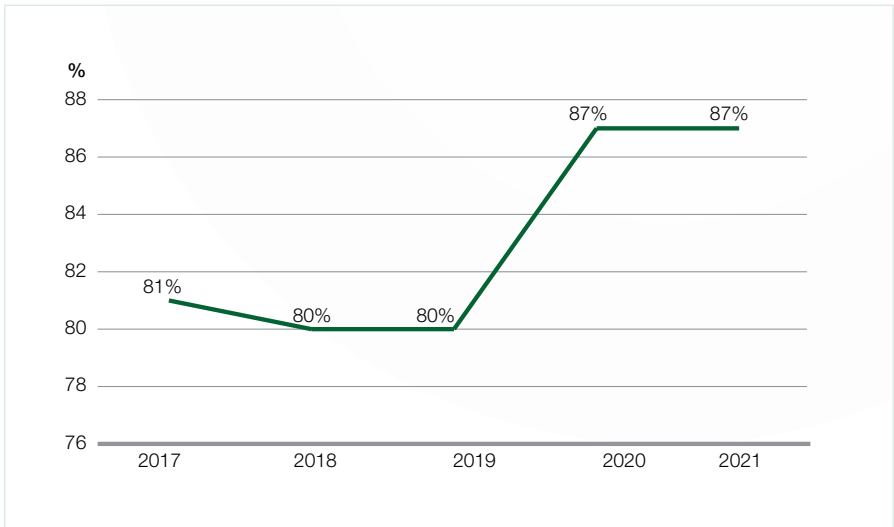


AFC Saving

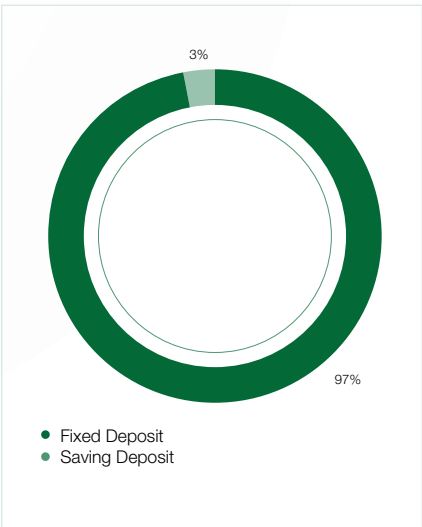
Deposit Base



Customer Retention Ratio



Deposit Mix



Initiatives in 2020

- Prepared and shared the COVID-19 response plan with all the customers to boost their confidence
- Paid deposit interest before the due date in April 2020 to support the depositors in the difficult time

Operating context and strategic responses

Despite the adverse economic conditions which prevailed during the year, AFC's deposit base maintained a strong foothold achieving a growth of 5% compared to the previous year. Even though the Company took precautionary measures and built additional funding expecting an outflow of deposits during the COVID-19 outbreak and rising public distrust towards the finance sector, the deposit base remained rather stable.

A COVID-19 response plan detailing the Company's liquidity position, stakeholder focused action plan and measures taken to safeguard the deposit customers was circulated among all depositors to give them the necessary assurance that AFC had their best interest at heart. The Company took necessary steps to ensure all depositors were well supported during this challenging period and proceeded to pay the interest due well in advance of the due dates as well, thus sustaining the customer confidence built over 6 decades. The Company was able to maintain its deposit renewal ratio above 87% for most part of the year which is a testament to the superior service provided to the depositors and their unwavering loyalty towards AFC.

Future Outlook 2021

- Increase focus on branch level deposits with higher targets
- Advertise and promote the business segment through more advanced technological options made available through the digitalization drive
- Launch ATM connectivity to further promote savings and deposit products and create a larger customer base

Capital Management Review

GRI 103-2 GRI 103-3

Financial Capital



Financial capital (includes shareholders' equity, debt and deposits from the public) is a critical input in executing our business activities and in generating, accessing and deploying other forms of capital.

To create sustainable value for all stakeholders we at AFC manage our Financial Capital in an astute and diligent manner. We strive to harness the opportunities for long term value creation. Despite the challenging business landscape the Company was successful in reaching a milestone in reporting a profit before tax of Rs 1.3 Bn.



Profit Before Tax

↑ Rs. **1.3** Bn

Gross NPL

↓ **8.4%**

Total Capital Adequacy Ratio

↑ **14.0%**

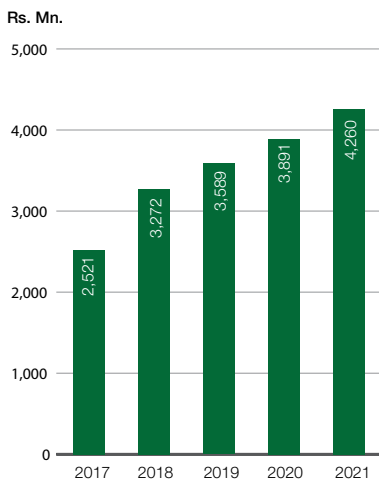
Net Interest Income (NII)

AFC's NII increased during the year from Rs. 3,891 Mn to Rs. 4,260 Mn. 9% growth in NII is due to the 12% decrease in Interest Expense caused by low interest rate environment prevailed during the year.

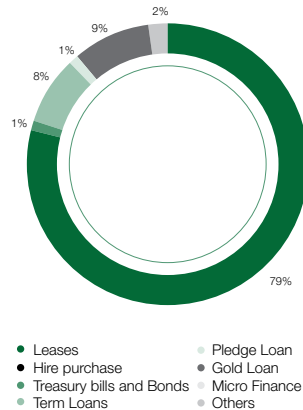
79% of the Company's Interest Income consists of Interest Income from Leases whilst 18% consists of the Interest Income from Loans.

During the year, Interest Income from leases increased by 5% compared to the previous year. Interest Income from Loans in 2020/21 decreased by 17% compared to the previous year as a result of curtailing the high-risk lending such as Micro Finance, Pledge Loans and Mortgages. On the strength of the growth momentum, the Interest Income on Gold Loan increased by 28% backed by 47% growth in Gold loan portfolio.

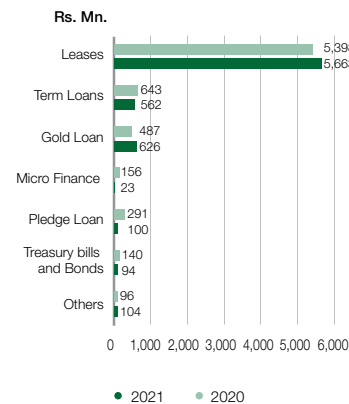
Net Interest Income



Income Composition 2021



Interest Income Growth



Non-Interest Income

Non-Interest Income of the Company increased from Rs. 467 Mn in the previous year to Rs. 627 Mn during the year under review. This also includes the recovery of charges inbuilt in future rentals at the time of lease and loan closures.

Impairment

Impairment during the year decreased by Rs. 360 Mn, a contraction of 32% compared to the previous year. Despite the impact of the COVID-19 pandemic prevailed during the year, post pandemic recovery level of the Company was commendable resulting in drop of NPLs

and impairment charges far below the expected levels.

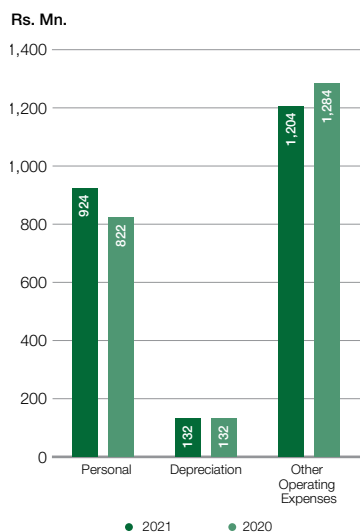
However, considering the large number of moratorium concessions offered to customers whose payment patterns were not fully established and the unprecedented effect of pandemic impacting recovery of economy, a significant amount of additional Impairment provision was made by using credit judgements along with the modelled ECL provisions to ensure that the overall ECL provisions are adequate to cover unseen risk factors in the uncertain and highly volatile environment.

Cost Management

The Company's operating expenses marginally increased by 1% compared to the previous year. The increase mainly resulted from the personnel expenses which grew by 12% due to the bonus provisions made during the latter part of the year to keep the staff motivated who performed commendably under very challenging circumstances. Other operating expenses were reduced by 6% due to increased stress on cost management.

It is noteworthy to mention that the Company's Cost to Income Ratio for the year under review was reduced by 4.5% compared to the previous year. Cost to Income Ratio for the year recorded at 49% as against 54% in the previous year. The ratio was favorably influenced by the increase of the Net Interest Income.

Operating Expenses



Profitability

During FY20/21, AFC recorded the highest ever PBT of Rs. 1.3 Bn compared to Rs. 532 Mn in FY19/20. The Company considers this to be the most significant achievement when viewed against the magnitude of the challenges posted by the operating environment since beginning of the financial year due to the pandemic. More than 1/3rd of our customer base was given moratorium concessions during the year including CBSL moratorium and Company volunteered moratorium concessions. The Company considers this as a discharge of social responsibility to relieve our customers when they needed the most.

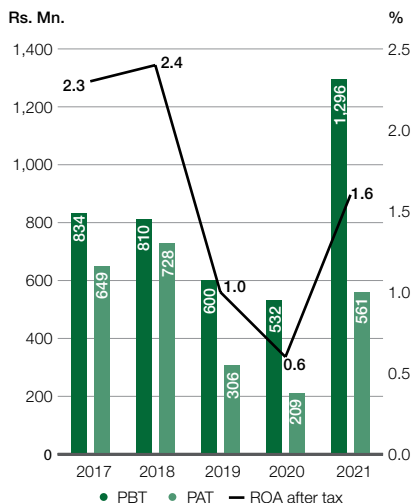
The significant improvement in profitability was derived from the repricing of funding base driven by low interest environment, better management of NPL and provisioning, stringent credit and better managing the portfolio.

Profit after tax recorded at Rs. 561 Mn for the year under review due to the higher effective tax rate reported.

The company's Return on Assets (After

Tax) and Return on Equity (After Tax) recorded 1.6% and 10.8% respectively against 0.6% and 4.6% of the year before.

Profitability



Shareholder Value

Due to the increase in profitability, Earnings per Share (EPS) increased from Rs. 6.19 in 2019/20 to Rs. 16.65 in 2020/21.

As of the last trading date during the month of March, AFC's share price recorded at Rs. 49.50.

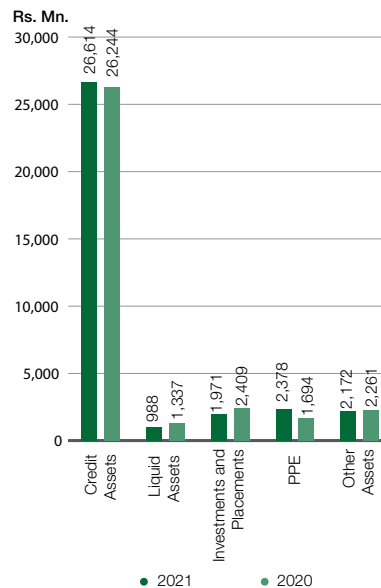
Financial Position

Total Assets

Total Assets base of the Company in the year under review remained largely unchanged due to the low portfolio growth as witnessed across the industry.

The Company maintains strong liquidity ratio of 19.43% well above the statutory minimum ratio as of the year end.

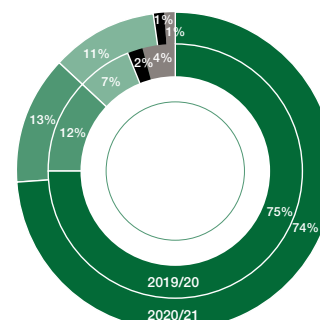
Asset Composition



Portfolio Growth and Assets Quality

The Loans and advances of the company in 2020/21 grew by 2% compared to the last year. The low growth resulted from the low credit demand prevailed in the country and high early settlements due to low interest rate environment. Capitalizing on high demand for loans secured by gold, company's Gold Loan Portfolio showed a significant increase of 47% during the year. Term Loans, Micro Finance Loans and pledge loan reflected a gradual decrease as a result of the company's strategic decision to scale back on high risk lending.

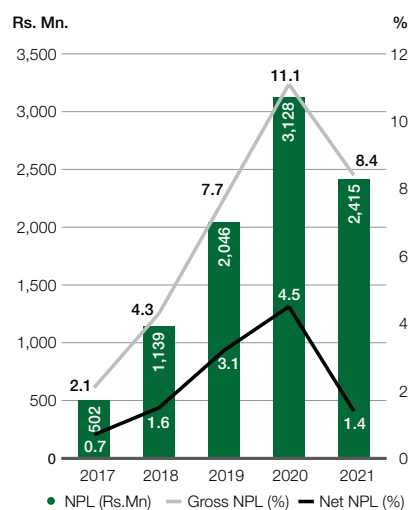
Portfolio composition



● Leasing ● Term loans ● Gold loans ● Micro finance loans ● Pledge Loans

Gross NPL and Net NPL ratios of the Company decreased to 8.4% and 1.4% respectively from 11.1% and 4.5% reported as of 31st March 2020. Focused recovery efforts to curtail NPLs, strengthening credit and scale back on high risk product segments positively impacted the reduction in gross NPL. Conservative provisioning policy followed by the Company during the period under review resulted a sharp decrease in Net NPL ratio and a strong provision coverage ratio. As of the reporting date company recorded a provision cover of 84% (62% as of 31st March 2020).

Gross and Net NPLs

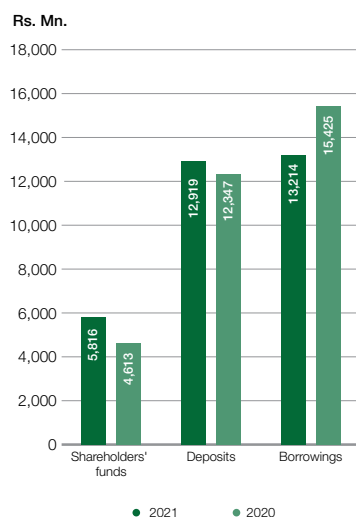


Liabilities

Company's business activities are funded through diversified mix of local, foreign funding and deposit liabilities. This has enabled the Company to gradually decrease its over reliance on the Deposit Liabilities. With a Diversified Lending Mix, Company has been able to successfully reduce its maturity mismatch which is inherent in the industry.

Nonetheless, the Company maintains a strong deposit renewal ratio of 87% for Time Deposits.

Funding Profile



Capital Position

The Company remained capitalized with the Tier 1 and overall risk weighted capital adequacy ratios well above the regulatory limits, at 11.4% and 14.0% respectively as at 31st March 2021. The Company also maintained a healthy buffer of core capital above the minimum requirements stipulated by the regulator.

	Capital Adequacy Regulatory Requirement	As at 31st March 2021	As at 31st March 2020
Core capital ratio	6.5%	11.4%	9.9%
Total risk weighted asset ratio	10.5%	14.0%	13.0%

Minimum Capital Requirement

	As at 01st January 2021	As at 01st January 2020
Minimum core capital (Rs. Bn)	2.5	2.0
Available core capital (Rs. Bn)	3.9	3.4

Manufactured Capital



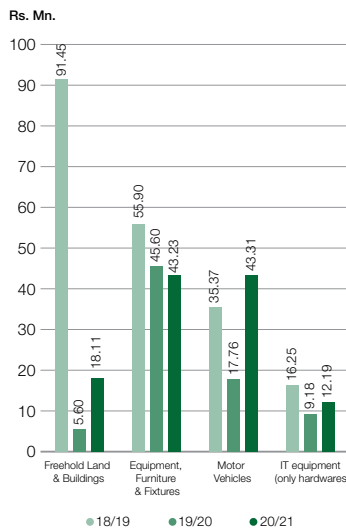
Our manufactured capital mainly comprises of the physical and digital assets used in driving operational efficiency. Our branch network spanning across the island is a key component of our manufactured capital supporting business connectivity and driving business growth.



Components of Manufactured Capital

- Investment Property
- Freehold Land & Buildings
- Equipment, Furniture & Fixtures
- Motor Vehicles
- IT Equipment

Investment in Manufactured Capital



Key upgrades during the year

11

Relocations

10

New Gold Loan Points

Rs. **1.5** Mn

Investment in the new Corporate Website

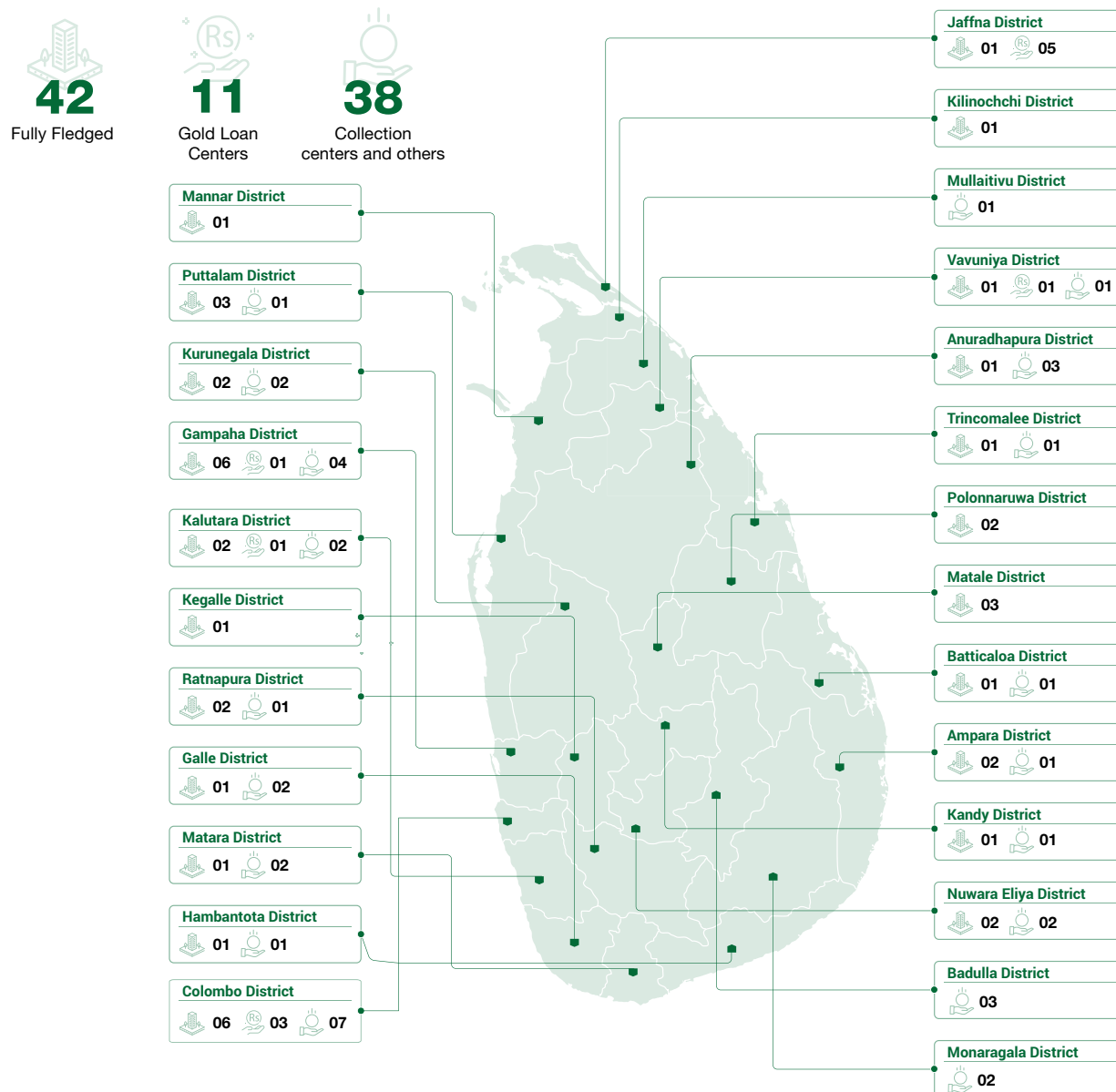
Overview

The total value of property, plant and equipment (PPE) comprising of land and buildings, motor vehicles, office equipment, computer equipment, furniture and fittings, and antiques amounted to Rs. 2,378 Mn as at 31 March 2021 representing 7% of the total assets of the Company. During the year Rs. 117 Mn worth of investment was made in PPE depicting a year-on-year growth of 50%.

Branch Network

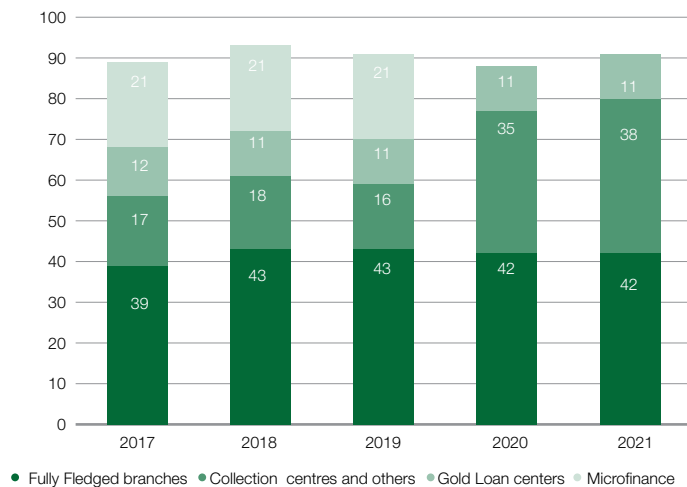
Our island wide network enables us to serve and reinforce our relationships with stakeholders consists of 91 points of presence in all 25 districts. This widespread network has always been and continues to be a key driver of value. With the view of providing greater convenience to customers and strengthening and improving service delivery, the Company continued its “One Team - One AFC” drive to expand its branch product offering to offer all products at all branches.

Accordingly, Gold Loan centers were set up in a further 10 branches creating a more diverse branch operation. Several branches were also relocated to prime locations within the respective towns with the intention of providing easier access to customers and improving the effectiveness and efficiency of operations. Investments were also made to upgrade existing branches creating a more attractive appearance and customer friendly environment and four coordinators were also assigned to the eight regions to expedite internal processes and serve customers better.



Capital Management Review

AFC Points of Presence



Digital Infrastructure

Given the pandemic which affected operations across the country with several lockdowns and restricted zones, digital transformation would be a definite game changer for the Company. While the Company had the necessary IT infrastructure in place to effectively face the impacts of the COVID-19 pandemic on business operations and enable staff to work from home, the importance of a fully integrated system was strongly felt. Accordingly, several steps have been taken to upgrade the IT systems and digital finance solutions of the Company during the year. Discussions were initiated to introduce a new core banking system. Vendors were shortlisted through a tender procedure and final negotiations are currently underway. A digital consultant was hired to guide and provide greater insight on developing the digital transformation roadmap with the new core banking system and potential digital services. During the year, the

Company completed the integration of X-Gen delinquency management system and effectively using HRIS for employee record management. Steps have also been taken to develop a new corporate website, providing customers with a new digital experience enabling easier engagement with company representatives and availability of their contract information.

The Company also continued its social media drive through the year with its presence on Facebook and Instagram leveraging technology to reach a wider audience.

Future Outlook

Our focus in the upcoming year will be on enhancing the services provided by the existing branch network and expansion of the network by an addition of new fully fledged branches, Gold Loan centers and upgrading collection centers to provide our full range of products, with the intention of improving customer satisfaction and

achieving higher levels of business growth. Upgrading of technology and IT capabilities will remain a key area of focus as this will further facilitate operations and help AFC embrace a more future ready business approach. Effective and efficient management of our manufactured capital is essential to managing our costs and driving performance and doing so in a sustainable manner will continue to be a top priority for the Company.

Intellectual Capital



Our intellectual capital mainly comprises of intangible components such as brand value, institutional knowledge and skills, processes and systems, creativity and innovation and corporate values and ethics. Our intellectual capital is a vital element in keeping the business operations abreast with global and local economic and industrial changes and is a driving force behind achieving competitive advantage and value creation.

Numerous brand development initiatives including:

- ATL and BTL mega marketing campaigns
- Digital marketing campaigns
- Launch of www.afcdalu.com sustainability web portal
- New Corporate Website
- Branch upgrades with external outlook changes
- Press releases and newsletters

GRI 102-2 GRI 102-16 GRI 102-17

Key upgrades during the year

Rs. **72** Mn
Investment on Marketing and Advertising

2
New products launched

10%
Employees with over 10 years of experience

Capital Management Review

Brand Equity

Built on the pillars of trust, stability and strength, AFC is the oldest financial institution in the country which stands proudly with a history and heritage of over six decades. The Company has, over its tenure, catered to innumerable individuals and businesses, providing the necessary support in uplifting lives and livelihoods, thus winning the trust and confidence of its stakeholders. Our legacy of serving four generations of loyal customers bears testament to the recognition of our brand value and service excellence.

Brand Value
Rs. 1,014 Mn

Credit Rating reaffirmed as
BBB- (SL), with a negative
outlook by ICRA Lanka

Knowledge and Skills

As the oldest financial institution in the industry, the institutionalized knowledge that has been passed down since our early years has helped us to stand out and differentiate ourselves. We believe that an experienced and well-trained workforce is essential towards driving the process of sustainable value creation and encourage ongoing learning and skill development to provide increasing value to our stakeholders. Our strength lies within our loyal and longstanding workforce that provides invaluable expertise, as well as the new and young recruits who bring fresh energy and innovative solutions to the table. We also encourage a culture of coaching and mentoring which ensures that knowledge is passed down from our more senior experienced professionals to the junior staff members.

Processes, Systems and Procedures

Continuously upgrading our systems and processes to better meet the expectations of all stakeholders and mitigate risks remains one of our key priorities and has been instrumental to our success over the years. Our Business Continuity Management System (BCMS) in particular, which is a cloud based new Enterprise Resource Planning system that is used to manage our internal communications has been a key mode of ensuring continuity of all business processes in unexpected or challenging business scenarios. During the COVID-19 lockdowns and operational restrictions, our BCM plan was vital towards ensuring that the functions of the Company were not majorly affected, and customer and employees were taken care of. We were able to provide our employees

We take pride in our business continuity and service delivery meeting ISO 22301:2012 and BSI 25999 standards.

with the option of working from home and ensure all functions were carried out with minimum disruptions. Our BCM plan also helped us position ourselves strategically, to prepare for and minimize adverse impacts and ensure that we were equipped with sufficient liquidity and resources to continue key operations effectively. Our depositors too were well-protected and we were able to ensure that interest was paid in advance of the due timelines, thus providing the necessary support during such critical times. The status of our process improvements is given below.

Process Improvements	Status
Online rebate approval	Completed and in use
Staff confirmation process	Completed and in use
Task management automation	Evaluations are ongoing to be implemented by May 2021

Creativity and Innovation

We have acknowledged the importance of creative and innovative product solutions coupled with cutting edge technology in today's fast paced environment and positively embrace new solutions to streamline and enhance our operations. Creativity is embedded in our corporate DNA and our experiences and insights on evolving customer needs provides the necessary impetus to introduce innovative solutions.

Initiatives	Status
Gas three-wheelers	Completed 65 units of gas converted three-wheelers and leased 11 of them under the pilot project ongoing in Anuradhapura.
Friendship loans	Introduced as a new product for existing customers to cater to their family members need of purchase digital devices for educational purposes.
Ran Ayojana	Scaled up the operations with the engagement of the branches and accounted for portfolio growth of above 80% during the year.

Corporate Culture and Ethics

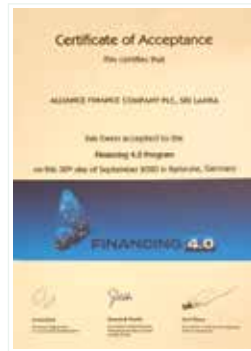
Throughout our value creation process we ensure that such value is created for all our stakeholders in an ethical manner adhering to high standards of governance and integrity. Our Governance structures and processes make sure that our activities are compliant with the relevant rules and regulations laid down by governing bodies as well as proper reporting structures and authority lines are in place to assure ethical conduct and transparency in operations. Furthermore, our sound HR policies also ensure that business is carried out with high levels of integrity. During the year, there were no incidents of non-compliance with respective laws and regulations governing the Company.

Awards and Accreditations

We continue to maintain and improve our standards of performance and during the year we received two new international accreditations that endorsed our commitment to sustainability.



SSCI certification (Level 4) for holistic sustainability certified value driven financial institution in Banking and Finance sector - 2020



Certificate of acceptance for the cutting edge Financing 4.0 program of European Organization for Sustainable Development - 2020.

Accreditations

- The Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka
- ISO 22301-2012 (Quality Management Systems)
- ISO 9001-1994 (Quality Management Systems)
- BCMS 9001-2015 Business Continuity Management System (BCMS)
- Sustainability Standards and Certification initiative (SSCI) guidelines on holistic sustainability
- The Paris Climate Accord
- The United Nations Sustainable Development Goals
- GRI Standards and Integrated Reporting framework

Capital Management Review

Human Capital



We believe in nurturing our employees, empowering them and providing them with the resources and opportunities to become the best version of themselves. Our holistic employee value proposition ensures that their career aspirations are met and the team is motivated and driven as it is they who in turn propel the Company towards sustainable value creation.

Our team

As at 31st March 2021 our team comprised of 1,342 employees out of which 1,083 are on permanent basis, 54 on contract basis and 205 employed as trainees.

Employees from diverse age groups, geographies and ethnicities form our team at AFC creating a healthy balance in perspectives, skills and experience, thus fostering our culture of inclusivity and equal opportunity.

All human resource activity within the Company is managed and coordinated through the Human Resource Department adhering to fair and consistent governance policies and frameworks. The Board has oversight over the HR strategy and policy directions and provides necessary recommendations to the Board.

With the view of enhancing transparency of the reporting process and portraying AFC's commitment towards diversity and equal opportunity, additional disclosures have been made in terms of gender parity within this report.



GRI 102-08 GRI 102-17 GRI 401-1
 GRI 401-2 GRI 401-3 GRI 404-1
 GRI 404-02 GRI 404-03
 GRI 405-01 GRI 405-02
 GRI 406-01

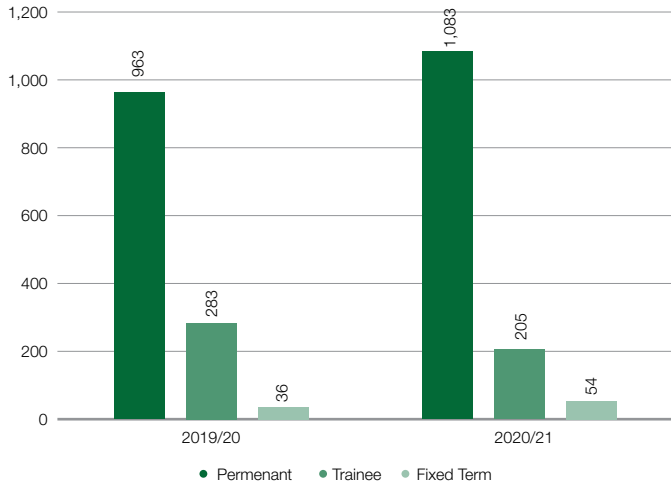
Key upgrades during the year

Rs. **924** Mn
Total Payments to Employees

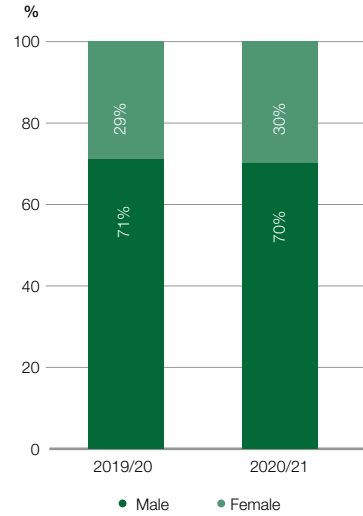
Rs. **1.9** Mn
Training Investment

30%
Female Employees

Total Workforce



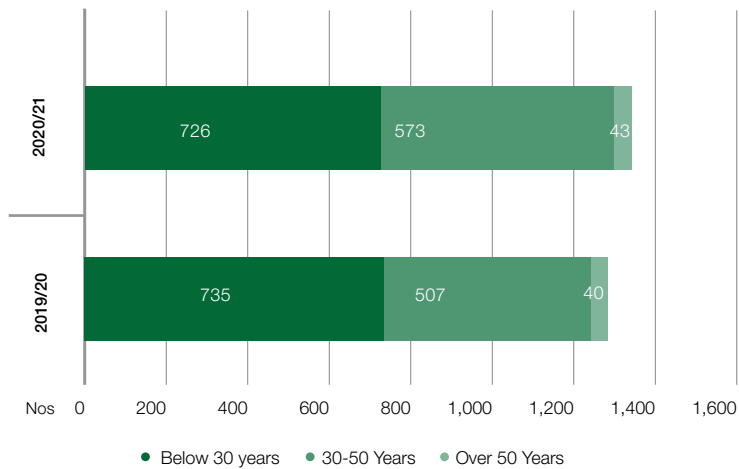
Total Workforce by Gender



Employee Composition by Ethnicity

Ethnicity	2020/21			2019/20		
	Male	Female	Total	Male	Female	Total
Sinhala	775	336	1,111	762	319	1,078
Tamil	161	59	220	115	50	168
Muslim	10	1	11	33	3	36
Grand Total	946	396	1,342	910	372	1,282

Total Workforce by Age



Capital Management Review

Total workforce by employment category and gender

Grade	2020/21			2019/20		
	By Gender		Total Count	By Gender		Total Count
	Male	Female		Male	Female	
Executive Director	4	-	4	4	-	4
CXO	3	-	3	6	-	6
Assistant General Manager	6	3	9	4	3	7
Senior Manager	12	1	13	11	1	12
Manager	67	7	74	69	7	76
Assistant Manager	73	17	90	83	16	99
Senior Executive	117	25	142	112	24	136
Executive	241	91	332	242	94	336
Junior Executive	404	252	656	367	227	594
Minor	19	-	19	12	-	12
Grand Total	946	396	1,342	910	372	1,282

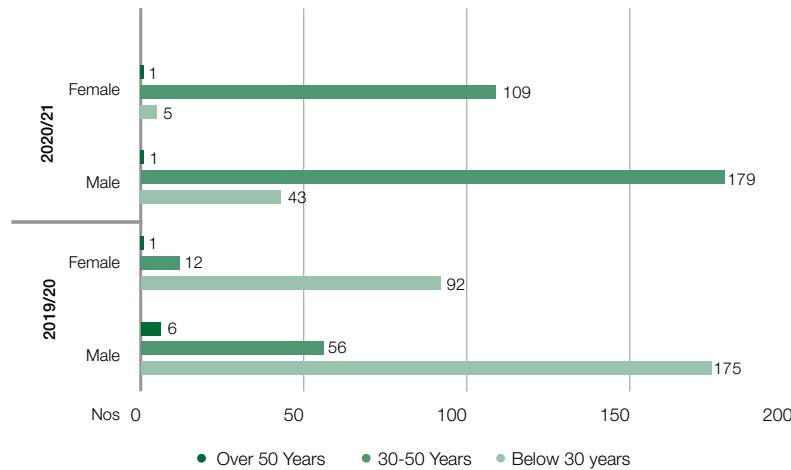
Workforce composition under Key Departments

Department	Male	Female
Administration	89%	11%
Branch Operations	76%	24%
Customer Care & Relationship Management	-	100%
Commercial Division	97%	3%
Credit	44%	56%
Deposits	46%	54%
Digital Center	80%	20%
Finance	32%	68%
Gold Loan	55%	45%
Human Resources	67%	33%
Information Technology	90%	10%
Internal Audit	83%	17%
Legal	43%	57%
Marketing	70%	30%
MIS	67%	33%
Quality Management Systems	33%	67%
Recovery	87%	13%
Risk Management and Compliance	20%	80%
Strategic Planning & Sustainability	-	100%
Treasury	50%	50%
Total	70%	30%

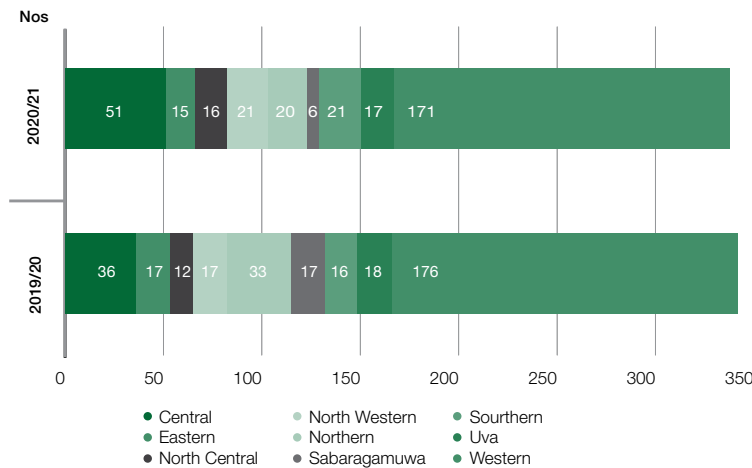
Recruitment

We believe that creating a rich and empowered workforce and attracting and retaining the best talent helps position the Company well in this highly competitive sector. Our Recruitment Process is formulated to ensure that we achieve this objective when we select and recruit staff to AFC. Even amidst the COVID-19 pandemic we continued with our planned recruitments for the year, seeking out the finest talent able to add value to our business processes. However, in keeping with the health and safety protocols introduced by the health authorities, interviews were conducted online. We also encourage the recruitment of young and ambitious individuals who are capable of providing fresh perspectives and ensure that they are given the necessary coaching and guidance to progress successfully in their careers. We also offer opportunities for locals to join the relevant branches as this fosters good relationships with the communities we operate in while providing convenience to our employees by reducing their cost and time spent on travelling. With a district presence of 100%, we have a workforce dispersed all across the country, supporting our vision of contributing to the Nation's economy by minimizing geographic disparity in income distribution. Furthermore, our Recruitment Process supports a non-discriminative culture and our job advertisements do not carry any form of discrimination.

Total New Recruitments by Age and Gender



New Recruitments by Region



Capital Management Review

Training and Development

Continuous training and development of the skills and knowledge of our employees and creating a workforce of high caliber is crucial to the success of the Company. As we are part of a dynamic and competitive industry, staying up to date with the latest industry trends, regulatory changes and consumer preferences is essential. Thus, we ensure that our employees receive the required training and development not only to enhance their technical skills but also to improve their soft skills and management capabilities. All new recruits are provided an orientation program which covers a general overview of the Company's operations, general policies, vision, mission and values to help familiarize them to the Company. At the beginning of each year the HR team prepares the training calendar for the year based on the development needs raised by the business heads, departments and branches. However, due to the COVID-19 pandemic, carrying out the trainings as planned was challenging as adhering to the safety protocols took precedence, leading to a reported decline in training hours and investment compared to the previous year. Nevertheless, we made sure that all resources were in place and arranged for employees to receive the mandatory trainings online. During the year the Company invested Rs. 1.9 Mn in trainings, accounting for a total of 5,780 training hours.

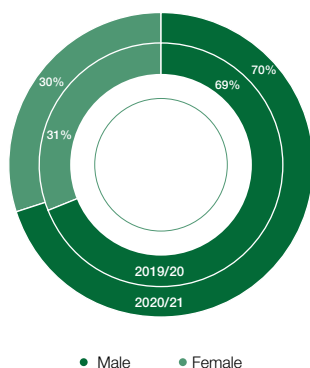
Training and Development Summary

	2020/21	2019/20
No of staff participated to the training programmes	641	1,281
No of training programmes conducted	47	125
Total Investment for the training programmes as at 31st March (Rs. Mn)	1.9	5.1
Total of training hours	5,780	19,132
AFC Carder as at as at 31st March	1,342	1,282
Average training hours per employee	4.3	14.9
Average training hours per Female employee	4.4	15.9

Total training hours by employee category and gender

Employment Type	2020/21			2019/20		
	Male	Female	Total	Male	Female	Total
Director	14	-	14	5	-	5
CXO	-	-	-	14	-	14
Assistant General Manager	106	59	165	112	135	247
Senior Manager	116	-	116	232	-	232
Manager	485	18	502	1,240	70	1,310
Assistant Manager	423	43	465	1,230	261	1,490
Senior Executive	319	57	376	1,192	197	1,389
Executive	691	195	886	2,947	1,210	4,157
Junior Executive	1,875	1,380	3,255	6,223	4,042	10,265
Minor	2	-	2	25	-	25
Grand Total	4,029	1,751	5,780	13,219	5,914	19,132

Training hours by Gender



Trainings received by Employment Category

Employment Type	2020/21			2019/20		
	Male	Female	Total	Male	Female	Total
Director	2	-	2	1	-	1
CXO	0	-	-	3	-	3
Assistant General Manager	3	2	5	5	2	7
Senior Manager	7	-	7	12	-	12
Manager	48	2	50	70	7	77
Assistant Manager	42	5	47	85	12	97
Senior Executive	46	5	51	96	17	113
Executive	119	32	151	238	82	320
Junior Executive	223	104	327	384	264	648
Minor	1	-	1	3	-	3
Grand Total	491	150	641	897	384	1,281

Types of Trainings Conducted

Training Type	2020/21		2019/20	
	No of Training	No of Participants	No of Training	No of Participants
Business continuity management training	1	2	8	35
Business Operations related trainings	25	496	68	1,583
Business strategy trainings	2	9	7	8
IT/Software training	4	6	17	59
Soft skills development training	3	53	4	229
Customer Care training	2	322	5	253
Sustainability	-	-	4	34
Other	10	17	12	102
Total	47	905	125	2,303

Capital Management Review

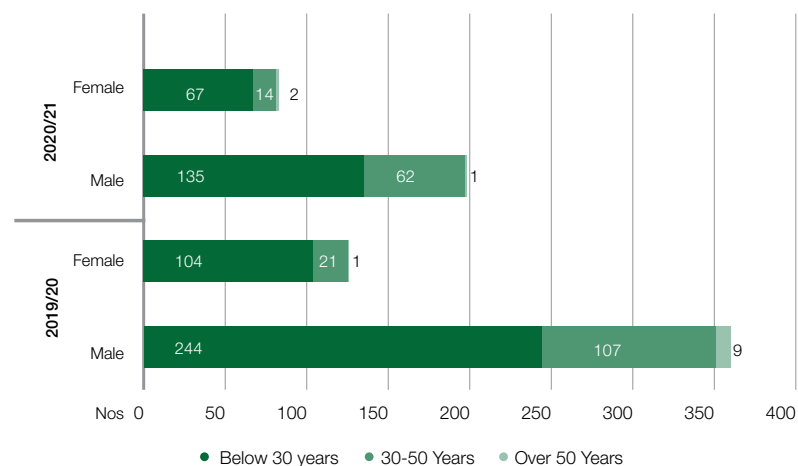
Employee Turnover

Managing attrition remains a key priority and we strive to strengthen our relationships with our employees through continuous communication, fair and equal compensation and benefits and continuous career development opportunities. Being in a competitive industry managing attrition is a challenge and thus we do our best to provide a positive, friendly and rewarding culture that motivates and encourages our employees to continue with us.

Turnover by Gender and Region

Province	2020/21			2019/20			Change		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Central	19	10	29	30	10	40	(11)	-	(11)
Eastern	13	3	16	23	8	31	(10)	(5)	(15)
Sabaragamuwa	10	2	12	20	4	24	(10)	(2)	(12)
Southern	10	2	12	26	3	29	(16)	(1)	(17)
North Central	8	3	11	14	5	19	(6)	(2)	(8)
North Western	20	5	25	42	9	51	(22)	(4)	(26)
Northern	15	5	20	30	12	42	(15)	(7)	(22)
Uva	6	6	12	23	4	27	(17)	2	(15)
Western	97	47	144	152	71	223	(55)	(24)	(79)
Total	198	83	281	360	126	486	(162)	(43)	(205)

Employee Turnover by Age



Return to work and retention of Employees after Parental Leave

	2020/21	2019/20
Total number of employees entitled for maternity leave	396	372
Total number of employees utilised maternity leave	16	22
Number of employees who returned to work after maternity leave ended	9	15
Number of employees who returned to work after maternity leave ended and still employed 12 months after their return to work	13	6
Return to work rate (%)	56%	68%
Retention rate (%)	87%	75%

Rewards and Recognition

While we provide competitive and fair remuneration in line with industry standards, we also ensure all employees are rewarded reasonably based on their levels of performance. We carry out our annual performance evaluations through the HRIS system against the set goals and KPI's of each individual and reward and recognize performance based on their achievements while developmental needs are identified and addressed accordingly.

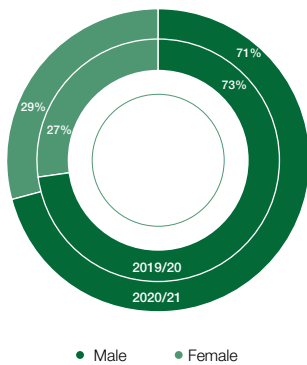
The performance management system;

- Aligns AFC's goals with individual employee goals.
- Enables employees to realise their corporate targets and enhance corporate performance.
- Enables employees to obtain a comprehensive understanding of what is expected of them and their roles.
- Helps employees stay motivated.
- Fosters a more engaged and productive workforce.
- Provides a basis to guide and develop employees to meet their evolving individual and corporate needs.
- Facilitates employee career planning.

Summary of eligibility for performance appraisals

Type	2020/21	2019/20
No Eligible for Annual Appraisal	1,086	835
% Eligible for Annual Appraisal	86%	60%

Gender wise Eligible Cadre



Capital Management Review

Eligibility for Performance Appraisals

Grade wise eligible carder	2020/21		2019/20	
	No	%	No	%
Director	4	0.3%	-	-
CXO	4	0.5%	3	0.2%
Assistant General Manager	6	0.3%	6	0.4%
Senior Manager	11	0.9%	13	0.9%
Manager	66	5.2%	53	3.8%
Assistant Manager	87	6.9%	83	5.9%
Senior Executive	125	9.9%	106	7.6%
Executive	312	24.7%	281	20.1%
Junior Executive	463	36.6%	285	20.4%
Minor	8	0.6%	5	0.4%
Grand Total	1,086	86%	835	60%

Additionally, employees providing over 5 years of service are entitled to receive gratuity upon resignation. All female employees are offered maternity leave in line with the provisions in the Shop and Office Employees Act.

Enhance Provident Fund

- Medical insurance scheme
- Staff lease
- Enhanced gratuity scheme
- Medical leave entitlement of 14 days and
- Parental leave

Equal Opportunity and Non-discrimination

AFC is dedicated towards building a diverse talent pool and continues to refine its HR policies and practices to make sure that all employees are treated in a fair and unbiased manner. Working towards creating a conducive environment which supports diversity and gender parity, we shun from any form of discrimination and there were no such incidents reported during the year. The Company has in place policies to address equal opportunity, anti-sexual harassment and grievance handling mechanisms for harassment related issues to ensure employees feel empowered and safe in the environment they work in. Salary scales are also structured based on the employee category with no gender-based discrepancies. Female representation at AFC accounted for 30% during the year.

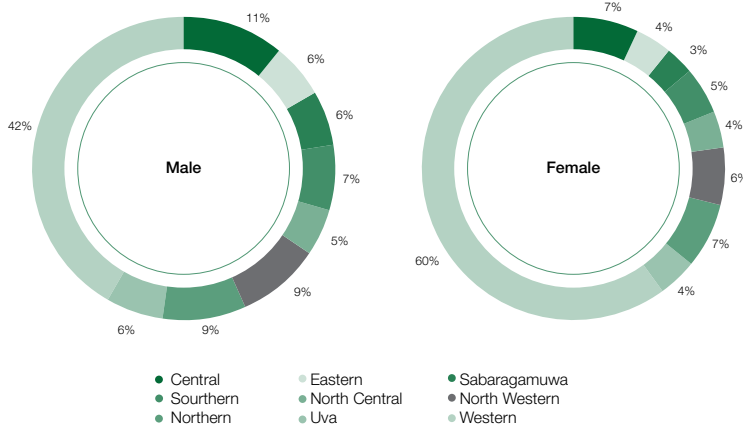
Policies addressing gender parity

- Ethics and Integrity Policy
- Code of Conduct on Sexual Harassment

Salary ratio-Male/Female & Mean/Median gender pay gap

Employment Type	2020/21			2019/20		
	Count	Ratio - M :F	Salary Ratio	Count	Ratio - M :F	Salary Ratio
Director	4	4:0	1:1	4	4:0	1:1
CXO	3	3:0	1:1	6	6:0	1:1
Assistant General Manager	9	6:3	1:1	7	4:03	1:1
Senior Manager	13	12:1	1:1	12	11:01	1:1
Manager	74	67:7	1:1	76	69:07	1:1
Assistant Manager	90	73:17	1:1	99	83:16	1:1
Senior Executive	142	117:25	1:1	136	112:24	1:1
Executive	332	241:91	1:1	336	242:94	1:1
Junior Executive	656	404:252	1:1	594	367:227	1:1
Minor	19	19:0	1:1	12	12:0	1:1
Grand Total	1,342			1,282		

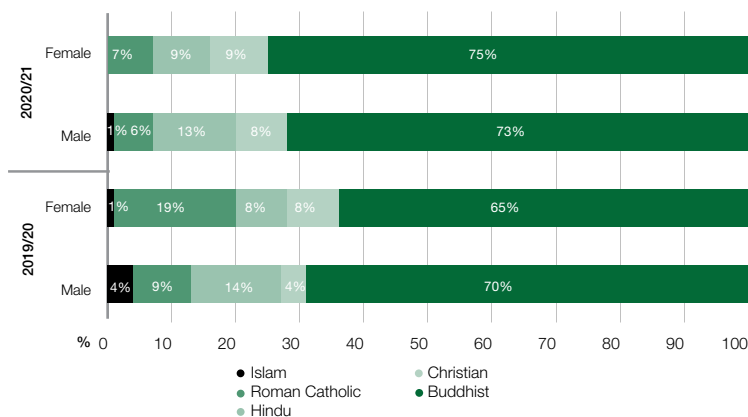
Gender Composition by Provinces



Health and Safety

We have taken all necessary precautions to prevent any accidents or health related issues occurring in our work environment. We have ensured that all necessary safety equipment is in place and all employees are given periodic safety trainings. We conduct safety audits of our equipment and premises and ensure that all quality controls and safety standards are met. With the COVID-19 pandemic we also took necessary safety precautions to protect and safeguard our employees and adhered to all safety protocols imposed by the local health authorities. During the early stages of the pandemic when the country was placed under lockdown, we enabled all our employees to work from home and even after the lockdowns were eased, we continued on a roster basis. Conducive work environments, temperature checks and proper sanitation facilities were provided and we still continue to provide company transport to all employees using public transport, thereby ensuring our staff is safe and protected.

Gender Representation by Religion



Employee Engagement

The Company hosts a variety of employee engagement events including sports tournaments, sustainability projects, competitions and regular townhall meetings to provide employees an opportunity to unwind and relax and also display and make use of their extra interests and skills. Due to the pandemic condition, we were unable to carry out all our planned engagement drives during the year but made every effort to ensure our staff was kept happy and motivated.

Capital Management Review

Key AFC events of 2020/21



SSCI logo unveiling

AFC was presented with the SSCI certification logo by the International Council of Sustainability Standards for Value-Driven Financial Institutions, for being certified as the first Financial Institution in South Asia for holistic sustainability in Banking and Finance sector, under the SSCI program.

The logo unveiling event was held on 15th December 2020, with delegates from CBSL, local and foreign network associations, Banks, consultancy agencies, our deposit customers and many other stakeholders of AFC gracing the event by joining AFC Family to celebrate the historic achievement.

AFC Dalu website launch

AFC launched the web portal, www.afcdalu.com which is dedicated to showcase the Sustainability efforts of the Company and promote "One Million Trees for Unity" project in 15th December 2020. The website features our unique sustainability-oriented programs and their progress for anyone who is interested in them to check and access further information. In addition to that, to engage the interested parties in our journey of greening Sri Lanka, it also has the payment portal to make donations to AFC's "One Million Trees for Unity" project.



Launch of AFC Gas converted three-wheelers

AFC launched our innovative gas converted three-wheeler product in February 2020 in Anuradhapura as a pilot project. Powered by the cutting edge Dutch technology, the gas three-wheelers provide a multitude of economic benefits to the customers whilst enabling the customers and AFC to contribute towards the environment by reducing hazardous gas emissions to atmosphere.

RDA green expressway program

AFC once again joined hands with RDA, to create a greener road network in Sri Lanka by partnering the Green Expressway Program. AFC took part in the following events providing a total of 75,000 plants for Southern and Kaduwela expressways.

- a. Provided 50,000 plants in September 2020 to RDA at the Kaduwela interchange
- b. Provided 25,000 kohomba plants in February 2021 at the Barawakumbuka interchange. Planted 100 seedlings at the premises.



Autosure Vehicle showroom opening

In August 2020, we opened our state-of-the-art vehicle show room of the Autosure division at 722, Rajagiriya premises. The showroom displays an array of vehicles from the premium European and Japanese brands to select from. This customer touch point specifically targets the high-end customers, providing premium brands with attractive product offers and an excellent customer service.

Employee Grievance Handling

We encourage an open-door policy and all employees have the opportunity to voice their concerns freely. Any grievances are initially to be communicated to the immediate supervisor and subsequently to HR. Any issues which cannot be adequately addressed will escalate upwards the management levels as per the Grievance handling procedure of our company.

We also have in place a Board approved Whistleblower Policy which encourages employees to come forward and express any concerns or share knowledge they may have about suspected misconduct by any person or persons in the Company without fear of reprisal or unfair treatment. It provides an avenue to monitor and prevent any violations of legal or regulatory requirements and misinterpretation of any Financial Statements and reports amongst others.

Ethics and Integrity

AFC's Ethics and Integrity Policy as well as the Employee Code of Conduct provide a sound platform to create a culture of maintaining high professional standards when dealing with customers, suppliers, fellow colleagues and all other stakeholders. All employees sign this Code of Conduct upon joining the Company and disciplinary action is taken against anyone violating the Code.

The Company also has zero tolerance towards Bribery and Corruption and require all employees to act professionally, fairly and with integrity in all their business dealings and relationships maintained in official capacity. Periodic training is also carried out to keep our employees informed and aware of the expected behavioral protocols and disciplinary actions taken against reported cases of bribery or corruption.

Future Outlook

We will continue to upgrade and improve our HR practices and policies for the betterment of our staff and Company as a whole. Creating a safe and healthy work environment will remain a priority throughout the COVID-19 pandemic and all possible measures will be put in place to ensure the well-being of our workforce. We will also continue to focus on aligning job descriptions and HR decisions with the organizational goals and strategies. Knowledge sharing sessions will also be encouraged to improve the skills and expertise of our workforce and ensure employee contribution towards our sustainability focused business agenda.

Social and Relationship Capital



We aim to build and maintain strong stakeholder relationships with our regulators, suppliers, customers, business partners and local communities. These relationships provide a sound foundation for our business to succeed in a conscientious and sustainable way and further strengthen our corporate reputation.

Maintaining strong connections with customers, business partners and local communities was pivotal in 2020 particularly with the pandemic. We ensured that we reached out to these

stakeholder groups with relief measures such as concessions whilst introducing customer convenience in the light of the evolving situation.

Value Delivered

Rs. 323 Mn

Payments to suppliers

102,223

Customer base

Portfolio

Core Lending – **Rs. 25,549 Mn**

Gold Loan – **Rs. 3,097 Mn**

Deposits – **Rs. 12,919 Mn**

Rs. 2.5 Mn

Investment in Social Sustainability Initiatives

Rs. 1.4 Mn

Investment in CSR activities



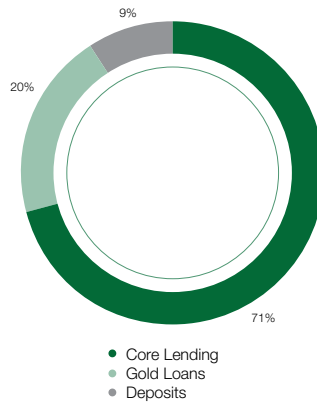
Customers

GRI 102-06 GRI 416-01 GRI 416-02
GRI 417-03 GRI 418-01

Understanding Customer Needs

Despite slow economic conditions and the low interest rate environment which prevailed during the year, we made sure that our customers were well supported and their needs met. As per the CBSL guidelines we offered all eligible customers debt moratoriums enabling a three-to-twelve-month grace period for installment payments. Additional concessions were also offered to customers facing financial difficulties in the form of 100% overdue interest waivers during the height of the pandemic and progressive waivers subsequently, waiver of penal interest and 100% waiver of future interest on early settlements. We also granted alternative concessions for many such as offering of low interest rates to reprice their loans, thereby reducing the monthly installments due and supporting our customers to overcome their debt burden during this tough period. Lending was not curtailed during the pandemic, as our liquidity buffers were strong enough to support customer requirements and business growth. As we were well equipped to face the challenging economic conditions, we also were able to make sure that our depositors received their interest payments in advance of the usual due dates thereby ensuring all our services were being provided without any inconvenience to our customers. During the year under review, we continued our focus on prioritizing the needs of women, communities in rural, marginalized areas and other underserved communities across the island.

Customer Base



During the year under review, we continued our focus on prioritizing the needs of women, communities in rural, marginalized areas and other underserved communities across the island.

AFC Customer Focus

- Inclusive and responsible financial products and services
- 91 customer touch points to facilitate convenience and access
- Adherence to CBSL customer protection framework
- Customer relationship management unit to manage customer inquiries and grievances
- Customer survey held to identify the emerging needs especially during the pandemic
- Offered debt moratorium to 19,266 customers and other concessions to 5,446 customers

Adding Value to Customers

Portfolio

Our product categories are designed to cater to the changing needs of our customers with a vision to provide the support needed to uplift their livelihoods. Our current portfolio consists of the following products:

Retail	SME/MSME	Corporate
Savings	Savings	Savings
Fixed Deposits	Fixed Deposits	Fixed Deposits
Leasing	Leasing	Leasing
Speed Cash	Speed Cash	Speed Cash
Personal Loans	Gold Loans	Personal Loan
Quick Cash	Personal Loans	Quick Cash
Auto Sure	Equipment Leasing	Pledge Loans
Gold Loans	Quick Cash	Auto Sure
Ezy Drive	Auto Sure	Ezy Drive
Pledge Loans	Ezy Drive	

Capital Management Review

New product offerings

Gas Three-Wheeler

In addition to the above portfolio, AFC recently launched its gas three-wheeler project in Anuradhapura. Recognizing the space for development in the gas vehicle conversion sector AFC launched this pilot project with the expectation of subsequently expanding to other areas of the country. During the financial year we have completed 65 units of gas converted vehicles and 11 of them were leased in Anuradhapura. The project is still in its initial stage with consumer awareness being raised. However, the positive reception received to date suggests that this will be a product in demand in time to come, with its many benefits to the customers and the environment.

Friendship Loan

In the wake of the COVID-19 pandemic our education system has had to resort to digitized methods to reach the children who are confined to their houses and many parents were compelled to purchase digital devices for their children. Identifying this need and difficulties of our loyal customers during these testing times, as a gesture of our appreciation of their loyalty to AFC, we introduced a special loan scheme for the existing customers, to provide financial assistance to purchase digital devices for their children.

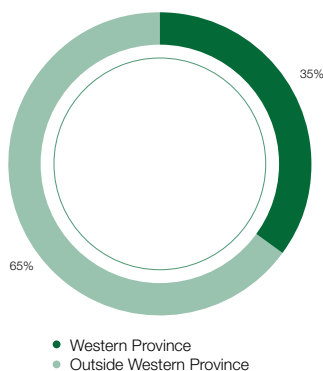
Marketing campaigns and customer engagement drives

- Autosure showroom opening at 720, Rajagiriya
- Autosure vehicle promotion at branch level
- Autosure yard launch at Anuradhapura, Malabe and Seeduwa
- AFC Dalu web portal launch
- Gas three-wheeler promotion campaigns carried out in Anuradhapura
- Gold Loan and Ran Ayojana Mega drive at key locations
- Gold Loan Mega Avurudu campaign launched in multimedia

Customer convenience

Wider access is instrumental towards enabling customer convenience and facilitating business growth. AFC has a network of 91 customer touch points across the island in all districts. During the financial year 2020/21 AFC did not open any new branches but carried out several relocations to ensure better access. Currently AFC is also revamping its digital platform which will provide added convenience to customers to browse through product offerings, engage with the Company and transact online and obtain up to date information regarding their contracts.

AFC outreach



Customer communication

We ensure that all information required by customers to make well informed decisions are provided in all three languages with

clarity and no ambiguity. Information on our product offerings, terms and conditions and interest rates are made available to our customers via promotional material, display boards at branches and via our website and social media platforms. Once our digital platform is in place our representatives will also be available online to swiftly deal with any customer queries and information needs.

During the year we also conducted a customer survey to obtain more insight on changing customer demands in the wake of the pandemic and ensuing economic downturn. Through this we aim to address any improvements and enhance our service standards and product upgrades.

Managing complaints

The Branch Manager at every branch was assigned the additional responsibility of resolving any direct customer complaints raised by customers in the respective locality. Every complaint lodged by the customer is first recorded and then escalated to the relevant authorities for timely response and quick resolution. General complaints are directed through the intra-complaint management system which is under the purview of the Customer Care Unit at the Head Office where a Customer Care Agent (CAA) enters the complaint into the system. The system then generates a reference number which is communicated

to the customer. An SMS, email or written acknowledgement including the name and contact number of the designated employee is also shared with the customer. The CAA also conducts a root cause analysis, identifies service gaps if any and presents the required corrective and preventive action to the corporate management to prevent such occurrences in future. During the financial year we received 148 customer complaints. There were no major issues received and all issues brought to our attention have been completely resolved.

Product information and customer safety

In addition to complying with all regulatory frameworks applicable to the NBF sector and providing information in a timely and responsible manner, we also ensure that our product offerings conform to the applicable laws and regulations and meet the required ethical standards. We also guarantee that our marketing communications are made in line with the required regulations and all business dealings are conducted in an ethical manner as per our Code of Ethics.

Our sustainability screening process incorporated into the lending model also assesses any social and environmental risks based on the IFC exclusion list which aims to prevent lending to any cause that may have a potential negative impact on society or the environment. Accordingly, AFC will not finance customers who are involved in activities which:

- i. are regulated or prohibited under international agreements and by national laws;
- ii. may cause significant environmental or social problems;
- iii. lead to significantly adverse public reaction;

iv. are mentioned on the Exclusion List of AFC's international lenders.

AFC also does not lend to customers who are involved in any of the following activities:

- Production or activities involving forced labor or child labor;
- Production of or trade in any product or activity deemed illegal under Sri Lankan legislation or regulations or international conventions and agreements;
- Trade in wildlife or wildlife products regulated under CITES;
- Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibers, products containing polychlorinated biphenyl (PCBs) and chemicals subject to international phase-outs or bans;
- Commercial logging operations or the purchase of logging equipment for use in any primary forest or forest areas with a high biodiversity value, or any other activities that lead to substantial clear cutting of such forests;
- Production of or trade in pharmaceuticals subject to international phase-outs or bans;
- Production of or trade in pesticides/herbicides subject to international phase-outs or bans;
- Production of or trade in ozone depleting substances subject to international phase-out;
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.

In addition to the above, under our Environmental and Social Management System (ESMS) implemented under

the expertise of an independent consultancy firm named Steward Redqueen, a specialized agency in ESMS implementation from the Netherlands, we also assess the E&S risks of the sectors we serve. This sustainability screening system uses 15 sector specific fact sheets developed based on the IFC exclusion list.

Main sectors

1. Agricultural crop production
2. Charcoal making
3. Chemicals manufacturing
4. Forestry/wood production
5. Leather production/tanning
6. Metalworking
7. Mining
8. Textile manufacturing
9. Animal husbandry
10. Brick making
11. Ceramics/pottery
12. Glass manufacturing
13. Café & restaurant
14. Food processing
15. Health services

Assessed E&S risks

1. Air pollution
2. Deforestation
3. Fish depletion
4. Littering and disease and pest occurrence
5. Soil depletion
6. Water pollution
7. Fire and explosion
8. Infection of HIV/aids
9. Intoxication Occurrence of diseases
10. Occurrence of harmful bacteria and diseases
11. Personal injury
12. Bad working environment
13. Harmful child labor
14. Unfair labor conditions

Capital Management Review

During the year there were no reported incidents of non-compliance with regulations/voluntary codes concerning the health and safety of products or services.

Customer privacy

We have invested in up-to-date technology to ensure data security and privacy thereby protecting the confidentiality of customers. During the year there were no incidents of breaches in customer privacy or losses of customer data.



Suppliers and Business Partners

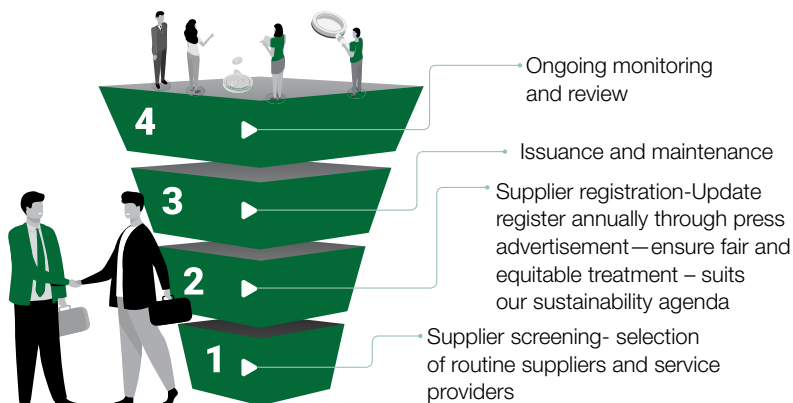
GRI 102-09 GRI 308-01 GRI 408-01 GRI 414-01

We aim to build long standing relationships with our suppliers and business partners in order to ensure smooth and uninterrupted services to our customers. We make sure that our business engagements are carried out in a responsible manner adhering to all legal and ethical standards with parties who support our corporate vision.

Physical Asset Providers	Manpower suppliers	Service providers	Other suppliers
<ul style="list-style-type: none"> • Vehicle Suppliers • Stationary Suppliers • Office Furniture and Fittings Suppliers 	<ul style="list-style-type: none"> • Consultants • Security Suppliers • Trainers • Staff Welfare Service Suppliers 	<ul style="list-style-type: none"> • ICT Service Providers • Utility Suppliers • F&B Suppliers • Advertising and Media agencies 	<ul style="list-style-type: none"> • Financial Partners-Banks/ • Financial Institutions • Office Space Providers • Maintenance and Premises Management

Procurement process

AFC's procurement policy aims to meet dual objectives of cost effectiveness combined with quality standards while promoting fair and open competition and minimizing risks such as exposure to fraud and collusion. In keeping with our commitment to social sustainability, the Company also aims to support suppliers to grow with the Company.



Community

GRI 413-01 GRI 413-02 GRI 419-01

Being a socially responsible corporate citizen is a part of our ethos and this is reflected through the community engagement initiatives carried out which collectively benefit many communities across the country. Sustainability of the organization is interwoven with the value created for stakeholders and AFC's widespread network, reaching over 60% outside the Western Province contributes largely to help support local communities and foster goodwill. Enabling economic empowerment, developing livelihoods and promoting financial inclusion and responsible financing remain our key focus areas while our long-term vision revolves around advocating sustainable production and consumption, contributing towards achieving national and global social goals and engaging the community in sustainable value creation.

Local Hires	<p>▶ AFC believes in hiring locally, to support the income generation capacity of communities and help bridge income disparities.</p>	<ul style="list-style-type: none"> • 80% local hires • Convenience of employee commute • Advantage of gaining local expertise to provide more customized solutions
Financial Empowerment	<p>▶ The financial solutions we offer are aimed to empower the economically disadvantaged and underserved rural communities across the country and support their efforts to create wealth.</p>	<ul style="list-style-type: none"> • Assisting in the upliftment of SME's and MSME's • Cash Advances • Gold Loans • Three wheelers • Range of deposit products
Supporting Entrepreneurs	<p>▶ AFC has partnered with the "Ath Pavura" (Elephant Wall) project in its commitment to support local enterprise. This is a pioneering initiative of Lanka Impact Investing Network (LIIN) and Social Enterprise Lanka which takes the form of a reality TV show similar to Shark Tank, USA and creates a platform for social enterprises that have the capacity to make a definite positive impact on society and the environment. Impact Investors who represent this forum, known as "Tuskers" are some of Sri Lanka's successful entrepreneurs. AFC as one of its founding investors and only corporate in the platform, is represented by its Managing Director Mr. Romani De Silva. Mission I and Mission II of Ath Pavura have now been completed and we eagerly await Mission III, to empower many more social entrepreneurs who would generate greater value to the country, the environment and the society.</p>	<ul style="list-style-type: none"> • 5 Social entrepreneurs • Rs. 6 Mn total investment • Over 30 additional employment opportunities • Social enterprises • Healthy Foods – AAYU healthy breakfast outlet <ul style="list-style-type: none"> • Dehydrated fruits and vegetables – Dryzy by Ecofeel (Pvt) Ltd • Organic Aloe vera • Plant nursery – Thuru Viyana (Pvt) Ltd.: A total investment of over Rs. 2.5 Mn was made towards this enterprise during the year, opening doors for the owner to supply plants to many state and private planting programs across the country and also diversify his business to engage in Organic Farming. Our engagement has also helped him protect the livelihoods of his workers and suppliers including 10 women during the pandemic. <ul style="list-style-type: none"> • Sarada mosquito repellents
Social Sustainability/ CSR	<p>▶ AFC also engages in various community service projects as a part of its sustainability drive. All employees are provided a sustainability training upon joining the Company and are encouraged to volunteer and be a part of the sustainability agenda. The appointed sustainability ambassadors help drive the sustainability initiatives across the island and enhance the sense of good corporate citizenship.</p>	<p>During the financial year we have invested Rs. 2.5 Mn in social sustainability initiatives</p> <p>Donations - Rs. 618,000 Sponsorships - Rs. 489,180 Village and community development - Rs. 281,000 Partnerships and networks - Rs. 1.1 Mn</p>

Capital Management Review

Natural Capital



AFC's environmental commitment is clearly articulated through its comprehensive sustainability policy which is founded on the purpose of 'make the world a better place through sustainable finance'. Given the nature of our business of providing financial services, the direct impact we have on the environment is minimal and limited to a relatively low consumption of natural resources such as energy and water.

However, we make sure that concern for the planet runs through our corporate DNA and we make every effort to contribute towards preserving the natural resources for the future generations. Our environmental responsibility is aligned with the United Nations Sustainable Development Goals and we are progressing on our journey towards contributing more effectively towards sustainable development through responsible and environment friendly business practices.

290,330 kWh Electricity Consumption

32,449 Litres Fuel Consumption

17,796 Litres Water Consumption

GRI 102-11 GRI 301-1 GRI 302-1
 GRI 302-3 GRI 302-4 GRI 303-3
 GRI 303-5 GRI 304-2 GRI 304-3
 GRI 304-4 GRI 305-1
 GRI 307-1

Value Delivered

Rs. **4.7** Mn

Investment in environmental sustainability initiatives

2,700 tCO₂
 Carbon footprint

23%
 Reliance on renewable energy sources



Our Environmental Goals

With climate change and global warming being recognized as pressing environmental issues AFC dedicates significant time and effort towards its goal of **reducing the national carbon footprint of Sri Lanka by 118,000 tCO₂e by 2025.**

To achieve this goal, the Company continues to engage in tree planting initiatives and promoting gas converted three-wheelers along with a host of other emission reduction activities.

Main aspects of our Sustainability Policy

- Refrain from promoting, engaging in, financing or advocating any business practices that have negative impacts on the environment and the society
- Act as the pioneer and a catalyst to drive the local movement towards battling the climate change
- Minimise the impact of the products and business practices on the environment and the society
- Triple bottom line value creation through sustainable financing
- Promote social entrepreneurship that will generate positive impacts for the environment and the society
- Undertake activities to increase climate literacy among the staff, customers, suppliers and the community
- Encourage the employees and customers to undertake practices that promote sustainability
- Make an allocation 3% of the profits annually for sustainability initiatives



Energy Management

Our main sources of energy consumption arise through electricity used to meet the lighting and cooling needs of our branches and to operate our IT infrastructure and systems, and fuel consumed for our back-up generators and vehicles used by our staff for official travel and commute to office.

Electricity consumption at our Head Office:

Electricity			
	2020/21	2019/20	Change %
Units consumed (kWh)	290,330	356,483	(19%)
Cost Rs. Mn	7.8	9.4	(17%)
Intensity (Units/employee)	772	938	(18%)
Intensity (Cost/employee)	20,702	24,651	(16%)

In order to reduce our electricity consumption, we continue to use energy efficient electrical appliances such as inverter air conditioners, energy efficient photocopiers, printers, laptops and computers and also use LED lighting at our premises. We have also inculcated a culture of switching off unnecessary lights and other appliances when not in use and use natural lighting for workstations wherever possible. When opening new branches as well as refurbishing branches which are being relocated, we ensure these energy efficient measures are adopted across those premises as well.

Additionally, we have also installed solar energy at our super branch under the net metering scheme which contributed to a 53% saving in electricity usage of the premises during the year under review.

An 19% reduction in electricity consumption was noted during the year as a result of the above energy saving practices, as well as due to reduced consumption with many employees working from home during the pandemic induced lockdowns.



Carbon Footprint

During the year AFC's Carbon Footprint reduced by 7% to 2,700 tCO₂, from 2,900 tCO₂ in 2019/20.

Capital Management Review

Fuel Consumption at our Head Office:

Fuel			
	2020/21	2019/20	Change %
Units consumed (Litres)	32,449	14,996	116%
Cost Rs. Mn	3.9	1.9	100%
Intensity (Units/Employees)	86	39	119%
Intensity (Cost/Employees)	10,262	5,084	102%

During the year fuel consumption doubled with the implementation of staff transportation to ensure the safety and well-being of our staff during the pandemic. The Company provided transport to over 190 staff members working at the head office, residing across 72 locations on a daily basis, for a period of 102 days, utilizing 14 office vehicles. However, as a means of increasing fuel efficiency across our operations we use hybrid vehicles and operated with 06 hybrid cars for our internal logistics.



Water			
	2020/21	2019/20	Change %
Units consumed (Litres)	17,796	9,078	96%
Cost Rs. Mn	1.2	1.5	(19%)
Intensity (Units/Employees)	47	24	98%
Intensity (Cost/Employees)	3,275	4,000	(18%)

Water for our daily consumption is primarily sourced by the National Water Supply and Drainage Board. Best practices encouraging saving water are adopted across our organization and we ensure that quick remedial action is taken to prevent and fix any wastages or leakages occurring at our premises.

Paper Consumption at our Head Office:

Paper			
	2020/21	2019/20	Change %
Units consumed (Tons)	13.1	13.6	(4%)
Cost Rs.	2.8	2.9	(5%)
Intensity (Units/Employees)	0.03	0.04	(3%)
Intensity (Cost/Employees)	7,369	7,704	(4%)



Material Management

Being in the financial services sector, the highest category of material used in our daily operations is paper. A significant percentage is used for customer engagement processes such as onboarding, collections and routine communication whilst internal communication and manual backend processes account for the remainder. We take measures to promote a 'paper-less environment' and several digitization initiatives and innovative techniques were implemented accordingly.

- Promoting the use of digital communication channels such as e-mail, Google Suite, Clickup and Zoom.
- Using digital channels for client interactions wherever possible and encouraging the use of SMS services.
- Reducing the paper size of letters and other documents sent to customers.
- Scanning of customer documents instead of maintaining physical files.
- Use of printers that enables double sided printing.
- Use of one-color envelopes.
- Encouraging employees to minimize paper printing and use e-documents instead.
- Handling employee records via HRIS.
- Investing in the new Core IT system.

Environmental Conservation and Compliance

Although our operations do not directly affect biodiversity due to the nature of our businesses, as a responsible corporate we place utmost priority on giving nature the care and protection it needs. Our environmental sustainability efforts are spearheaded by the Managing Director

with the support of the Director Sustainability and the Strategy and Sustainability unit. We undertake different activities with the support of all employees across all our branches, who engage with the communities we serve to drive our projects focused on environmental wellbeing. Our key ongoing projects are as follows:

Green Lending

As a green lending initiative AFC launched the LPG powered Three-Wheelers in 2019/20 completing 65 gas converted three-wheelers and leased 11 of them to date under the pilot project carried out in Anuradhapura area. In order to promote the product and encourage this environmentally friendly solution, during the initial two months Rs.12,000 worth free gas is also provided to each customer. This energy efficient mechanism has been developed in partnership with Vialle, a global leader in alternate fuel solutions for transport with expertise in Autogas. The gas conversion is estimated to reduce 10% of CO2 and 30% - 40% of other hazardous gas emissions compared to gasoline.



Tree Planting

AFC surpassed the 300,000 mark of the planted trees during the year, continuing its tree planting program with a contribution of a further 75,000 plants to the green expressway program of the Road Development Authority (RDA) during the year, being recognized as the finance company which provided the highest number of plants towards the RDA project as well as to the nation. These plants were supplied from the ‘Thuru Viyana’ plant nursery run by a successful social entrepreneur who emerged from the pioneering ‘Ath Pavura’ Program, whose business is now supported by AFC as a social enterprise invested through its foundation. While adding visual beauty to those travelling along the highways the total of 115,000 trees donated are estimated to absorb 2,530 metric tons of CO₂ at maturity.

This initiative would add a further impetus to our ‘One Million Trees for Unity’ project, where we have pledged to plant one million trees across the island by 2024 with the support of the Tri Forces and all religious and ethnic communities. In addition to creating a positive environmental impact, we also hope to cultivate a sense of unity and solidarity through this initiative.



Launch of AFC Sustainability Web Portal - www.afcdalu.com

AFC launched a web platform dedicated to feature the sustainability initiatives of the Company and encourage the participation and contributions of interested parties towards the ‘One Million Trees for Unity’ program. This program has been implemented through a trust created and is to be audited periodically by KPMG. The objective behind this drive is to engage the environmental enthusiasts who are willing to make a change in the country by creating a greener future and a collaborative culture focused on environmental protection.

Capital Management Review

Partnering to Conserve Sri Lanka's Biodiversity

In 2018, AFC established a partnership with the Wilderness and Wildlife Conservation Trust (WWCT) to help foster the coexistence of people and Leopards in the central highlands of Sri Lanka and to protect the flora and fauna and other living species in the 18-acre Peak Ridge wildlife corridor which has been distinguished as a world heritage site since 2010.

The Leopard found in the Hill Country is a subspecies endemic to Sri Lanka, whose existence is threatened mainly due to habitat loss and human-leopard encounters. As a result of this valuable initiative, during the period AFC has engaged with WWCT, 29 Leopards were identified for protection along with 22 other mammal species in the peak wilderness area. In 2019, much to AFC's delight, the female Leopard Nina, whom AFC has had the privilege to name, was sighted with her cub, evincing the results of the protection efforts.

The project also came up with a novel initiative to engage school children in the neighbouring peak wilderness area to become directly involved as "Forest Guardians", in saving the natural resources of their neighborhood. They will engage in this drive by creating and maintaining a new butterfly garden and a forest plant nursery, clearing the plastic waste in various areas of the Estate, participating in programs aimed at teaching ecology and conservation theory and methods, and eventually taking on the responsibility of overseeing some of the permanent, remote camera stations located on Dunkeld Estate. They will also be involved in the care and delivery of forest plants to relevant

habitats for re-planting. The activities will continue equipping future generations with knowledge and awareness to prevent and solve ecological challenges and nurturing a passion in them to take ownership to preserve their natural habitats. AFC feels privileged and honoured to be a part of this valuable cause which has taken the forefront to protect this magnificent species *Panthera Pardus Kotiya*.

Investment in environmental initiatives

Item	Cost (Rs.)
Tree Planting	2,091,000
Biodiversity conservation and Eco system restoration	784,967
AFC Dalu web platform development	694,880
Other environmental sustainability initiatives	1,114,297
Total	4,685,144

The Company was not fined for any non-compliances with environmental laws and regulations during the financial year under review and the previous year.

Future Outlook

Acknowledging the fact that functioning ecosystems form the basis for life on earth, our team is dedicated towards its cause and will persistently work towards protecting and nurturing the environment. The tree planting program which is linked to our high impact goals will continue be our main environmental sustainability initiative in future as well, and plans are in

place to effectively carry out this drive. An MoU was signed with the RDA to provide 600,000 plants for their 2 Mn trees project "Maga Depasa Thuru Sevana" aimed at improving the scenic beauty of roadways and we will be providing this in four tranches of 150,000 plants per annum. The estimated cost of this initiative will be around Rs. 3 Mn.

Furthermore, we have agreed to collaborate with the RDA to develop an application and website for this "Maga Depasa Thru Sevana" program at an estimated cost of Rs. 962,000 that facilitates monitoring of the planted trees. This will help AFC and RDA stakeholders to closely monitor the progress of their tree planting projects and contributing parties to track the progress of their plants as well.

We will also be working closely with our partners Biodiversity Sri Lanka and the Wilderness and Wildlife Conservation Trust (WWCT) to further contribute towards Biodiversity conservation and Eco system restoration efforts of the nation.

Corporate Governance

GRI 120-16 GRI 102-18 GRI 102-22 GRI 102-23 GRI 102-24 GRI 102-25 GRI 102-26 GRI 102-27 GRI 102-28 GRI 102-29 GRI 102-30
 GRI 102-31 GRI 102-32 GRI 102-35 GRI 102-36 GRI 102-31 GRI 102-30 GRI 102-29

Governance Highlights – 2020/21

- Appointment of two Independent Non-Executive Directors Mrs. G. S. T. Dharmakirti-Herath, Chairperson and Mr. D. L. I. Hettiarachchi.
- Retirement of Mrs.R.N. Ponnambalam, Chairperson and retirement of Lt. Col (Retd) A. R. Samarasinghe
- Approved Internal Auditor’s report on the alignment of all policies, procedures and processes with the Sustainability Standards.
- Reconstitution of the Board Sub Committees, Board Audit Committee, Board Integrated Risk Management Committee, Remuneration Committee, Related Party Transactions Review Committee

Corporate Governance Framework

AFC’s Corporate Governance Framework provides the basis to support the Company’s growth strategy by influencing how the objectives are set and achieved, how risk is monitored and assessed, as well as how performance is optimised. The main purpose of AFC’s Corporate Governance Framework is therefore to facilitate the creation of stakeholder value based on the good governance principles of fairness, accountability, responsibility and transparency.

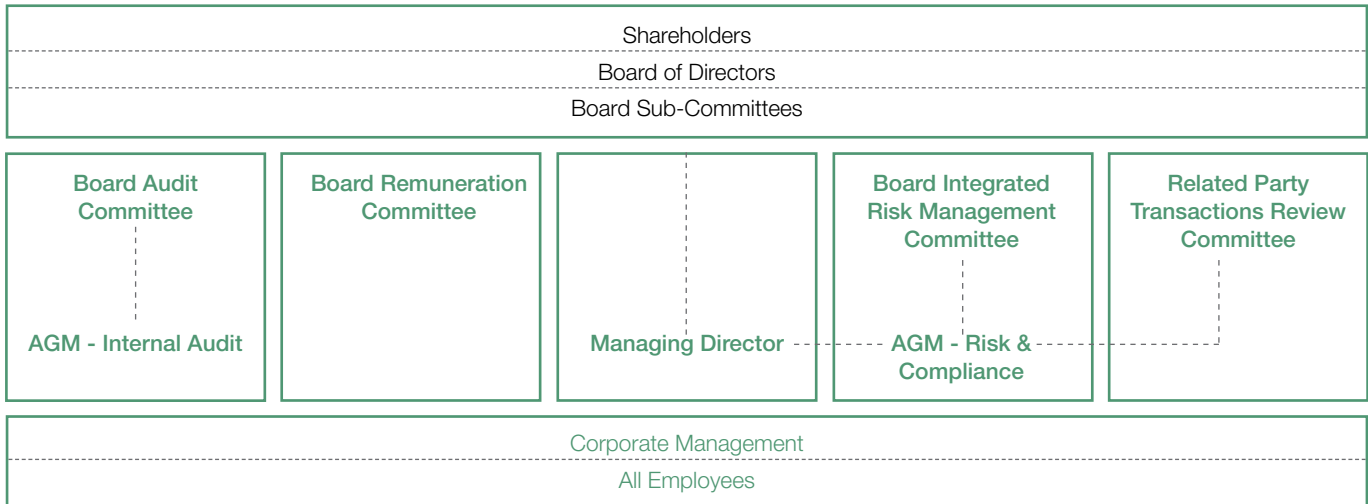
AFC’s Corporate Governance Framework reflects the Company’s commitment to comply with all regulatory requirements and the corporate best practices which are embedded in the governance structure of AFC to ensure the effective practice of good governance.

Internal	External (Statutory)	External (Voluntary)
<ul style="list-style-type: none"> • Purpose Statement • Articles of Association • Risk Management Framework • Corporate Governance Policy • Internal Control Framework • IT Security Policy • Code of Conduct issued by the Finance Houses Association • Whistle Blower Policy • Related Party Transactions Review Policy • Financial Reporting Framework • Ethics and Integrity policy 	<ul style="list-style-type: none"> • Companies Act No. 7 of 2007 • Finance Leasing Act No.56 of 2000 • Anti Money Laundering Laws and Regulations and Financial Transactions Reporting Act No. 6 of 2006. • Finance Companies Direction No.3 of 2008 on Corporate Governance and amendments thereto. • Listing Rules of the Colombo Stock Exchange • Inland Revenue Act No. 24 of 2017 and amendments thereto • Shop & Office Employees Act No. 19 of 1954 and amendments thereto • Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRS s) and Lanka Accounting Standards (LKAS s) • Finance Business Act No. 42 of 2011 and all Directions/Guidelines issued thereunder 	<ul style="list-style-type: none"> • Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC) • GRI Standards for Sustainability reporting issued by the Global Reporting Initiative • The United Nations Sustainable Development Goals (SDG’s) • Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Corporate Governance

Corporate Governance Structure

Under the leadership of the Board, AFC has in place a comprehensive management structure which includes clearly defined policies, procedures and delegated authority lines.

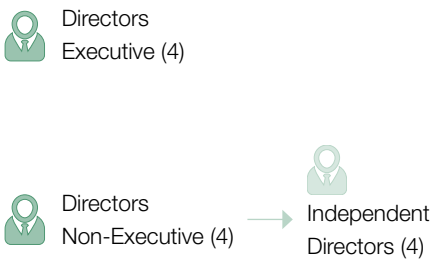


Roles and Responsibilities

The Board

AFC’s Board maintains the correct balance with individuals whose qualifications, experience and capabilities are appropriate for the scale, complexity and strategic positioning of the business. The Board composition of Executive and Non-Executive Directors collectively brings about a strong and in-depth mix of business skills, experience and considerable knowledge which underpins the decision making of the Board of Directors. Details on the Board Profiles are available on pages 26-27.

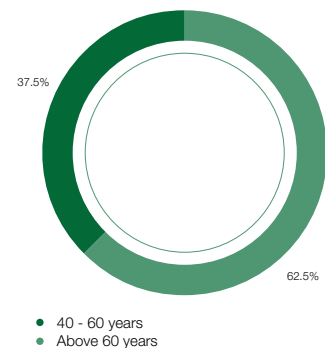
Board Composition



Diversity and Skills



Age Representation



Board Meetings

The Board meetings are held at least once in every month with additional meetings held if and when required. The Board met 13 times during the year, with all Board Meetings characterised by high attendance, active participation, constructive and open discussions.

Attendance at Board and Sub Committee Meetings

Directors' attendance at Board and Sub-Committee meetings is given below;

Director	Capacity Ex, NEx, NEI	Board Meeting	Board Audit Committee	Board Integrated Risk Management Committee	Related Party Transactions Review Committee	Remuneration Committee
Mrs. R. N. Ponnambalam Chairperson <i>(Retired 22nd October 2020)</i>	NE	8/8	-	-	2/2	1/1
Mrs. G. S. T. Dharmakirti-Herath Chairperson <i>(Appointed 22nd October 2020)</i>	NEI	5/5	4/4	2/2	3/3	1/1
Mr. R. K. E. P. de Silva	Ex	13/13	-	4/4	-	-
Mr. J. M Gunasekera	Ex	13/13	-	4/4	-	-
Mr. W. P. K. Jayawardana	Ex	13/13	-	4/4	-	-
Mr. R. E Rambukwelle	Ex	13/13	-	4/4	-	-
Lt.Col. A.R. Samarasinghe <i>(Retired 22nd October 2020)</i>	NEI	8/8	4/4	2/2	-	1/1
Mrs.P. de Silva	NEI	13/13	8/8	4/4	2/2	-
Mr. L. J. H. De Silva	NEI	13/13	4/4	-	5/5	2/2
Mr. D. L. I. Hettiarachchi <i>(Appointed 22nd October 2020)</i>	NEI	5/5	-	-	3/3	1/1

Ex = Executive Director, NEI = Non Executive Independent Director, NE = Non Executive Director

All the Directors are required to attend each Board meeting. All Directors attended all Board Meetings.

Only members of the Board are entitled to attend the Board meetings, with the Company Secretary attending to formally record each meeting. However, other members of the Senior Management team may, by invitation, attend meetings to address specific agenda items. In addition, members of the Corporate Management team and/or external experts are allowed to make presentations to the Board and Sub-Committees as and when required on matters pertaining to the Company's business and market outlook/performance/strategy.

A calendar for all meetings is drawn up at the commencement of a calendar year to facilitate attendance at Board meetings and Sub Committee Meetings. In addition sufficient Notice is provided to Directors when the Notice convening a meeting is despatched.

Prior to each Board or Committee Meeting, the Company Secretary ensures that the relevant material including a specific Agenda with guidelines on content and a summary of management presentations are made available to the Directors 7 days prior to the date of the holding of the meeting. The Directors' who are unable to attend a meeting are updated through the documented Minutes, which are tabled and adopted at the succeeding Meeting. Follow-up from matters arising from the Minutes is also considered at the meetings.

Financials for the preceding month are prepared and circulated amongst the Directors in advance before the Board Meeting of the following month along with key financial performance indicators of each division. Should the Board find that the information provided is insufficient or require more clarity, they are entitled to call for further information or clarification, through the established channels.

Every Director is furnished with the material that is disseminated irrespective of whether the Director is able to attend a Board/ Committee Meeting or not.

Role of the Board

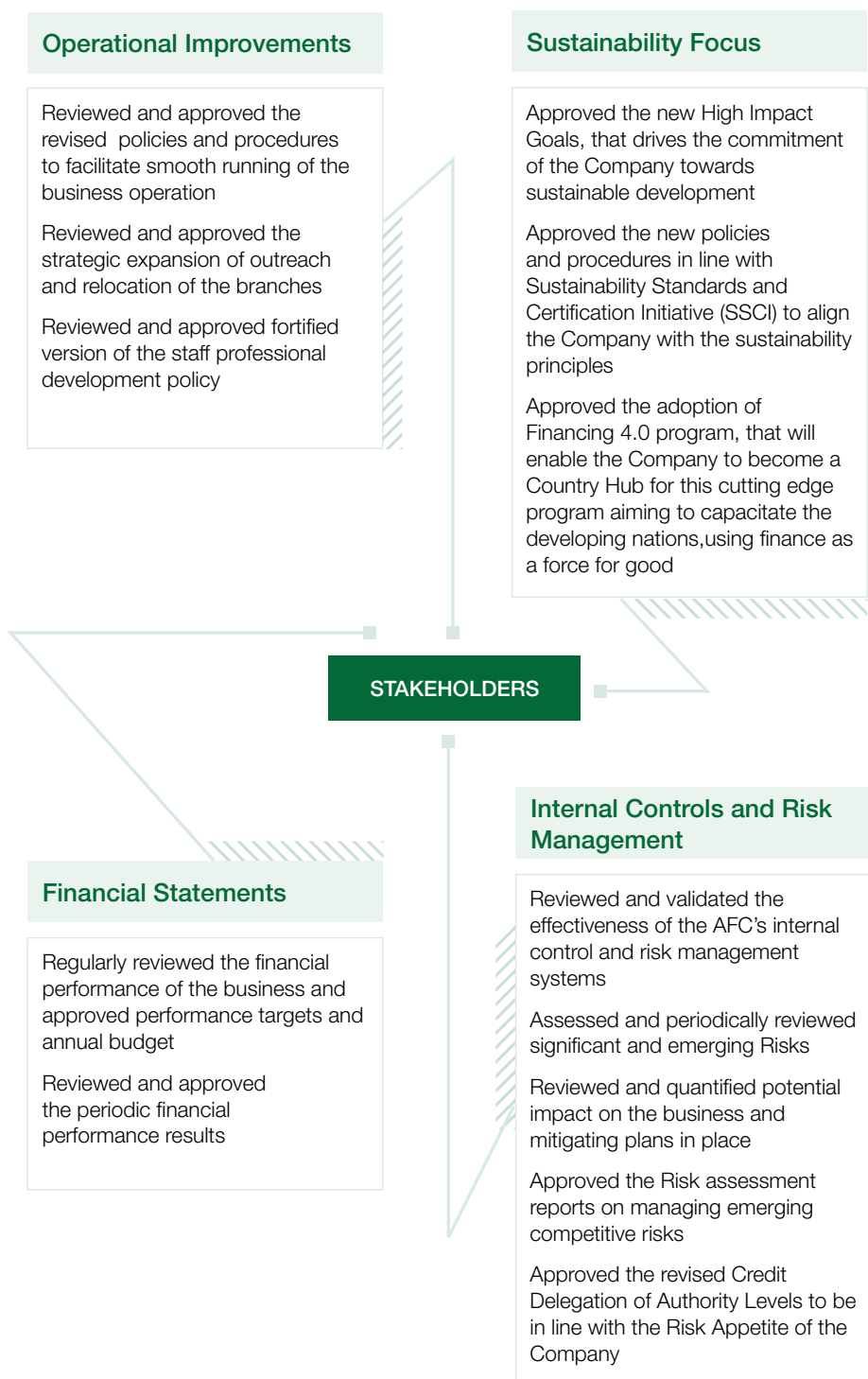
The Board provides leadership strategic direction and overview of the Company's affairs. The Board is collectively responsible and accountable to AFC's shareholders for the long-term success of the Company and to ensure that the appropriate management and operational framework is in place, in pursuit of its objectives. The Board is responsible for setting strategy, objectives, goals, values and standards and ensure that the necessary controls and resources are in place to achieve these within the required timelines.

Corporate Governance

The Board discharges its responsibilities for the leadership and control of the Company by:

- Formulating the strategic plan enumerating the goals, objectives and anticipated outcome and facilitate the provision of the infrastructure and resources for the fruition of such a plan.
- Functioning as the ultimate authority in the approval process and for matters reserved for the Board of Directors
- Providing leadership on governance and sustainability mandate related matters
- Giving direction for formulation of frameworks and overall Management structures for the achievement of the objectives and goals
- Setting parameters for the performance and assessment of objectives and goals
- Participating in deliberations and decision making at Board/Committee levels.
- Evaluating the performance against set objectives and goals both financial and non financial and seizing opportunities that provides itself by making business specific decisions that add value to the Company and/or which is in line with its sustainability mandate.
- Ensuring that the right framework is in place and assessing it periodically to ensure that the deliverables could be optimised within the set regulatory and risk based parameters.

To help discharge its responsibilities, the Board has a formal schedule of matters specifically reserved for discussion and debate. This forms the core of the Board's agenda. The Chairperson and the Company Secretary are responsible for ensuring that the Directors receive accurate, timely and clear information on all relevant matters so that they are adequately briefed in advance and that the information is of sufficient quality to the assist Directors in making informed contributions and decisions.



Quality and Competencies of the Board

The AFC Board is well balanced and comprises of members with sufficient financial acumen and knowledge. There are two Chartered Management Accountants who hold qualifications on financial management as well to provide guidance on non financial matters. In addition, other Directors of the Board have a wealth of experience that provides them with sufficient financial acumen. Having to maintain a healthy balance the Directors have qualifications, expertise and experience in other areas such as legal, business management, marketing etc. which are also essential for the fruitful decision making and in setting the strategic direction.

Board of Directors consists of four Non-Executive Directors, in an independent capacity. The number of Independent Directors is above the minimum stipulated requirements under the Code of Best Practice for Corporate Governance jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka and the Corporate Governance Direction issued by the Central Bank of Sri Lanka.

Non-Executive Directors Period of Office

Name of Director	Date of pointment on the Board	Period of Office as at 31st of March 2021
Mrs. G. S. T. Dharmakirti-Herath	22.10.2020	5 months
Mrs. Priyanthi de Silva	09.08.2018	2 years and 6 months
Mr. L. J. H. de Silva	16.10.2019	1 year and 5 months
Mr. D. L. I. Hettiarachchi	22.10.2020	5 months

Chairperson’s Role

The Chairperson is responsible for Chairing and managing the business of the Board whilst ensuring that the Managing Director and the management effectively implement the strategies and policies formulated by the Board. The Chairperson also provides stewardship for the adoption of good governance practices and provides oversight to ensure effective communication with shareholders and other stakeholders.

The Chairperson is responsible not only for providing leadership but also for overseeing the functioning of the Board to safeguard the best interest of the Company and its shareholders. Accordingly, the Chairperson is responsible for;

- Ensuring there is an effective contribution from the Non-Executive Directors and a constructive relationship between Executive and Non-Executive Directors
- Ensuring Board meetings are planned and conducted effectively
- Setting the agenda for each Board meeting, taking cognizance of the matters proposed by other Directors, members of various sub-committees or the Board Secretary
- Ensuring the Board members receive accurate, timely and clear information
- Ensuring Minutes of Board Meetings are accurately recorded and circulated amongst the Directors.
- Providing leadership and governance of the Board so as to create the conditions to improve the Board’s and individual Director’s effectiveness, and ensures that all key and appropriate matters are discussed by the Board in a timely manner
- Promoting a culture of openness and encouraging constructive deliberations, between Non-Executive Directors

regarding Board matters so as to fully contribute to the effective functioning of the Board.

- Ensuring that the Board as a whole plays a full and constructive part in the development and determination of AFC’s strategies and policies, and that Board decisions taken are in the Company’s best interests and fairly reflect Board’s consensus.
- Providing leadership to the process for self-assessment to generate meaningful feedback to further improve the effectiveness of the Board.

Managing Director’s Role

The roles of the Chairperson and the Managing Director are held separately and the division of responsibilities between these roles is clearly established. The Chairperson is responsible for leading the Board and ensuring its effectiveness, while the MD is responsible for the day to day running of the business and implementation of the strategy and policies adopted by the Board.

The Managing Director is also responsible for the development and implementation of management strategy, day-to-day management of the Company and managing the Senior and Executive management team in successfully fostering a relationship with key stakeholders.

Company Secretary

All Directors have access to the Company Secretary. The Company Secretary is responsible to the Board for ensuring that agreed procedures and applicable rules and regulations are observed. In addition, the Company Secretary also serves as the Secretary for all Board Committees and maintains Minutes of all Board meetings and Board Committee meetings.

Corporate Governance

Other responsibilities of the Board

Secretary include;

- Co-ordinating matters pertaining to the conduct of Board Meetings and Board Sub Committee meetings
- Acting as the communication liaison between Non-Executive Directors and Management
- Facilitating adoption of best practice on Corporate Governance including assisting Directors in respect to their duties and responsibilities, in compliance with relevant legislation and best practices.
- Ensure appropriate disclosures on related parties and related party transactions are in line with regulatory requirements

The Articles of Association of the Company specify that the appointment and removal of the Company Secretary shall be by the determination of the Board of Directors.

Training for the Directors

All Directors are entitled to receive relevant training opportunities for continuous development, to ensure that their contribution to the Board Committees remains relevant. Ongoing training and updates are provided for Directors to regularly refresh their knowledge, skills and keep abreast of the latest trends and regulatory developments that can impact the business.

Accountability and Ethics

Internal Control Framework

The Board of Directors has the responsibility for establishing a comprehensive internal control system to exercise necessary control over all

operational activities, with particular attention to areas considered potentially at risk.

The system is designed to give assurance, inter alia, safeguarding of assets, the maintenance of proper accounting records and the reliability of the financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board reviews the reports arising from the internal and external audits and monitors the progress of the Company by evaluating the actual results against the budgets and industry standards.

Risk Management Framework

AFC's policy is to achieve best practice in the management of all risks that threaten to adversely impact the Company, its operations, customers, people, physical and digital assets, functions, the community or the environment. Accordingly Risk Management forms part of strategic, operational and line management responsibilities and as such it is integrated into the strategic and business planning processes. The Board and the Board Integrated Risk Management Committee are the apex bodies in charge of risk stewardship. Their duties include overview, of the risk management policy, objectives, procedures and guidelines and to direct monitor its implementation, throughout the Company.

Every AFC employee is deemed to have a role in implementing the Company's Risk Management policy and engaging in proactive risk vigilance to ensure timely identification of potential threats.

Responsible Reporting

The Board remains committed to present a balanced and comprehensive assessment of the Company's financial position, performance and prospects. Accordingly the Board considers it a key priority to ensure the timely publication of annual and quarterly financial results with comprehensive details enabling the stakeholders to make informed decisions. All publications comply with the statutory requirements, procedures laid down by the Colombo Stock Exchange and the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka.

For the disclosure of sustainability information in the annual report, the Company has adopted the integrated reporting approach promulgated by the International Integrated Reporting Council (IIRC) and where possible, the GRI Standards last updated in 2017.

To further demonstrate the commitment to sustainability, AFC also reports on its contribution to the UN Sustainability Development Goals (SDG's)

Employee Code of Conduct

AFC's Employee Code of Conduct has been established to ensure that employees adhere to the highest standards of professional conduct. The Code clarifies AFC's expectations for all its employees by establishing clear and reasonable standards of conduct required and provides guidance in the actual determination of appropriate conduct in the workplace. Each employee has the obligation to ensure compliance with the Code as a condition of their employment contract with the Company. All employees are expected to display behaviour that is

above reproach, and that can withstand public scrutiny. In this context, the Code is intended to prevent employees from placing the Company at risk.

Whistleblower Policy

The Company's Whistleblower Policy has been formulated to enable all employees to raise concerns against any malpractice such as immoral, unethical conduct, fraud, corruption, potential infractions of the ethics, Company's policies, procedures or any other attribute. This policy also outlines the reporting procedure and investigation mechanism to be followed in case an employee blows the whistle for any wrongdoing in the Company.

Employees are given protection in two important areas, confidentiality and against retaliation, ensuring that employees can raise concerns regarding any violation or potential violation easily and free of any fear of retaliation, provided they have raised the concern in good faith.

Managing Conflicts of Interest

The Board of Directors recognises that conflicts of interest may occur from time to time. Accordingly each member of the Board and Corporate Management employees are required to provide full disclosure of all actual and potential matters of conflicts of interest. They shall disclose any and all facts that may be construed as a conflict of interest, both through an annual disclosure process and whenever such actual or potential conflict occurs.

Related Party Transactions

In line with the principles of fairness and transparency, AFC requires all transactions or dealings with the related parties be conducted in a manner that would not be detrimental to the Company. Identifying and managing related party

transactions comes under the purview of the Company's Related Party Transactions Review Committee, which reports directly to the Board.

Further the Company requires Non-Executive Directors and all Independent Non-Executive Directors to submit a signed declaration disclosing any related party involvements that could materially interfere with the exercise of their unfettered and independent judgement.

Shareholder Rights

Interim Financial Statements and the Annual Report are the main mediums of communication with the shareholders. The reports are available on the CSE website and the Company's website. Once the Financial Reports are released, the shareholders who have concerns could contact the Chairperson, Managing Director, or Company Secretary.

All price sensitive information is disseminated to the public as per requirements of the corporate disclosures of the Listing Rules.

The Annual General Meeting serves as a key platform to facilitate one to one contact with the shareholders.

Stakeholder Feedback

Stakeholder feedback is a key driver of AFC's continuous improvement agenda. Accordingly AFC welcomes feedback from all stakeholders and has provided several platforms for stakeholders to reach out to the Company. These include;

- One to One discussions
- Social Media
- Formal Meetings
- Telephone calls
- E-mail
- Letters
- Feedback Reports

Corporate Governance

Finance Companies (Corporate Governance) Direction No.03 of 2008 and Subsequent Amendments thereto on Corporate Governance for Licensed Finance Companies in Sri Lanka

The Central Bank of Sri Lanka has issued the Direction on Corporate Governance in order to improve and sustain the Corporate Governance processes and practices of the Licensed Finance Companies in Sri Lanka. This Direction is identified as the Finance Companies (Corporate Governance) Direction No.03 of 2008 and the amendments are referred to as Finance Companies (Corporate Governance–Amendment) Direction No.04 of 2008, Finance Companies (Corporate Governance–Amendment) Direction No.06 of 2013 and Finance Companies (Corporate Governance–Amendment) Direction No.05 of 2020. The above Directions comprise of nine fundamental principles, namely

- The responsibilities of the Board
- Meetings of the Board
- Composition of the Board
- Criteria to assess the fitness and propriety of Directors
- Management functions delegated by the Board
- The Chairman and the Chief Executive Officer
- Board-appointed Committees
- Related party transactions
- Disclosures

The Company’s level of compliance with the Corporate Governance Directions is tabulated below.

Section	Rule	Compliance	Status of Compliance
02) THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS			
2 (1) Strengthening the safety and soundness of the Company			
	(a) Approve, oversee and communicate the strategic objectives and corporate values	Complied	The Strategic Plan for the Company is formulated once in five years which outlines the milestones for every year for financial and non financial objectives. Such objectives are the focal points on which the business model would evolve during each year and it is based on the fundamentals that the Company is building on. Being a triple bottom line Company having at its core the sustainability model such objectives would be underpinned by these three facets. Such objectives are reviewed annually to establish the goals against the achievements and make course correction if it is deemed necessary due to internal or external factors that would affect performance.
	(b) Approve the overall business strategy, including the overall risk policy and risk Management	Complied	Prior to the commencement of every financial year a Business Plan is drawn up with specific parameters for the product portfolio and the infrastructure required for reaching such parameters. Execution of such a plan will be based on the risk reward proposition based on the Company’s risk appetite. The plan is presented to the Board and approved prior to implementation which would have a measurement model for monthly evaluation.
	(c) Identifying and managing risk	Complied	The overall risk governance framework has been mapped out by the Board and its effectiveness is measured when evaluating the outcome of the working of the business plan which is measurable. Envisaged risk and risk mitigation is crucial to realize the business outcomes, therefore, risks are constantly and consistently reviewed to mitigate such risks in business environment that is changing due to several external factors especially in the pandemic situation. The risks would include business, interest rate, liquidity, HR amongst others.

Section	Rule	Compliance	Status of Compliance
	(d) Communication policy with all stakeholders	Complied	Board approved communication policy is in place for effective and timely communication which identifies the stakeholders that have to be communicated with, the intervals and the modality that would be used for such communications. A monitoring system is in place to ensure that such communications have been timely, accurate and had reached the required target audience.
	(e) Integrity of the internal control system and management information system.	Complied	<p>The Board along with the Board Audit Committee has set the framework to ensure that the Company has a robust internal control system in order to safeguard shareholders' investments and the Company's assets.</p> <p>Internal control systems are reviewed periodically and comprehensively on an annual basis to ensure that it is effective, efficient and adequate. Control measures are in place to maintain the integrity of the information/ data that is made available to the Management. In addition, the audits would also review the mapping of the key operations and its strength and recommend modifications if required.</p> <p>A Board approved Information System Security Policy is in place. Internal Auditors reviewed the integrity of the Management Information System and Internal Control System and observations were monitored by the Board, which confirmed that the Internal Control System and the Management Information System provide a reasonable assurance over financial reporting. In addition the Company has also implemented the BCMS Standard which also lends to the control framework as the systems and controls are annually audited by External Auditors.</p>
	(f) Identifying and designating Key Management Personnel.	Complied	The Key Management Personnel are identified as per the Company policy which is aided by the Sri Lanka Accounting Standards and as per the Directions issued by the Central Bank of Sri Lanka on Corporate Governance. Key Management Personnel include the Board of Directors, Chief Credit Officer, Chief Collections and Recoveries Officer, Chief Talent Management Officer, Chief Commercial Officer, Assistant General Manager Deposit, Assistant General Manager Risk and Compliance, Assistant General Manager Finance, Assistant General Manager Digital Transformation and Collaboration Finance, Assistant General Manager Audit, Assistant General Managers Credit and Heads of Department.
	(g) Authority and responsibilities of the Board and Key Management Personnel.	Complied	Authority and responsibilities and accountability of Directors having executive functions and the Key Management Personnel are clearly defined in their job roles. KMP's have specified reporting lines and delegated authority levels are documented and communicated. Since these are job specific it is reviewed and remapped to suit the role of a KMP at a given time. Revised roles are then documented and communicated and agreed upon.

Corporate Governance

Section	Rule	Compliance	Status of Compliance
	(h) Oversight of affairs of the Company by Key Management Personnel.	Complied	The Managing Director and Executive Directors have an overview of the KMP's who are at the level of CXO, AGM's and Officers handling Key Management Functions. Based on the levels of delegated authority the KMP's have specific areas of responsibility and accountability. Monitoring systems are in place to measure their performance against the KPI's and KRA's. Different measurement tools are utilized to establish this and the monitoring process includes documented feedback to the Management by way of presentations, reports or any other form determined by the Management.
	(i) Periodically assess the effectiveness of its governance practices, including: <ul style="list-style-type: none"> i) Selection, nomination and election of directors and appointment of KMP ii) Management of conflicts of interest iii) Determination of weaknesses and implementation of changes where necessary. 	Complied	<p>The Board has implemented a mechanism to determine the effectiveness of its governance practices at Board and KMP levels.</p> <p>The Board has adopted a nomination process for the selection and appointment of Directors. With regard to the appointments of Directors requirements of the Regulatory Bodies are also complied with. Their re-election is as per the Articles of Association of the Company and also the Directions issued by the Central Bank of Sri Lanka.</p> <p>KMP's identification and selection process is under the purview of the Managing Director and Executive Directors and appointment is subject to the approval of the Board and the Central Bank of Sri Lanka based on the recommendation of the Working Directors. Placements for positions of KMP's could be sourced externally and internally and are determined by the Management.</p> <p>The Company has implemented a process for periodic disclosures to manage the interests of Directors' and it is carried out proactively and voluntary disclosures are encouraged if an event occurs in between such cyclical disclosures. Appropriate disclosures are made if a Director is involved in a transaction prior to the determination of such transactions and the interested party abstains from being involved in the decision making process. All such transactions are carried out at arms-length basis without preferential treatment.</p> <p>The Internal Audit Department and Risk Management Department is tasked with auditing and testing processes, procedures and policies and make recommendations to further strengthen it where through passage of time change is required.</p>
	(j) Succession plan for Key Management Personnel	Complied	The Board has identified key and critical positions and has mapped-out a Succession Plan. Career planning and management is also in place for development and growth of potential employees.

Section	Rule	Compliance	Status of Compliance
	(k) Regular meetings with the Key Management Personnel.	Complied	Different Management forums are operational to cover the critical and crucial functions of the Company. Key Management Persons attend such forums and matters under their purview are dealt with supported by deliberations, reviews and reports. It also facilitates reviewing the achievements and measures that are required to be implemented to be arrived at and then implemented.
	(l) Understanding Regulatory environment.	Complied	The Board has placed due emphasis on the importance of understanding and abiding by the regulatory framework. To keep abreast of the changes in the regulatory framework and to transmit such requirements by way of communication, policy or procedural or process change is the responsibility of the Compliance Officer. Training programs are conducted at regular intervals and the regulatory requirements are also made available as a ready reckoner. The Board of Directors too attend various forums to familiarize themselves of the requirements.
	(m) Hiring and oversight of External Auditors.	Complied	As mandated by the Governance Direction the Board Audit Committee is independently responsible for the hiring and oversight of the External Auditors and on their recommendation the Board would proceed with the recommendation of the External Auditor's appointment and the decision is made by the shareholders of the Company at the Annual General Meeting. External Auditors annually submit a statement confirming their independence as required by the regulatory authorities in connection with the annual external audit.
2 (2)	Appointment of the Chairman and the Chief Executive Officer and define and approve functions and responsibilities.	Complied	<p>During the year under review the Chairperson retired and a new Chairperson was appointed. The functions of the Chairperson and Managing Director is distinctly different and the Managing Director is the virtual CEO of the Company. Current Chairperson is an Independent Non-Executive Director and is not involved in executive or supervisory functions. The Managing Director as the virtual CEO is overall responsible for the day to day affairs of the Company.</p> <p>The Board has also appointed Executive Directors who are responsible for specified functions stipulated in their job role. They together with the Managing Director have an overall responsibility in the day to day functioning of the Company and in achieving the objectives set out by the Board</p>
2 (3)	Director's ability to seek independent professional advice.	Complied	The Directors could obtain independent professional advice as and when necessary at the Company's expense in dispensing with their responsibilities and the Board approved procedure is in place.
2 (4)	Dealing with conflicts of interests.	Complied	The Directors disclose the interest in contracts and abstain from participating in the decision making process on such matters.

Corporate Governance

Section	Rule	Compliance	Status of Compliance
2 (5)	Formal schedule of matters specifically reserved for Board Decisions.	Complied	The Board has an adopted formal schedule of matters specifically reserved for the Board. Processes are in place to ensure that such matters are strictly under the purview of the Board of Directors. Meetings are structured and conducted to maintain such control.
2 (6)	Situation on insolvency	Complied	The Board is aware of the need to inform the Director of the Department of Supervision of Non-Bank Financial Institutions of such an occurrence and no such situation arose during the year and we do not envisage such situation arising in the foreseeable future.
2 (7)	Publish corporate governance report in the Annual Report.	Complied	A comprehensive Corporate Governance Report has been published by the Company in the Annual Report 2020/21 on pages 89 to 123.
2 (8)	Annual self-assessment by the Directors and maintenance of such records.	Complied	The Company has adopted scheme of self-assessment to be undertaken by each Director annually and records maintained.
03) MEETINGS OF THE BOARD			
3 (1)	Regular Board meetings and circulation of written or electronic resolutions.	Complied	A calendar is fixed for all Board/Board Committee Meetings at the commencement of the calendar year. As set out the Board meets at regular intervals and additional Board meetings are convened whenever necessary. The Board met on 13 occasions during the year 2020/21. Prior to the meeting all material that is required for the Board of Directors to be apprised of and those that require approval are circulated in advance. Based on the Company's requirements as and when necessary consent is obtained from the Directors through Circular Resolutions
3 (2)	Arrangements for Directors to include matters and proposals in the agenda.	Complied	The Agenda is circulated with a minimum of seven days prior to the date of the meeting. Thereby the Directors have sufficient time to include items to the Agenda. At the request of the Directors' items have been included to the Agenda.
3 (3)	Notice of meetings.	Complied	A calendar of Board/Committee Meetings is agreed upon at the outset and meeting are held as per the schedule as far as possible. It is changed at the request of Directors' with the consent of all. Agendas and related material required for the Board/Committee Meetings are circulated seven days prior to the Meeting enabling the Directors to make informed decisions.
3 (4)	Directors' attendance at Board meetings	Complied	All Directors have attended all meetings. Directors' Attendance at Board and Sub Committee Meetings, appear on page 91 which carries details of individual Directors' attendance at Board/Committee Meetings.
3 (5)	Appointment of a Company Secretary to handle the secretarial services to the Board	Complied	Alliance Management Services (Pvt) Ltd., a company registered with the Registrar of Companies acts as a Company Secretaries, handles the secretarial services to the Board and shareholder meetings and carries out other functions specified in relation to applicable laws and regulations.
3 (6)	Responsibility of preparation of agenda for a Board meeting.	Complied	The Chairperson has delegated the responsibility of preparation of the agenda to the Company Secretaries. Thereby the Company Secretaries prepares the Agenda in consultation with the Chairperson.

Section	Rule	Compliance	Status of Compliance
3 (7)	Directors' access to advice and services of the Company Secretary	Complied	The Company Secretaries are accessible to all Directors in order to ensure that the Directors have the required information with regard to the applicable laws, directions, rules and other matters
04) COMPOSITION OF THE BOARD			
4 (1)	The number of Directors	Complied	At the end of the Financial Year the Board comprised of eight (8) Directors. During the year the Chairperson who was a Non-Executive Director and an Independent Non-Executive Director retired. They retired having completed the nine year term allowed for a Non Executive Director to serve on the Board. A new Chairperson was appointed and she is an Independent Non-Executive Director, therefore, a Senior Director was not appointed. Another Independent Non- Executive Director was also appointed to the Board during the year under review. The total complement stands at 8. The said number is compliant with the requirement set out in the Corporate Governance direction.
4 (2)	Period of service of a Director	Complied	In compliance with the maximum number of years for a Director, no Non Executive Director has exceeded nine years in service. Two Directors who completed their nine years of service retired during the year. Details of their tenures of service are given on pages 26-27.
4 (3)	Board balance	Complied	Board balance as required by the Corporate Governance Direction and the Listing Rules was maintained during the year.
4 (4)	Independent Non-Executive Directors and the criteria for independence.	Complied	The Board has the required number of Independent Directors and their independence is maintained and is stringently observed. Of the eight Directors on the Board four are Independent and their independence is compliant with that of the Corporate Governance direction and the Listing Rules.
4 (5)	Appointment of Alternate Directors.	Complied	There were no Alternate Directors appointed or operated during the year 2020/21. There are no Alternate Directors appointed to the Board.
4 (6)	Skills and experience of Non-Executive Directors.	Complied	The required skills, knowledge and experience of the Non Executive Directors are mapped out by the Board and it varies according various factors. The Board strives to ensure that the right balance is maintained in keeping with the strategic goals and aspirations.
4 (7)	More than half the quorum of Non-Executive Directors in Board meetings.	Complied	Quorum required for all Board Meetings is half of the Directors present being Non Executive. On this basis all meetings were duly constituted
4 (8)	Express identification of the Independent Non-Executive Directors in corporate communications and disclosing the details of Directors.	Complied	The Independent Non-Executive Directors are identified and specified in all corporate communications when disclosing the names of all Directors of the company.

Corporate Governance

Section	Rule	Compliance	Status of Compliance
4 (9)	Procedure for the appointment of new Directors and for the orderly succession of appointments to the Board.	Complied	The Board adheres to the Nomination process set out by the Board when appointing a new Director. Once an appointment is recommended by the Board the approval of the Director, SNBFI is obtained prior to appointing the Director. Once the Director is appointed, the Colombo Stock Exchange is notified through an announcement and CBSL is also notified. The Board is aware of its responsibilities as its succession and due process is adopted.
4 (10)	Directors appointed to fill a casual vacancy to be re-elected at the first general meeting after their appointment.	Complied	The Directors who are appointed during a financial year are subject to re- election at the Annual General Meeting subsequent to their appointment provided such appointments are not made during the period of notice for the Annual General Meeting. During the current financial year the Chairperson and the Independent Non Executive Director who were appointed are subject to retirement and re- election.
4 (11)	Communication of reasons for removal or resignation of Directors.	Complied	There was no removal or resignations during the current financial year.
05) CRITERIA TO ASSESS THE FITNESS AND THE PROPRIETY OF DIRECTORS			
5 (1)	The age of a Director shall not exceed 70 years.	Complied	None of the Directors on the Board are over 70 years as at 31st March 2021.
5 (2)	Directors shall not hold office as a Director of more than 20 Companies/Societies/ Corporate bodies including Associate and Subsidiary Companies.	Complied	None of the Directors hold office as Director or equivalent position in 20 or more establishments.
06) DELEGATION OF FUNCTIONS			
6 (1)	Delegation of work to the Management.	Complied	As empowered, the Board has delegated the particular functions to the Managing Director, Executive Directors and Key Management Personnel.
6 (2)	Periodical evaluations of the delegation process.	Complied	Delegated authority levels and powers are evaluated by the Board and at Management level to ensure that it is current and reflects the structure that is best suited to produce the desired outcome.
07) THE CHAIRPERSON AND CHIEF EXECUTIVE OFFICER			
7 (1)	Division of responsibilities of the Chairman and CEO	Complied	The offices of the Chairperson and Managing Director are clearly defined and is not performed by one person. The Chairperson is non executive and does not carry out executive supervisory functions and is an Independent Non-Executive Director.
7 (2)	Chairman preferably an Independent Non-Executive Director and if not appoint a Senior Director.	Complied	The Chairperson is an Independent Non-Executive Director. Therefore, a Senior Director has not been appointed.
7 (3)	Disclosure of the identity of the Chairman and the Chief Executive Officer and any relationship with the Board Members	Complied	A formal procedure is in place to identify the relationships between the Directors and particularly between the Chairperson and the Managing Director. Based on this there is no material relationship between the Directors or the Chairperson and Managing Director Details of the Chairperson and the Chief Executive officer (Managing Director) are disclosed in the Annual Report on Page No. 26.

Section	Rule	Compliance	Status of Compliance
7 (4)	Chairman to; (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.	Complied	The Board is cognizant of the fact that the Chairperson should give the required leadership to the Board, encouraging participation of the Non Executive Directors in the deliberations, facilitate the effective and timely decision making process by ensuring the flow of information is adequate to make informed decisions and also by providing guidance at meetings. All key and appropriate issues are discussed by the Board on a timely basis. Based on the above the Chairperson has carried out the functions during the year under the review. Structuring the flow of the meeting to ensure that the process is effective and objective. To also give guidance to the Company Secretaries in formulating the Agenda.
7 (5)	Responsibility of the agenda lies with the Chairman or may be delegated to the Company Secretary.	Complied	Preparation of the agenda has been delegated to the Company Secretaries who circulates a formal agenda 7 days prior to the holding of the Board meeting. The agenda is formulated in consultation with the Chairperson.
7 (6)	Ensure that all Directors are properly briefed on issues and receive adequate information in a timely manner.	Complied	The Chairperson ensures that all Directors are adequately briefed on all matters in the Agenda. All material related to the Agenda items are circulated with sufficient time prior to the meeting which enables the Directors to be apprised duly and to raise any matter if they wish to clarify or comment on. Presentations are also made to the Board where required.
7 (7)	Encourage all Directors to actively contribute and ensure they act in the best interests of the Company.	Complied	The Chairperson facilitates and encourages active contribution by all Directors during deliberations at Board level and the decision making process to ensure that the outcome is in the best interest of the Company.
7 (8)	Facilitate effective contribution of Non- Executive Directors and relationships between Executive and Non-Executive Directors.	Complied	In order to optimizing the decision making process, the Board is constituted with adequate number of Non Executive Directors who impact the decision making by their objective independent outlook. Being constituents of the Board Committees they play a key role in the critical functions of the Company by providing the checks and balances.
7 (9)	Refrain from direct supervision of Key Management Personnel or executive duties.	Complied	The Chairperson does not have executive functions nor does she carry out supervisory functions.
7 (10)	Maintain effective communication with shareholders.	Complied	The Annual General Meeting of the Company is the main forum where the Board maintains effective communication with shareholders and they are given the opportunity to raise matters for which clarifications are needed and also express their views. The Chairperson Chairs the Annual General Meeting as well and facilitates and promotes a healthy atmosphere for shareholders to raise relevant matters. Further, the Board approved communication policy evidences the Company's process in this regard.
7 (11)	Chief Executive Officer functions as the apex executive-in- charge of the day-to-day operations and businesses	Complied	The Managing Director of the Company is the virtual CEO of the Company and is the apex Executive of the Company. The management of the Company is by the Managing Director who is responsible for the functionalities of the Company on a daily basis is facilitated by the Executive Directors and the Key Management Personnel.

Corporate Governance

Section	Rule	Compliance	Status of Compliance
08) BOARD APPOINTED COMMITTEES			
8 (1)	Establishing Board committees, their functions and reporting.	Complied	<p>The following Committees have been appointed by the Board and each such committee is required to report to the Board as specified:</p> <ol style="list-style-type: none"> 1. Board Audit Committee 2. Board Integrated Risk Management Committee 3. Remuneration Committee 4. Related Party Transactions Review Committee <p>The respective Committees present their reports to the Board with recommendations/suggestions if required and such recommendations are discussed at Board level and implementation is set out by the Board. The Reports of the Committees are published in this Annual Report.</p>
8 (2) Audit Committee			
	(a) The Chairman to be a Non-Executive Director with relevant qualifications and experience	Complied	The Chairprson of the Board Audit Committee is Mrs. Priyanthi de Silva. She is an Independent Non-Executive Director and holds the requisite qualifications. Her profile appears on page 27.
	(b) All members of the Committee to be Non- Executive Directors	Complied	There are three Directors appointed to the Board Audit Committee and all of them are Non-Executive Independent Directors.
	(c) Functions of the committee include; <ol style="list-style-type: none"> (i) the appointment of the External Auditors (ii) the implementation of the Central Bank Guidelines. (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the auditor 	Complied	<p>The Board Audit Committee has carried out the following functions amongst other matters more fully described in its report;</p> <ul style="list-style-type: none"> • Recommended the re-appointment of M/s Baker Tilly Edirisinghe & Co., Chartered Accountants as External Auditors for audit services; • Oversight over the implementation of guidelines issued by Central Bank of Sri Lanka by the Company and to apprise on implementation to the external Auditors of same from time to time. • Oversight over the application of Accounting Standards in consultation with the AGM Finance and Internal Auditors duly confirmed by the External Auditors during the annual audit; • Recommended the service period, audit fees of the auditor and re-engaging the audit partner in line with the regulatory requirements. • No resignation or dismissal of the Auditor has taken place during the year under review. • The Committee ensures that the requirement of rotation of external Audit Engagement Partner, once in every five (5) years, is complied with.

Section	Rule	Compliance	Status of Compliance
	(d) Review and monitor the External Auditors' independence, objectivity and effectiveness of the audit processes.	Complied	The External Auditor has provided confirmation on their independence in compliance with the guidelines for appointment of Auditors of Listed Companies. In order to safeguard the objectivity and independence of the External Auditor, the Audit Committee reviewed the nature and scope of work during the current financial year taking into account the applicable accounting standards.
	(e) Develop and implement a policy on the engagement of an External Auditor to provide non-audit services while considering (i) skills and experience of the Auditor (ii) threat to the independence (iii) fee for the non-audit services and independence	Complied	A Board approved process is in place for the engagement of the External Auditors to provide non audit services. This process will be adopted only to carry out work where the objectivity of the External Auditor's independence is not compromised. No such services were provided to the Company during the year under review. The External Auditors Baker Tilly Edirisinghe & Co., and its partners and officers possess the required skills and experience to fulfil their mandate and this has been established. There was no occurrence that would threaten the independence of the External Auditors. The External Auditors did not engage in non audit services during the financial year and therefore, payment does not arise.
	(f) Determines the nature and the scope of the External Audit.	Complied	A comprehensive presentation is made by the External Auditors to the Board Audit Committee at a meeting where amongst other matters key factors such as the proposed audit plan, scope and resources and timelines are set out and agreed upon. The Board Audit Committee then reviews it and recommends changes if required to further strengthen the audit process.
	(g) Review the financial information of the Company.	Complied	The Board Audit Committee has a laid down procedure in regard to the preparation and dissemination of the Interim Financial Statements as well as Annual Audited Financial Statements and this process was followed during the year under review. The areas that require the special attention of the Board Audit Committee such as major judgemental areas, changes in accounting policies, significant audit judgement in the Financial Statements, going concern assumption and compliance with Accounting Standards and other legal requirements have been dealt with.
	(h) Meeting of External Auditors to discuss issues and problems of interim and final audits in the absence of Key Management Personnel (if necessary)	Complied	The Audit Committee met the External Auditors on two occasions without the presence of the Executive Directors and Corporate Management twice during the financial year 2020/21.
	(i) Reviewing of the External Auditors' management letter and the response thereto	Complied	The process to review the Management Letter has been followed by the Board Audit Committee in discharging its duties the BAC has reviewed the Management Letter and the responses of the corporate Management to such findings. There is a stipulated process in the event such findings are considered significant by the BAC which is based on the risk assessment of such matters that are raised.

Corporate Governance

Section	Rule	Compliance	Status of Compliance
	(j) Review of the Internal Audit Function <ul style="list-style-type: none"> • Review scope, function and resources • Review of Internal Audit Programme • Review of Internal Audit Department • Recommendations on Internal Audit functions • Appraise the resignation of senior staff of Internal Audit and any outsourced service providers • Independence of Internal Audit functions 	Complied	<p>The Internal Audit Plan outlines and encompasses the auditable areas, basis of audit, risk assessment, resources required, timelines to conduct such audits and other related matters. Parameters or scope for auditable areas are based on the related risks arising from deviations from laid down procedures and policies and also external factors. Reports along with the Management response is reviewed by the BAC and recommendations are made to the Board through its report. At regular intervals the progress on the plan is reviewed and required decisions are made for implementation. Personnel required for audits and staffing of the Internal Audit Department is determined by the BAC. BAC also ensures that the Internal Audit Department is able to function independently in dispensing their responsibilities and duties.</p> <p>The internal audit plan is reviewed regularly. Review of the Internal Audit Department is carried out by the Board Audit Committee. Recommendations are made to the Board on the functions of the Internal Audit Department. BAC ensured the independence of the Internal Audit through the framework that is in place.</p>
	(k) Consideration about the internal investigations and Management's responses.	Complied	There is provision for the Internal Audit Department to carry out internal investigations if and when required. BAC would ensure that it is conducted independently and fairly and review the Management response thereto and based on the outcome recommend necessary action.
	(l) Attendees of Audit Committee meeting with corporate Management and External Auditors.	Complied	The Committee met twice with the External Auditors in the presence of Executive Directors. The Managing Director, Executive Directors, AGM Finance, and other officers attended the meeting with the External Auditors as invited by the Board Audit Committee.
	(m) Explicit authority, adequate resources, access to information and obtain external professional advice wherever necessary	Complied	The Board has devolved explicit authority to the Board Audit Committee and ensured the availability of adequate resources and access to information. If required with the guidance of the Chairperson of the Audit Committee, they could seek external professional advice.
	(n) Regular meetings	Complied	The Board Audit Committee meets minimum once a quarter and more often as required. The audit findings were issued to its members in advance also Minutes of the meetings maintained by the Company Secretaries. The Committee has met eight times during the year and the attendance at those meetings is set out on page 91 in Corporate Governance Report.
	(o) Disclosures in the Annual Report.	Complied	The Report of the Board Audit Committee is on pages 131 and includes the detailed activities, meetings held during the year and the Directors attendance at the Board Audit Committee Meetings.
	(p) Maintain minutes of meetings	Complied	The Company Secretaries acts as the Secretary of the Board Audit Committee and records and maintains all Minutes of the meetings.

Section	Rule	Compliance	Status of Compliance
	(q) Whistle blower Policy	Complied	The Company has implemented a Board-approved Whistle blower Policy, whereby employees of the Company are entitled to raise concerns in confidence about any matters of concern they have with regard to the Company. Policy ensures confidentiality of the one who raises the matter and the well being of such a person.
8 (3) Board Integrated Risk Management			
	(a) The composition of BIRMC	Complied	The composition of the BIRMC were two Independent Non-Executive Directors, three Executive Directors and Managing Director at the beginning of the financial year and at the end of the financial year, this was consistently maintained during the year. AGM Risk and Compliance is tasked with the functionalities of risk and compliance and attends BIRMC meetings in order to report on the matters under the purview of the BIRMC.
	(b) Periodical risk assessment	Complied	The Board has approved a Risk Management Policy and a Risk Appetite framework with an overall framework for risk assessment. AGM Risk and Compliance presents risk assessment to the Committee and Committee then reviews the risks and recommends mitigating measures. Based on the recommendation the Management takes the required steps to mitigate, control or transfer such risk.
	(c) Review the adequacy and effectiveness of Management level committees to manage risk	Complied	The Board Integrated Risk Management Committee reviewed the effectiveness and activities of the Assets and Liabilities Committee and Credit Committee and established it was adequate.
	(d) Corrective action to mitigate the risk	Complied	The Committee discusses the mitigation of risks and measures to be taken, the corrective action to be taken and the time frame to implement such measures.
	(e) Frequency of meetings	Complied	The Committee has met four times during the year to assess the risks of the Company.
	(f) Actions against the officers responsible for failure to identify risks and take prompt corrective actions.	Complied	There is provision for the Board Integrated Risk Management Committee to recommend action to be taken against any officer or executive if and when required.
	(g) Risk assessment report to the Board	Complied	The Committee had apprised Board of the risks and recommendations through the Executive Directors and also a report is sent after a BIRMC meeting is held.
	(h) Establishment of a compliance function	Complied	The Board has appointed a Risk and Compliance Officer who is responsible for the compliance function of the Company. A process is in place to ensure that this function is carried out without interruption and that there have been no deviations from the required time lines. If there had been an infraction to report on same.

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Section	Rule	Compliance	Status of Compliance
9 (2)	Avoid conflicts of interest that arise from transactions of the Company with related parties.	Complied	<p>A Board approved policy is in place which defines the related parties, scope of the Committee, transactions that come under the purview of the Committee, exceptions, review process and the disclosures. It specifies that a Director interested in a transaction cannot participate in the decision making process and should abstain. The Committee reviews such proposed transactions at the Related Party Transactions Review Committee Meetings and makes recommendations to the Board on such contracts are to be entered into at the best possible terms and in accordance with the best practices.</p> <p>The Committee has an approved monitoring and reporting process where such transactions are monitored.</p> <p>Transactions carried out with Related Parties in the ordinary course of business (Recurrent transactions) are disclosed in the Financial Statements on 'Related Party Disclosures' under Note 51 on page 229 to 231 on Financial Statements</p>
9 (3)	Related party transactions.	Complied	<p>A Board-approved process is in place to identify the related party transactions and the Related Party Transactions Review Committee ensures that all the transactions with Related Parties are on length basis and are entered into in keeping with the laid down procedures.</p>
9 (4)	<p>Monitoring of related party transactions defined as more favourable treatment including,</p> <p>(a) Granting accommodation in excesses of prudent percentage of regulatory capital</p> <p>(b) Charging lower rate than the best rate on accommodation and paying upper rate compared to unrelated counter-party</p> <p>(c) Allowing preferential treatment compared to unrelated parties in the normal course of business</p> <p>(d) Providing or obtaining services without proper evaluation</p> <p>(f) Maintaining reporting lines and information flows that may give benefits to related parties other than performance of legitimate duties.</p>	Complied	<p>As stipulated in the Board-approved Related Party Transactions Policy the Committee ensures that transactions are carried out in an arms' length basis and not on more favourable terms. The officers of the Company have been mandated to ensure conformity with the laid down procedures. A methodology has been adopted to monitor such transactions. No transactions have been entered into where the policy requirements had been infringed.</p> <p>During the year there was no granting of regulatory capital, nor was there any transactions entered into with preferential treatment. Services were obtained following the laid down processes which ensures adequate evaluation. Systems and controls are in place to ensure the flow of information is in keeping with good governance.</p>

Section	Rule	Compliance	Status of Compliance																														
10) DISCLOSURES																																	
10 (1)	Publish Interim and Annual Financial Statements based on applicable accounting standards and publish in Sinhala, Tamil and English newspapers	Complied	The annual and interim Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards. Bi-annual Financial Statements have been published in the newspapers in Sinhala, Tamil and English. Interim Financial Statements are prepared in accordance with the Sri Lanka Financial Reporting Standards and have been disseminated through the Colombo Stock Exchange.																														
10 (2)	The Board shall ensure that at least the following disclosures are made in the Annual Report; (a) A statement to the effect that the annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures	Complied	Compliance with applicable accounting standards and regulatory requirements has been reported under the "Statement of Directors' Responsibility for Financial Reporting" on page 136.																														
	(b) A report by Board on the finance company's internal control mechanism	Complied	Directors' Responsibility Statement on Internal Control Systems over Financial Reporting is given on page 135.																														
	(c) The External Auditors' certification on the effectiveness of the internal control mechanism.	Complied	The Company obtained a certification from the External Auditors on the effectiveness of the internal control mechanism which is given on page 135.																														
	(d) Details of Directors and the transactions with the finance company	Complied	Directors' interest in contracts with the Company are given below including Executive Directors. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Assets and Liabilities as at 31st March</th> <th style="text-align: right;">2021</th> <th style="text-align: right;">2020</th> </tr> </thead> <tbody> <tr> <td>Loans</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Deposits</td> <td style="text-align: right;">76,452,758</td> <td style="text-align: right;">113,868,475</td> </tr> <tr> <td colspan="3">Income and Expenses</td> </tr> <tr> <td></td> <td style="text-align: right;">2021</td> <td style="text-align: right;">2020</td> </tr> <tr> <td>Interest Income</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Interest Expenses</td> <td style="text-align: right;">3,522,953</td> <td style="text-align: right;">1,412,187</td> </tr> <tr> <td colspan="3">Remuneration paid Short term -</td> </tr> <tr> <td>Employment benefits</td> <td style="text-align: right;">64,674,378</td> <td style="text-align: right;">55,825,250</td> </tr> <tr> <td>Long term - employment benefits</td> <td style="text-align: right;">11,866,620</td> <td style="text-align: right;">17,189,895</td> </tr> </tbody> </table>	Assets and Liabilities as at 31st March	2021	2020	Loans	-	-	Deposits	76,452,758	113,868,475	Income and Expenses				2021	2020	Interest Income	-	-	Interest Expenses	3,522,953	1,412,187	Remuneration paid Short term -			Employment benefits	64,674,378	55,825,250	Long term - employment benefits	11,866,620	17,189,895
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	(e) Fees/remuneration paid by the finance company to the Directors in aggregate	Complied	The aggregate value of remuneration paid by the Company to its Directors is Rs. 76,540,998 in 2020/21 (in 2019/20 Rs. 73,015,146). The details are disclosed under the note 51.2 to the Financial Statements on page 230.																														

Corporate Governance

Section	Rule	Compliance	Status of Compliance				
	(f) Total net accommodation and the net accommodation outstanding to the related parties as a percentage of the capital funds		Category of related party	2021		2020	
				Rs.	% of the Capital Funds	Rs.	% of the Capital Funds
			Directors	-	-	-	-
			Other Key Management Personnel and their close family members	20,073,388	0.41%	4,606,180	0.12%
			Subsidiaries	-	-	-	-
			Joint Venture	-	-	-	-
			Entities which Directors and their close family members have a substantial interest	-	-	-	-
	(g) The aggregate values of remuneration paid and the value of transactions with the Key Management Personnel	Complied	Assets and Liabilities as at 31st March	2021		2020	
			Loans	20,073,388		4,606,181	
			Deposits	3,173,049		6,905,140	
			Income and Expenses	2021		2020	
			Interest Income	1,009,271		756,479	
			Interest Expenses	295,498		578,702	
			Remuneration paid				
			Short term - employment benefits	95,034,452		73,993,451	
			Long term - employment benefits	31,909,652		13,439,171	
	(h) Report confirming the compliance with prudential requirements, regulations, laws and internal controls	Complied	This has been disclosed in the Report by the Board on Internal Control in page No. 135.				
	(i) Non-Compliance reporting	Complied	The Director Department of Supervision of Non-Bank Financial Institutions had not brought to the notice of the Board on non-compliance with the Directions.				
	(j) The External Auditors' certification of compliance with the corporate governance direction	Complied	The Company has obtained a factual finding report from the External Auditors over the compliance with Corporate Governance Directions as set out by the Central Bank of Sri Lanka.				

Compliance with the Code of Best Practice on Corporate Governance Issued by the Institute of Chartered Accountants of Sri Lanka

Code Reference	Compliance and Implementation	Status of compliance	Complied
A DIRECTORS			
A.1	The Board	<p>At the beginning of the financial year 1st April 2020 the Board comprised of 8 Directors and during the year the Chairperson, a Non Executive Director retired and a new Chairperson was appointed and she is an Independent Non-Executive Director. One other Independent Non-Executive Director retired and in place of such Director a new appointment was made. The status quo remained at the end of the financial year.</p> <p>At the closure of the financial year there were four Non-Executive Directors and all of them are independent. The Non-Executive Directors, have the required professional competence, skills and experience amongst others in the fields of finance, business, law, brand building and marketing. The Board is overall responsible for the direction and the strategy of the Company whilst the Managing Director and the Executive Directors are responsible for the day to day management of the Company and delivering on the Strategic and Corporate Plan, both on the financial and the qualitative objects set by the Board.</p>	✓
A.1.1	Regular meetings	Board Meetings are held on a monthly basis on the pre-agreed dates which is changed if required to facilitate maximum attendance. In the financial year 2020/21 the Board met 13 times during the year. Attendance at meetings appears on page 91.	✓
A.1.2	Role and responsibilities of the Board	The Board has matters reserved for its purview and has fulfilled its role in approving, monitoring, reviewing plans, financials and non financials as mandated. Has established a mechanism to ensure that the overall responsibility over functions of the Board has been dispensed with. Formulation of policies, procedures and processes have been established under the guidance and approval of the Board.	✓
A.1.3	Act in accordance with laws	The Board has set out a framework to ensure that the Board and the Directors in their individual capacity and the Company complies with the laws of the land and the regulatory obligations. The Board is apprised by the AGM Risk and Compliance in regard to the applicable laws and regulations and standards on a regular basis and compliance thereto.	✓
A.1.4	Access to advice and services of Company Secretary	The Directors have access to the Company Secretaries, a company duly functions registered as a qualified Secretary. Their services are available to all Directors and they advise the Board on corporate governance matters, Board procedures and applicable rules and regulations.	✓
A.1.5	Independent judgement	The Board comprises of Executive and Non-Executive Directors whose independent judgment is assured at all times. On matters being deliberated they each bring independent judgment and objectivity which then translates to an informed and collective decision making.	✓


Corporate Governance

Code Reference	Compliance and Implementation	Status of compliance	Complied
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	The Board Meetings are structured in a manner which enables Directors to dedicate such time as required to ensure an outcome that is best suited and beneficial to the Company. Meetings of the Board Committees too are structured in a manner to achieve the objectives set out in the policy framework for such Committees. The Chair of the Board and the Committees leads the deliberations and encourages participation of all Directors.	✓
A.1.7	If necessary in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board	No such resolutions were presented to the Board	✓
A.1.8	Board induction and training	The newly appointed Directors were given appropriate briefing on the affairs of the Company and the business philosophy. The entire Board is encouraged to attend forums which have direct relevance to their sphere of work and also others which would have a general bearing to their role. Programs relating to changes in the applicable laws and regulatory framework are attended by the Directors. In addition, in-house programs are conducted on matters that Directors are required to exercise independence and that which affects the overall strategic direction of the Company. The Directors are apprised of the changes in the Directions issued by the Central Bank of Sri Lanka.	✓
A.2	Separating the business of the Board from the executive responsibilities for management of the Company	The Chairperson is Non-Executive and does not engage in any executive or supervisory functions and the Managing Director who is the virtual apex Executive is responsible for the overall management of the Company of its day to day affairs. There is a distinct difference in the roles of both Executive Management and that of the Board and the authority they exercise.	✓
A.3	Chairman's role in preserving good corporate governance	The Chairperson provides leadership to the Board, ensures that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner and in keeping with good governance practices.	✓
A.4	Availability of financial acumen and knowledge to offer guidance on matters of finance	The Chairperson of the Audit Committee is a Fellow of Certified Practising Accountants (FCPA) Australia and a Fellow of the Chartered Institute of Management Accountants (FCMA) UK. The Finance Director is an Associate Member of the Chartered Institute of Management Accountants (ACMA), UK and a Chartered Global Management Accountant (CGMA) 2012 and also a qualified Accountant of the Association of Chartered Certified Accountants, UK (ACCA). Remaining members of the Board also possess experience in finance business and business in general and other disciplines which has an interface with finance thus there is sufficient financial acumen and knowledge within the Board to offer guidance on matters of finance. The profiles of the Board of Directors are given on pages 26 to 27.	✓



Code Reference	Compliance and Implementation	Status of compliance	Complied
A5	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved.	There were no instances where the Directors could not unanimously resolve matters and accordingly no such matters were recorded in the Minutes.	✓
A.6	Provision of appropriate and timely information	<p>The Board has a mechanism in place for the flow of accurate information within specified time frames and in a form and manner that facilitates the Board to make informed decisions.</p> <p>Managing Director and the Executive Directors ensure that timely and accurate information is provided by the Management to the Board within the required time frame to enable the Non-Executive Directors to have the required information which would enable the Board to make timely and reasonable decisions. The documents are also supported with presentations on key matters relating to financial performance, sustainability initiatives and matters on compliance.</p> <p>Board papers, Agenda and Minutes are circulated to the Directors along with the other documents within the agreed time frame prior to the Board meeting.</p>	✓
A.7	<p>Appointments to the Board and re-election Nomination Committee</p> <p>Disclosure requirements when appointing new Directors to the Board</p>	<p>The Board has an approved nomination process which is stringently followed with regard to the appointments to the Board of Directors.</p> <p>The Board follows the nomination process and the new appointments and re-elections adopting the specified process. The Articles of Association specifies the criteria for re-election of the Directors</p> <p>Announcements were made through the Colombo Stock Exchange on the appointment of new Directors and also the composition of the Board Committees. The retirement of the Non Executive Directors were with the prior approval of the Central Bank of Sri Lanka and the announcement was made via the Colombo Stock Exchange. Details of the Board of Directors are given in the Annual Report with resumes for each Director.</p> <p>Two Independent Non-Executive Directors were appointed during the year following the due process.</p>	✓
A.8	All Directors should submit themselves for re-election at regular intervals	Re-election of Directors is carried out as stipulated in the Articles of Association of the Company for Non Executive Directors who are continuing on the Board. New Directors are required to retire at the first Annual General Meeting following their appointment as per the Articles of Association and this is also required as per the Corporate Governance Direction of the Central Bank of Sri Lanka.	✓
A.9	<p>Appraisal of Board and committee performance</p> <p>Annual self-evaluation by the Board of its sub-committees</p> <p>Disclosure in the Annual Report about the Board's performance evaluation methodology.</p>	<p>Annually the Directors submit individual appraisal forms to the Company Secretaries on the agreed format, which is then collated and discussed at the Board Meeting. Decisions made by the Board on appraisal forms which require action are then implemented as appropriate.</p> <p>The appraisal of the performance of sub-committees is carried out.</p> <p>Disclosures have been made in this Report.</p>	✓



Corporate Governance

Code Reference	Compliance and Implementation	Status of compliance	Complied
A.10	Annual Report to disclose specified information regarding Directors	<p>The Shareholders are kept advised on the changes to the Board of Directors by making such announcements as required by the Colombo Stock Exchange and also through the Company website.</p> <p>Annual Report carries the required disclosures in respect of Directors.</p> <p>Profiles of the Board of Directors are given on pages 26 to 27 including other directorships held by the Directors and memberships of Board Committees. Directors attendance is disclosed on page 91.</p>	✓
A.11	Appraisal of the CEO	<p>The Board should annually assess the performance of the CEO.</p> <p>The Managing Director functions as the virtual CEO of the Company and the performance is reviewed by the Board through the annual appraisal process. The appraisal process requires for Directors to assess the performance based on the annual budgets and qualitative measures that the Board set out to achieve at the commencement of the financial year.</p> <p>At the end of each financial year the Board evaluates against the set targets and the actual and other performance parameters.</p>	✓
B DIRECTOR'S REMUNERATION			
B.1	Directors' and executive remuneration	<p>The Company has a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director was involved in deciding his/her own remuneration.</p> <p>Setting up of Remuneration Committee.</p> <p>The Company has appointed a Remuneration Committee and the Terms of Reference is contained in the Remuneration Policy.</p> <p>The functions of the Committee include determination of compensation and benefits of the Managing Director and Executive Directors. The compensation of the key management personnel are determined where appropriate.</p> <p>Composition of Remuneration Committee</p> <p>Composition of Remuneration Committee is in line with Listing Rules. All members are Non-Executive Directors as per the Code and the Listing Rules of the CSE.</p> <p>Disclosure in the Annual Report about the Remuneration Committee members</p> <p>Remuneration Committee Members are specified in the Report submitted by the Committee.</p> <p>Remuneration of Non-Executive Directors.</p> <p>The Non-Executive Directors receive Directors' Fees.</p>	✓


Code Reference	Compliance and Implementation	Status of compliance	Complied
B.2	Level and make-up of remuneration	<p>Level of remuneration of both the Executive and the Non-Executive Directors should be sufficient to attract and retain the Directors needed to manage the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance</p> <p>Remuneration of Executive Directors. Remuneration of Executive Directors consists of fixed remuneration and performance based payment in order to attract, retain and motivate suitable persons.</p> <p>Remuneration packages in line with industry practices. The Remuneration Committee reviews the information relating to industry in which the competitors of the Company, operates. Due care is taken to ensure that remuneration is on par with industry standards.</p> <p>Remuneration packages in line with other companies in the Group. This is not applicable to the Company</p> <p>Performance-related payments to Executive Directors. In addition to the fixed remuneration, there are performance-related elements of remuneration for Executive Directors and the Managing Director which is directly related to performance with the objective of providing appropriate incentives to those Directors to perform at the highest level.</p> <p>Executive Share Option. There are no Share Option schemes offered by the Company</p> <p>Designing schemes of performance related remuneration. In deciding the remuneration of the Managing Director, Executive Directors and Senior Management, the Company takes note of the appropriate provisions</p> <p>Early termination of service of Directors. This situation has not arisen</p> <p>Remuneration of Non-Executive Directors. Non-Executive Directors are entitled to fixed fees. The Company has not offered any Share Option plans to either Executive Directors or Non-Executive Directors.</p>	



Corporate Governance

Code Reference	Compliance and Implementation	Status of compliance	Complied
B.3	Disclosures related to remuneration in Annual Report	<p>Annual Report of the Company should contain a statement on Remuneration Policy and details of remuneration of the Board as a whole.</p> <p>Disclosure in the Annual Report about the Remuneration Committee members, statement on Remuneration Policy and aggregate remuneration paid.</p> <p>Remuneration Committee report is given on page 130 which sets out the details on the composition of the Committee and the remuneration policy. The aggregate remuneration paid to the Board of Directors is disclosed in Note 51.2 to the Financial Statements on page 230.</p>	
C .RELATIONS WITH SHAREHOLDERS			
C.1	Constructive use of the AGM and conduct of other general meetings	<p>The Board should use the AGM to communicate with shareholders and should encourage their participation.</p> <p>The Annual General Meeting is the forum which the shareholders are encouraged to participate and to engage with the Board of Directors and to be apprised of performance and also the future outlook amongst other matters.</p> <p>Use of proxy votes. The votes of the proxies are considered when passing resolutions at the Annual General Meeting.</p> <p>Separate resolutions for separate issues. Individual resolutions are given in the Notice and Proxy convening the Annual General Meeting with regard to the matters that have to be voted on at the Meeting and where shareholder approval is required.</p> <p>Arrangement made by the Chairperson of the Board that all Chairmen/ Chairpersons of Sub Committees make themselves available at the AGM. At the Annual General Meeting the entire Board is present unless an unforeseen event prevents them from attending the meeting. The Chairs of the Board Sub Committees are also present to respond to any queries raised by the shareholders.</p> <p>Adequate notice for the AGM to the shareholders. The Annual Report including Financial Statements and the Notice of the Meeting are sent to shareholders 15 working days prior to the date of the AGM as stipulated by the Companies Act.</p> <p>Procedures of voting at general meetings. Shareholders right to appoint a proxy for voting at AGM appears on the Notice of Meeting and on the Form of Proxy. Voting procedures at general meetings appear on the Form of Proxy.</p>	

Code Reference	Compliance and Implementation	Status of compliance	Complied
C.2	Communication with shareholders	<p>Channel to reach all shareholders to disseminate timely information.</p> <p>Such disclosures and announcements are available on the CSE website. Quarterly financials are also uploaded in the CSE website and is made available to the shareholders within 45 days from the end of the first three quarters of any financial year and within 60 days from the closure of a financial year. Bi annually, the financials are published in the newspapers as required by the Central Bank of Sri Lanka. The Annual Audited Financials are made available to the shareholders within five months of the closure of the financial year and the Annual Report is also available in the CSE website.</p> <p>Policy and methodology of communicating.</p> <p>The Company provides fair disclosure with emphasis on the integrity, accuracy, timeliness and relevance of the information provided.</p> <p>Implementation of the communication policy and methodology.</p> <p>Shareholders receive the Annual Report from the Company by a modem as stipulated by the CSE and if they make a request a hardcopy of the Annual Report is furnished. Shareholders may at any time elect to receive the Annual Report from the Company in the printed form upon making such request to receive a copy.</p> <p>Contact person.</p> <p>Shareholders may, at any time, direct questions and request for publicly available information from the Directors or Management of the Company. Company Secretary can be contacted for any queries of shareholders.</p> <p>Awareness of Directors on major issues and concerns of shareholders</p> <p>The Company Secretary maintains a record of all correspondence received and will deliver as soon as practicable such correspondence, which require Board attention to the Board or individual Director/s as applicable.</p>	
C.3	Disclosure of major and material transactions	<p>Directors should disclose all proposed corporate transactions which would materially alter the net asset base of the Company.</p> <p>Major transactions</p> <p>During the year, the Company did not engage in or commit to any major transactions which materially affected the Company's net asset base.</p>	

Corporate Governance

Code Reference	Compliance and Implementation	Status of compliance	Complied
D.ACCOUNTABILITY AND AUDIT			
D.1.	Present a balanced and understandable assessment of the Company's financial position, performance, business model, governance, structure, risk management, internal controls, and challenges, opportunities and prospects	<p>The Board should present a balanced and an understandable assessment of the Company's financial position and prospects.</p> <p>Board should present interim and other price sensitive information to the public and reports to regulators.</p> <p>The Company has reported a true and fair view of its financial position and performance for the year ended on 31st March 2021 and at the end of each quarter of the financial year and all price sensitive information has been disclosed in a timely manner.</p> <p>Directors' Report in the Annual Report</p> <p>Annual Report of the Board of Directors on the affairs of the Company is given on pages 124 to 129 covering all areas of this section.</p> <p>Annual Report disclosure stating Board's and Auditors' responsibility</p> <p>Statement of Directors' Responsibility for Financial Reporting is given on page 136 and Auditors' certification on the Internal Control is given on page 135 respectively.</p> <p>Management discussion and analysis</p> <p>Management discussion and analysis is given on pages 30 to 36 and 40 to 88.</p> <p>Disclosure of Related Party Transactions.</p> <p>A detailed Board-approved documented process is available in the Company for monitoring and reporting of Related Party Transactions. The Company Secretary makes necessary disclosures of any Related Party Transactions which require disclosure as per the rules. All related party transactions as defined in Sri Lanka Accounting Standard – 24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 51 to the Financial Statements on page 229.</p> <p>Directors' assumption on the going concern of the business.</p> <p>This is given in the Annual Report of the Board of Directors on the Affairs of the Company on page 129.</p> <p>Serious loss of capital.</p> <p>No such circumstance occurred, and its likelihood of occurrence is also remote.</p>	

Code Reference	Compliance and Implementation	Status of compliance	Complied
D.2	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	<p>The Board is responsible for formulating and implementing appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Company.</p> <p>The BIRMC assists the Board in discharge of its duties with regard to risk management and the BAC assists the Board in discharge of its duties in relation to internal control.</p> <p>The Risk Management Report and the report by the Board Integrated Risk Management Committee outlines the responsibilities of the Committee and its activities during the year. The risk framework had been formulated to meet the business specific needs and codes on best practices. The risk related report appears on the pages 137-144, the BIRMC report appears on page 134 and the Internal Control Statement appears on Page 135 of the Annual Report.</p>	
D.3	Audit Committee	<p>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.</p> <p>The Board Audit Committee oversees that the formal process implemented ensures that the requirements of sound financial reporting and adequate controls are maintained. The Audit process is routed through the BAC to ensure independence.</p> <p>Composition of the Audit Committee. The Audit Committee comprises the following Directors: Mrs. Priyanthi de Silva - Chairperson Mrs.G.S.T. Dharmakirti-Herath – Member Mr.L.J.H. de Silva – Member</p> <p>Reviewing the scope and results of the audit and its effectiveness and independence and objectivity of the Auditors. The Board Audit Committee reviews the audit plan, scope and results of the audit and its effectiveness. Further independence and the objectivity of the Auditors are also reviewed annually. The Committee would consider independence when providing non-audit engagements to the External Auditor. It is also responsible to make recommendations on the appointment, reappointment and removal of Auditors</p> <p>Disclosures made in the Annual Report about Audit Committee. Audit Committee report is given on pages 131 to 132 of the Annual Report</p>	

Corporate Governance




Code Reference	Compliance and Implementation	Status of compliance	Complied
D.4	Code of Ethics	<p>Company must adopt a Code of Business Conduct and Ethics for Directors, and members of the Senior Management Team. Any non-compliance with the said Code should be promptly disclosed.</p> <p>Code of Business Conduct and Ethics is in place. There were no violation for disclosure.</p>	✓
D.5	Corporate governance disclosures	<p>The Board should include this in the Annual Report setting out the manner and extent for it to be complied.</p> <p>Disclosure of Corporate Governance Compliance The requirement is met with the presentation of this Corporate Governance Report from pages 96 to 123 of the Annual Report.</p>	✓
E & F	Encourage voting at AGM	<p>The Company has 1,249 ordinary voting shareholders of which 14.86% are institutional shareholders.</p> <p>All shareholders are encouraged to participate at AGM and cast their votes. The AGM provides a forum for the Board to inform the shareholders what the Company does and how it has performed during the year. For investors, it provides a forum to learn more about the business and ask questions from the Directors and to use their votes responsibly.</p>	✓

LISTING RULES CORPORATE GOVERNANCE FOR LISTED COMPANIES ISSUED BY THE COLOMBO STOCK EXCHANGE

Section	Rule	Status of Compliance	Compliance
7.6 (iv)	The public holding percentage	Please refer page 252	✓
7.6 (v)	Director's and Chief Executive Officer's holding in shares at the Item 5.4 of the "Investor Relations" beginning and at the end of the financial year	Please refer page 126	✓
7.6 (vi)	Information pertaining to material foreseeable risk factors	Please refer the pages 42 to 43 and 139 to 144	✓
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	Please refer pages 66 to 77 and 82	✓
7.6 (viii)	Extents, locations, and valuations of land holdings and Investment properties as at the end of the year	Please refer Notes 32 and 33 Information on the freehold land and buildings of the Company in the Notes to the Financial Statements on pages 207 and 208	✓
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	Please refer Note 44 Stated Capital in the Notes to the Financial Statements on page 221	✓
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	Please refer 'Shareholder Information' on pages 251 and 252	✓
7.6 (xi)	Ratios and market price information: Equity – Dividend per share, dividend payout ratio, net asset value per share, market value per share Any changes in credit rating	Please refer 'Ten year summary' on pages 249 and 250 Please refer 'Corporate information' on page Inner Back Cover	✓
7.6 (xii)	Significant changes in the Company or its Subsidiaries fixed assets and the market value of land, if the value differs substantially from the book value as at the end of the year	Please refer Note 33 - Property, Plant & Equipment in the Financial Statements on page 208.	✓
7.6 (xiii)	Details of funds raised through Public Issues, Rights Issues and Private Placements during the year	There were no share issues, Rights Issues or private placement during the year	✓
7.6 (xiv)	Information in respect of Employee Share Option Schemes: Total number of shares allotted during the financial year, price at which shares were allotted and the details of funding granted to employees (if any) Highest, lowest, and closing price of the share recorded during the financial year	The Company does not have any Employee Share Ownership or Stock Option Scheme at present	✓
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	Please refer the sections below	✓
7.6 (xvi)	Disclosures on 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	The Company did not have any Related Party Transactions exceeding these thresholds during the year	✓
07.10.1 NON-EXECUTIVE DIRECTORS			
7.10.1 (a)	Two or one-third of the Directors, whichever is higher, should be Non-Executive Directors	As at 31st March 2021 The Board comprised of four Non-Executive Directors out of a total 8 members which is 50%	✓

Corporate Governance

Section	Rule	Status of Compliance	Compliance
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	The Board comprised of 8 Directors as at the conclusion of the immediately preceding AGM	✓
7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	The cessation and the appointment of the Directors as disclosed in The ratio on the proportion of composition was complied with during the year 7.10.1 (b) complied with the requirement	✓
07.10.2 INDEPENDENT DIRECTORS			
7.10.2 (a)	Two or one-third of Non-Executive Directors whichever is higher, should be independent.	All Directors out of the four Non-Executive Directors are Independent	✓
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format.	All Non-Executive Directors have submitted annual declarations in respect of the year under review	✓
07.10.3 DISCLOSURES RELATING TO DIRECTORS			
7.10.3 (a)	The Board shall make determination of Independence/Non-Independence annually and Names of Independent Directors should be disclosed in the Annual Report.	Please refer pages 26, 27 and 128 of the Annual Report	✓
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Not applicable	✓
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise.	Please refer pages 26-27 in the Annual Report	✓
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for Dissemination to the public.	On the newly appointed Directors the required disclosures were made via the Colombo Stock Exchange	✓
07.10.4 CRITERIA FOR DETERMINATION OF INDEPENDENCE OF DIRECTORS			
7.10.4 (a-h)	Requirements for meeting criteria to be independent	All Independent Directors of the Company met the criteria for independence specified in this Rule	✓
07.10.5 REMUNERATION COMMITTEE			
7.10.5 (a)	A listed Company shall have a Remuneration Committee. The remuneration committee shall comprise; of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	Board appointed Remuneration Committee is in place. Please refer page 130 of the Annual Report. All the Directors in the Remuneration Committee comprised of Non-Executive Directors and all are Independent	✓
7.10.5 (b)	Functions of Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors. Majority of whom shall be independent, whichever shall be higher.	Please refer the Report of the Remuneration Committee on page 130 to the Annual Report	✓
7.10.5 (c)	The Annual Report shall set out; (i) The names of the Directors that comprise the Remuneration Committee; (ii) A statement of remuneration policy; (iii) Aggregate remuneration paid to Executive and Non-Executive Directors.	Please refer the page 130 of Remuneration Committee Report and note number 51.2, on page 230	✓

Section	Rule	Status of Compliance	Compliance
07.10.6 AUDIT COMMITTEE			
7.10.6 (a)	<p>The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors whichever is higher. An Independent Non-Executive Director functions as the Chairperson</p> <p>One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board</p> <p>The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.</p> <p>The Chairman or one member of the Committee should be a member of a recognised professional accounting body.</p>	<p>All the members of the Audit Committee are Independent Directors</p> <p>An Independent Non-Executive Director, Mrs. Priyanthi de Silva functions as the Chairperson</p> <p>Mrs.Priyanthi de Silva Independent Non Executive Director functions as the Chairperson of the Audit Committee</p> <p>The Managing Director, the Director Finance and Operations and AGM Finance attend the Meetings by invitation</p> <p>The Chairperson of the Board Audit Committee is a Fellow of Certified Practicing Accountants (FCPA) Australia, Fellow of the Chartered Institute of Management Accountants (FCMA) UK</p>	
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.	Please refer Board Audit Committee Report on page 131 of the Annual Report	
7.10.6 (c)	<p>Annual Report shall set out;</p> <p>(i) The names of the Directors who comprise the Audit Committee.</p> <p>(ii) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.</p> <p>(iii) A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the Listing Rules.</p>	Please refer the Audit Committee Report' on pages 131-132 for the required disclosure	

Our External Auditors certify that the disclosures and related content in the Corporate Governance report is consistent with Corporate Governance Direction No. 3 of 2008 and amendments thereto issued by the Central Bank of Sri Lanka.

(Sgd.)
Alliance Management Services (Pvt) Ltd.
Secretaries

13th May 2021

Annual Report of the Board of Directors on the Affairs of the Company

General

The Directors of Alliance Finance Company PLC (AFC) have pleasure in presenting this report to the shareholders together with the audited Financial Statements for the year ended 31st March 2021 and the Independent Auditors' Report. The information is provided in conformity with the requirements of the Companies Act No.07 of 2017, Finance Companies Corporate Governance Direction No.03 of 2008 and amendments thereto, Listing Rules of the Colombo Stock Exchange and Code of Ethics for Corporate Governance.

Company Overview

AFC was incorporated as a public company on 18th July 1956 under the provisions of the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No.07 of 2007 and bears Registration Number PQ 93. AFC's Ordinary Shares were listed on the Main Board of the Colombo Stock Exchange (CSE) in 1959 (then Colombo Brokers Association).

As at the reporting date AFC has become the oldest Finance Company in the NBFIs sector.

The Registered Office of the Company and the principal place of business is situated at "Alliance House", 84, Ward Place, Colombo 7.

ICRA Lanka Limited has reaffirmed a BBB- with a negative outlook rating to the Company.

Business Outlook

The year under review commenced with an inauspicious beginning with an island wide lockdown which lasted almost two months, economic activity has been sluggish with the second wave of COVID-19 impacting the economic growth negatively as the general outlook was steady at the close of the financial year. Despite this backdrop the Company has fared considerably well

due to the pragmatic business approach and making critical business decisions at crucial junctures which has augured well for the Company.

Purpose and Values

In its over 60 year history AFC has had its core time tested intrinsic values that have been handed down for three generations.

AFC is guided by its purpose statement and a set of high impact goals reflecting the Company's business philosophy which is underpinned by the triple-bottom-line approach. These are detailed on page 6 and 44 of this Annual Report. The Company in setting out to the achieving its goals and objectives has conducted its activities to the highest level of ethical standards and integrity as set out in the Code of Ethics.

Principal Business Activities

The Principal business activities of the Company include providing finance leases, term loans, gold loans, pledge loans, mortgage loans, acceptance of public deposits and savings. Other lines of business includes hire-purchase, group-loans, trading, investment in shares and real estate. The Company also provides end-to end vehicle management solutions which include operating leases and hiring of vehicles.

The principal activity of the subsidiary Alfinco Insurance Brokers (Pvt) Ltd., is brokering of insurance business.

Branch Network

With the business outlook and also the macro economic factors changing, the Company closely reviewed its branch network to improve its market potential and reach, based on the customers' demography and other factors. In order to achieve this, branches were consolidated or relocated whilst retaining its customer centric business model. As at 31st March 2021 there were 91 points of presence across the country.

More details regarding this is available on page 61 in this Annual Report.

Review of operations and Future Developments

An overview of the Company's financial position and performance during the year, review of financial results, achievements and future outlook is summarized in the Chairperson's Message on pages 16 to 19. The Managing Director's Review appears on pages 20 to 23 covering the highlights for the year along with the salient features with regard to performance and the future outlook of the Company. Comprehensive details are provided in the Business Report on pages 50 to 55 and the Capital Management Report on pages 56 to 88 of this Annual Report. The Independent Auditors' report along with the Audited Financial Statements reflect the state of affairs of the Company for the year ended 31st March 2021.

Financial Statements of the Group and the Company

The Financial Statements of the Company and Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No.07 of 2007 and where applicable to the Directions issued by the Central Bank of Sri Lanka.

The Financial Statements of the Company were duly certified by the Company's Auditors Baker Tilly Edirisinghe & Company and approved by the Board of Directors and signed by the Deputy Chairman/ Managing Director and Director Finance and Operations. Report on the Operations appears on pages 50 to 55 of this Annual Report.

Independent Auditor's Report

The Company's Auditors, Baker Tilly Edirisinghe & Company performed the audit of the consolidated Financial Statements for the year ended 31st March 2021 and the Auditors' Report issued thereon appears on Page 146 of this Annual Report.

Accounting Policies and Changes during the Year

Significant accounting policies adopted in preparation of the Financial Statements of the Company are given on Pages 158 to 183. These Financial Statements comply with the requirements of Sri Lanka Accounting Standards on "Presentation of Financial Statements" (LKAS 01) and comply with Section 168(1) (d) of the Companies Act No.07 of 2007.

Accounting Period

The Financial accounting period reflects the information from 01st April 2020 to 31st March 2021.

Financial Results and Appropriations

Interest Income

The total interest income of the Company for the year ended 31st March 2021 was Rs. 7,172 Mn (Rs. 7,212 Mn in 2019/2020). A more descriptive analysis of the interest income is given in Note 7 to the financial statement on page 184.

Financial Results

The Company recorded a Profit Before Tax of Rs. 1,296 Mn and Profit After Tax of Rs. 561 Mn for the financial year ended 31st March 2021. The Company's performance and details of appropriation of Profit relating to the Company are tabulated as follows;

	Year ended 31.03.2021	Year ended 31.03.2020
	Rs. Mn	Rs. Mn
Interest Income	7,172	7,212
Retained earnings brought forward from previous year	1,778	1,655
Less: Impact of adopting SLFRS 9	-	(20)
Add: Profit after Taxation	561	209
Earnings available for appropriation	2,339	1,844
Appropriations:		
Add: Net actuarial gain/(loss) on defined benefit plan	(19)	9
Less: Dividend paid for previous/current year	-	(34)
Less: Transfer to reserves	(24)	(42)
Total appropriation	(43)	(66)
Retained earnings carried forward	2,296	1,778

Taxation

The income tax rate applicable on the profits earned and rate of VAT on financial services during the year were 24% and 15% respectively. Accordingly, the current year income tax provision of the Company was Rs. 735 Mn compared to Rs. 323 Mn for the year 2019/20. A more descriptive note on Income tax and deferred tax of the Company is disclosed in Note 16 to the Financial Statements.

Dividend

The Board of Directors recommend a First and Final Dividend of Rs. 5.50 per share for the year 2020/21 and approval of it rests with the shareholders.

The Board of Directors remain satisfied that the Company would meet the requirements of the solvency test in terms of Section 56 (3) of the Companies Act No.07 of 2007 immediately after the payment of the First and Final Dividend. Accordingly, the Board of Directors has obtained a certificate of solvency from the Auditors in respect of the dividend payment conforming to the above statutory provision.

Property, Plant and Equipment

The total capital expenditure incurred on property, plant and equipment (including capital work in progress) and intangible assets of the Company in the year ended 31st March 2021 amounted to Rs. 117 Mn and Rs. 12.2 Mn respectively (Rs. 78 Mn and Rs. 8.3 Mn in 2019/2020). The details of property, plant and equipment are presented in Note 33 (Page 208 to 209) to the Financial Statements.

Extents, locations, valuations and the number of buildings of the Entity's land holding and investment properties are detailed on pages 207 and 213 of this Annual Report.

Directors' Interests in Shares

In compliance with section 200 of the Companies Act, the Directors have disclosed to the Board their shareholding in the Company. There have been no acquisitions or disposals of shares by the Directors in the financial year other than the purchase of the qualifying shares by the newly appointed Directors. Mr.R.K.E.P de Silva's shareholding increased from 8,934,075 to 11,035,291 during the year under review as the shares held jointly with the late Mr.J E P A de Silva were transmitted after his demise.

Annual Report of the Board of Directors on the Affairs of the Company

The Director's individual shareholdings in the Company as at 31st March 2021 and 31st March 2020 are given below;

Name of Director	Shareholding as at 31/03/2021	Shareholding as at 31/03/2020
Mrs. G. S. T. Dharmakirti-Herath (appointed 22/10/2020)	100	-
Mr. R. K. E. P. de Silva	11,035,291	8,934,075
Mr J. M. Gunasekera	1,500	1,500
Mr W. P. K. Jayawardana	100	100
Mr R. E. Rambukwelle	10,000	10,000
Mrs. P. de Silva	100	100
Mr. L. J. H. de Silva	3,052	3,052
Mr. D. L. I. Hettiarachchi (appointed 22/10/2020)	100	-

Managing Director's Interest in Shares

The Managing Director's, Mr. R. K. E. P. de Silva's individual shareholdings in the Company as at 31st March 2021 and 31st March 2020 are given above.

Directors' Meetings

The details of Directors' meetings and attendance at the Meetings by the Directors are presented in the Corporate Governance report on page 91 of this Annual Report.

Corporate Governance

The Board of Directors is committed to develop the corporate governance principles of the Company and furthermore has adopted a Corporate Governance Charter including therein the procedures and processes governing the different participants in the organization – such as the Board, Executive Management Staff, Middle Management and other staff, Shareholders and other Stakeholders to ensure that the highest principles of Corporate Governance is maintained across all constituents.

In adopting the aforesaid Corporate Governance Charter, the Board has ensured that the Company is compliant with the recommendations and proposals of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, the

Listing Rules of Colombo Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Direction No. 3 of 2008, No. 4 of 2008, No 6 of 2013 and No.05 of 2020.

- The Company has not engaged in any activity which contravenes laws and regulations
- The Company has made every endeavour to ensure the equitable treatment of shareholders
- The business is a going concern
- The effectiveness and successful adherence of internal controls and risk management is practiced by the Company

The measures taken in this regard are set out in the Corporate Governance Report on Pages 89 to 123 of this Annual Report

A Board Audit Committee, Board Integrated Risk Management Committee, Remuneration Committee and Related Party Transactions Review Committee function as Board Sub Committees with Directors who possess the requisite qualification and experience. The composition of the said Committees is set out on the inner back cover of this Annual Report.

Board Sub Committees

All Sub Committees are governed by the Terms of Reference which are approved by the Board of Directors. During the year under review the TORs of the Board Audit Committee, Board Integrated Risk Management Committee and Related Party Transactions Review Committee were reviewed and approved by the Board of Directors.

Board Audit Committee

All members of the Board Audit Committee are Independent Non-Executive Directors. The Chairperson holds the required accounting qualifications to function as the Chair. Due to the retirement of an Independent Non Executive Director from the Company it was reconstituted in October 2020. Executive Directors, Senior Management members, Internal and External Auditors attend the meetings by invitation. The Board Audit Committee's Report is given on Pages 131 of this Annual Report.

Board Integrated Risk Management Committee

The Board of Directors has established a comprehensive risk management system, policy and framework in the Company to identify, evaluate and manage the risks associated with the operations and overall performance of the Company. The risk framework is reviewed on a regular basis by the Board Integrated Risk Management Committee to mitigate the risks due to constant changes in the business environment and other factors that would impact it. A detailed overview of the process is set out in the Board Integrated Risk Management Committee Report on Page 134 of this Annual Report.

The Board Integrated Risk Management Committee (BIRMC) was reconstituted in October 2020 with the retirement of its Chairman who was one of the Independent Non Executive Director on the Committee.

Remuneration Committee

The Report of the Remuneration Committee is given on Page 130 of this Annual Report.

The Remuneration Committee was reconstituted in October 2020 with the retirement of one Non Executive Director.

Related Party Transactions Review Committee

The Committee carried out the functions mandated in the Terms of Reference and amongst other matters reviewed the related party transactions to establish it was carried out on an arms length basis. The Report of the Related Party Transactions Review Committee is given on Page 133 of this Annual Report.

Related Party Transactions

There are no related party transactions that exceeded 10% of the Equity or 5% of the total assets whichever is lower. Confirmation that the Company has complied with the requirements of the code of Best Practice on Related Party Transactions in respect of requisite disclosures is dealt within a separate report. However, the Directors had disclosed the transactions that could be classified as related party transactions in the Financial Statements and accordingly details are given in Note on pages 229 to 231 of this Annual Report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company, which reflect a true and fair view of the state of its affairs.

The Directors are of the view that the Statement of Financial Position, the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and Notes to the Financial Statements year ended 31st March 2021 therefore have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No.07 of 2007 and the Regulations made under Finance Business Act No.42 of 2011.

The "Statement of Directors' Responsibility for Financial Reporting" is provided on

page 136 and forms an integral part of this report.

Donations, CSR and Sustainability Expenses

The Company expended Rs. 6.36 Mn for donations, Corporate Social Responsibility activities and sustainability initiatives during the year 2020/21 (Rs. 10.66 Mn in 2019/20).

System of Internal Controls

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial and compliance controls required to carry out its operation in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, and that the preparation of Financial Statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

The Directors have assigned the internal audit function to the AGM Internal Audit, who reviews and reports on the effectiveness of financial, operational and compliance controls. The External Auditors too independently verify this and their certification appears on Page 146.

Investments

Details of investments held by the Company are disclosed in Notes 30 and 31 on Pages 205 to 206 to the Financial Statements.

Stated Capital and Shareholders' Funds

In compliance with the Companies Act No. 07 of 2007, the Financial Statements reflect the Stated Capital of the Company. The Stated Capital is the total of all amounts received by the Company in respect of the Issued Share Capital. The Stated Capital is represented by 33,696,000 Ordinary Shares.

The Stated Capital and reserves stood at Rs 614 Mn and Rs. 5,202 Mn respectively as at 31st March 2021 (Rs. 614 Mn and Rs. 3,999 Mn as at 31st March 2020). During the financial year Rs. 28 Mn was transferred from Retained Earnings to the Reserves.

Details of movement of reserves and Stated Capital are provided in the Statement of Changes in Equity on Page 154 of the Financial Statements.

No funds were raised through public issue or private placement of shares during the year under review.

Issue of Debentures

There were no new issue of debentures during the financial year 2020/2021.

Minimum Capital Requirement

The Company is cognizant that it is required to maintain the statutory requirement on minimum capital and the capital adequacy Ratios to mitigate the liquidity risk and safeguard the depositors' funds, and the risk weighted capital ratio thus ensuring the sustainability of the Company and the industry as a whole. The Company is compliant with the capital requirements and has mentioned the capital was at the required levels and the information on minimum Capital Requirement is given on Page 244 of this Annual Report.

Share Information

The ten-year summary appears on Pages 249 to 250 and shareholder information and information on trading are provided under the title "Shareholder Information" and are on Pages 251 to 252 of this Annual Report and is presented with the purpose of providing more price sensitive information to the shareholders which includes;

- Number of shares representing the entity's stated capital
- A distribution schedule of the number of holders in equity securities, and the percentage of their total holding

Annual Report of the Board of Directors on the Affairs of the Company

- The ratio of Dividend per share, Dividend payout and net assets per share
- Market Value per share including highest and lowest value recorded during the year and value as at end of the financial year
- Float adjusted market capitalization, Public holding percentage, number of public shareholders and the Minimum Public Holding Requirement.

Substantial Shareholding

The list of the Company's top 20 shareholders, number of shares held by them and percentage of their respective holding and Public Holding percentage are given under the title Shareholder Information on pages 251 to 252.

Information to Shareholders

The Board strives to be transparent and provide accurate information in a timely manner to shareholders in all published material.

Employee Share Option

The Company has not adopted a Employee Share Option Scheme.

Board of Directors

Composition

As at 31st March 2021, the Directorate of Alliance Finance Co. PLC comprised of eight Directors with wide financial and commercial knowledge and experience. The Board comprises of four Executive and four Independent Non-Executive Directors. The qualifications and experience of the Directors is provided on Pages 26 and 27 of this Annual Report. The following Directors held office as at the end of the financial year.

Mrs. G. S. T. Dharmakirti-Herath
 Mr. R. K. E. P. de Silva
 Mr. J. M. Gunasekera
 Mr. W. P. K. Jayawardana
 Mr. R. E. Rambukwelle
 Mrs. P. de Silva
 Mr. L. J. H. de Silva
 Mr. D. L. I. Hettiarachchi

Changes to the Board During the Financial Year

We bade farewell to our Chairperson Mrs. Ramani Nelun Ponnambalam and also to Lt.Col. (Retd) Athula R. Samarasinghe in October 2020 as they had both reached the stipulated nine year term allowed for a Non Executive Director to serve on the Board.

We extend our grateful thanks to our Chairperson who had led the Company, provided guidance and counsel, through some of its challenging times during her tenure of office. Prior to her role as the Chairperson she served as a Non Executive Director and also served in the Board Committees and Chaired the Remuneration Committee. We wish to place on record our sincere thanks to Lt. Col (Retd) Athula R. Samarasinghe who in his non executive capacity made valuable contributions to the Board in his area of expertise and also for the overall outlook of the Company and he too served in the Committees and Chaired the BIRMC. We wish them both the very best in their future endeavours.

During the year under review we welcomed our new Chairperson, Mrs. G. S. T. Dharmakirti-Herath who has had many years of experience in the finance industry and has held key positions in NBFIs. We also take this opportunity to welcome Mr.D.L.I. Hettiarachchi, who is an Attorney at Law of the Supreme Court of Sri Lanka and has a wealth of experience in commercial and civil litigation. Undoubtedly their experience and expertise individually and collectively will impact positively the journey of the Company in its next decade.

The appointments and retirement was carried out in compliance with the corporate governance directions issued by the Central Bank of Sri Lanka.

Retirement by Rotation

Mrs.P. de Silva retires under Articles numbered 130 & 131 and being eligible offer herself for re-election with the unanimous support of the Board of Directors.

Retirement at the First Annual General Meeting Post Appointment

Mrs.G.S.T. Dharmakirti-Herath retires under Article No.135 and being eligible offers herself for re-election with the unanimous support of the Board of Directors.

Mr. D. L. I. Hettiarachchi retires under Article No.135 and being eligible offers himself for re-election with the unanimous support of the Board of Directors.

Interest Register

In compliance with the Companies Act No. 07 of 2007, the Company maintains an Interests Register which is available for inspection.

Directors' Interests in Transactions/ Related Party Transactions

The Directors of the Company have made general declarations as provided in the section 192 (2) of the Companies Act No. 07 of 2007 of their interests in transactions of the Company. Details of the transactions disclosed therein are given on Pages 229 to 231 under related party transactions. Furthermore, the Chairperson of the Board of Directors has made a general declaration that there is no financial, business, family or other material/relevant relationship(s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and amendments thereto.

Directors' Remuneration and Related Expenditure

The details of Directors' Fees and Directors' Emoluments paid during the year are stated in Note 51.2 to the accounts.

Human Resource

The Board considers its employees as its wealth and is committed to provide opportunities for continuous improvement, career enhancement, training and has implemented measures for the overall wellbeing of all employees. Operating in a competitive environment skills are honed and developed to provide the competitive edge and to optimize their contribution towards the achievement of corporate

goals and objectives of the Company. This aspect is further covered on pages 66 to 77 of this Annual Report.

Stakeholder Management / Corporate Social Responsibility

The Company continues to take measures on an ongoing basis to manage the expectations of all its stakeholders and enhance the value created to shareholders, customers, suppliers, and the community. These efforts are presented in the Social and Relationship Capital Report presented on Pages 78 to 83 of the Annual Report.

Environmental Protection

To the best of knowledge of the Board, the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment. On the contrary the Company has undertaken several initiatives that contributed to the environmental protection positively. Further details of these initiatives of the Company are outlined in the Report on Pages 84 to 88.

Compliance with Laws and Regulations

The Company has not engaged in any activity contravening any laws and regulations.

Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the Government, other regulatory institutions and in relation to the employees have been made except for certain income tax assessments against which appeals have been lodged.

Outstanding Litigation

In the opinion of the Directors formed in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given on Note 47.1 to the Financial Statements on Page 223.

Events after the Reporting Date

Details of events after the reporting date are reflected in Notes 48 on Page 223 to the Financial Statements.

Going Concern

After considering the Financial Position, the Company's Corporate/Business plans, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Contingent Liabilities

There are no contingent liabilities for the Company in the foreseeable future.

Auditors

The Company's Auditors during the year under review were Baker Tilly Edirisinghe & Company. As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiaries other than to the extent disclosed in this Annual Report.

Remuneration

A total amount of Rs. 1,734,000 is payable by the Company to the auditors for the year under review comprising Rs. 1,491,000 as Audit Fees and Rs. 243,000 as other assurance service related expenses.

Re-appointment

The retiring auditors, Baker Tilly Edirisinghe & Company have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming Annual General Meeting.

They have offered their services at a remuneration of Rs. 1,942,500 comprising Rs. 1,652,000 as Audit fees and Rs. 290,500 as other assurance service related expenses.

Annual General Meeting

The Annual General Meeting will be held at a.m. on

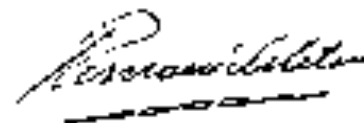
Notice of Meeting

Notice of the meeting relating to the 65th Annual General Meeting is provided on Page 264 of this Annual Report.

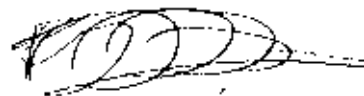
Acknowledgment of the Content of the Report

On Behalf of the Board of Directors of the Company, the Deputy Chairman & Managing Director, Director Finance and Operations and Secretaries of the Company in pursuance of the authority granted by the Board, having acknowledged the contents of this Annual Report.

By order of the Board of Directors,.
Alliance Finance Co. PLC



Romani de Silva
Deputy Chairman/Managing Director



Kusal Jayawardana
Director Finance & Operations

(Sgd.)

Alliance Management Services (pvt) Ltd.
Secretaries

3rd June 2021

Remuneration Committee Report

Composition of the Committee

The Remuneration Committee (RC) was reconstituted by the Board on 22nd October 2020, consequent to the retirement of its Chairperson upon completing nine years as Non-Executive Director of the Company.

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

April 2020 till 22nd October 2020

Name	
Mrs. R. N. Ponnambalam	Chairperson
Mr. L. J. H. de Silva	Member
Mrs. P. de Silva	Member

From 22nd October 2020

Name	
Mr. L. J. H. de Silva	Chairman
Mrs. G. S. T. Dharmakirti Herath	Member
Mr. D. L. I. Hettiarachchi	Member

The Company Secretaries functioned as the Secretary to the Remuneration Committee.

The Remuneration Committee was formed by the Board in compliance with the Listing rules of the Colombo Stock Exchange and its composition and functions are in conformity with the provisions of the Listing rules.

Meetings

The Committee is required to meet as and when there is a requirement. The Committee met on two occasions during the year under review.

Members of the Corporate Management were invited to participate at the sittings of the Committee Meetings as and when requested by the Chairperson/Chairman considering the matters for deliberation at such meetings.

The proceedings of the Committee meetings were regularly reported to the Board of Directors.

Remuneration Policy

The Committee recognizes rewards as one of the key drivers influencing employee behavior, thereby impacting business results. Therefore, the reward programs are designed to attract, retain and to motivate employees to perform by linking performance to demonstrate performance-based criteria. The Company's variable (bonus) pay plan is determined according to the overall achievements of the Company and pre-agreed individual targets, which are based on various performance parameters. The level of variable pay is set to ensure that individual rewards reflect the performance. The Committee makes appropriate

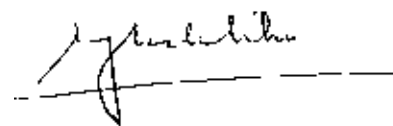
adjustments to the bonus pool in the event of over or under achievements against pre-determined targets in this regard, the Committee can seek external independent professional advice on matters falling within its purview.

Functions

Assist the Board where necessary on setting guidelines and policies to formulate compensation packages, which are attractive, motivating and capable of retaining qualified and experienced Directors/employees in the Company. The Committee recommends to the Board on the compensation of the Managing Director, Executive Directors and when required that of the Key management positions.

Directors Remuneration

The details of the Directors remuneration appear on page No. 230 of the Annual Report.



L. J. H. de Silva
Chairman
Remuneration Committee

13th May 2021

Report of the Board Audit Committee

Composition

The Board Audit Committee (BAC) was reconstituted on 22nd October 2020 necessitated by the retirement of the Independent Non Executive Director Mr. Athula Samarasinghe. Composition of the BAC is as follows comprising of three Independent Directors.

The Company Secretaries function as the Secretary of the Committee.

Meetings

The Board Audit Committee meets on a regular basis to review the Internal Audit Reports and the responses thereto and make recommendations to the Board. In addition the processes and procedural compliance is also reviewed at the meetings. The Committee discusses with the Company's Internal Auditors and External Auditors the overall scope and plans for their respective audits. At regular intervals reviewed the audit plan, its effectiveness and made changes as and when required. Familiarized the changes in the Directions issued by the Central Bank of Sri Lanka and its implications.

This report is provided by the Board Audit Committee in respect of the financial year ended 31st March 2021. Operations of the Committee are stipulated in the Terms of Reference document which was reviewed in the year 2020/21.

Number of audit meetings held during the year and details of attendance

Name	Attendance
Mrs. P. de Silva Chairperson	8/8
Mr. L. J. H. de Silva Member (Appointed 22nd October 2020)	4/4
Mr. A. R. Samarasinghe Member (Retired 22nd October 2020)	4/4
Mrs. G. S.T. Dharmakirti Herath Member (Appointed 22nd October 2020)	4/4

Executive Functions

The Board Audit Committee has executed its duties and responsibilities during the financial year in accordance with its Terms of Reference and in relation to the matters of the Company's internal and external audit processes, financial reporting, risk assessment and internal controls and over financial reporting.

External Auditors and Audit

During the year under review, the Committee amongst other matters, considered the following:-

- Recommended the re-appointment of Baker Tilly Edirisinghe & Company external auditors for the financial year ended 31st March 2022
- Approved the external Auditor's terms of engagement, the audit plan and budgeted the audit fees payable
- Reviewed the audit scope and made recommendations on the audit plan and evaluated the effectiveness of the audit
- Obtained assurance from the Auditors that the independence was not impaired
- No non audit services were provided by the External Auditors
- Apprised the External Auditors on the changes to the Directions issued by the Central Bank of Sri Lanka with regard to external auditors

In respect of Financial Statements

- Examined and reviewed the interim and annual Financial Statements as well as the financial information and disclosures made to the public prior to submission and approval by the Board
- The Committee reviewed methodologies adopted in determining Expected Credit Losses (ECL) and the adequacy of such provisions during the year 2020/2021.
- Ensured that the annual Financial Statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations

and cash flows for the financial year and considered the basis on which the Company and the Group was determined to be a going concern

- Considered the appropriateness of the accounting policies adopted and changes thereto
- Reviewed and discussed the External Auditors' Report and the Management Letter and response there to
- Noted there were no material reports or complaints received concerning the accounting practices, internal audit, internal financial controls, contents of annual Financial Statements and related matters
- Reviewed the recommendation of the First and Final Dividend of the Company in terms of the regulatory requirements

In respect of Internal Control and Internal Audit

- Reviewed and approved the annual internal audit mandate and audit plan and evaluated the independence, effectiveness and performance of the Internal Audit Department and compliance with its mandate and continuously monitored the implementation of the audit plan by periodic reviews. Adopted appropriate measures as and when required on the implementation of the audit plan arising from the disruptions caused by the pandemic
- Periodically sent reports to the Board on the functions of the Board Audit Committee and its recommendations. Reviewed the implementation of the recommendations for continuous improvement on the operations of the Company.
- Reviewed the policies and procedures of the Company and made recommendations for improved performance through revamped controls where necessary
- Considered reports of the Internal and External Auditors on the Group's system of internal control, including internal financial controls and maintenance of

Report of the Board Audit Committee

effective internal control systems

- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to such findings and made recommendations to the Board
- Reviewed significant differences of opinion between the internal audit function and management and noted that there were none
- Assessed the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory considering the conditions in which the Company had to operate due to the pandemic
- Received assurance that proper and adequate accounting records were maintained and that the systems that safeguard the assets had been fulfilled
- Based on the above, the Committee formed the opinion that at the date of this report there were no material concerns on internal control, including internal financial controls, resulting in any material loss to the group

The internal audit function is carried out by an Internal Audit Department and is headed by the AGM Internal Audit who possesses the required experience and expertise and has the required independence and is able to function impartially.

In respect of legal and regulatory requirements, to the extent that they may have an impact on the financial reporting

- Monitored compliance with the Companies Act, Finance Business Act, Directives issued by the Central Bank of Sri Lanka and other relevant

enactments

In respect of risk management and information technology

- Considered and reviewed reports from Management on risk management, including fraud risks and information technology risk in relation to financial reporting and the going concern assessment
- That the controls were adequate to address all significant financial risks
- Considered the expertise, resources and experience of the finance function and the senior members of the Management responsible for this function and concluded that these were appropriate
- Compliance with the Legal and Statutory requirements and concluded that it had been complied with consistently and in a timely manner

Regulatory Compliance

As an ongoing process, the Compliance Officer is tasked with the function and this is audited by the Internal Audit.



Mrs. Priyanthi de Silva
Chairperson
Board Audit Committee

13th May 2021

Related Party Transactions Review Committee Report

Composition

The Reconstituted Related Party Transactions Review Committee (RPTRC) is comprised of Board members and the Chairperson of the Committee is an independent Non-Executive Director and others are Independent Non-Executive Directors too. The Managing Director, Executive Directors and other officers have been invited to the meetings as and when required.

The Committee was reconstituted by the Board on 22nd October 2020 and the composition of the Committee is listed in the table below.

April 2020 till 22nd October 2020	From 22nd October 2020
Mrs. R. N. Ponnambalam Chairperson	Mrs. G. S. T. Dharmakirti-Herath Chairperson
Mrs. P. De Silva Member	Mr. L. J. H. De Silva Member
Mr. L. J. H. De Silva Member	Mr. D. L. I. Hettiarachchi Member

The Company Secretaries function as the Secretary to the Related Party Transactions Review Committee.

Constitution

The Related Party Transactions Review Committee was formed in compliance with the laws and regulations stipulated by the Securities and Exchange Commission, Companies Act, Section 9 of the Listing Rules of the Colombo Stock Exchange and Corporate Governance Direction of the Central Bank of Sri Lanka and the Sri Lanka Accounting Standards. The mandate for the Committee is stipulated in the Related Party Transactions Review Policy and the Terms of Reference. The Related Party Transactions Review policy and Terms of Reference was reviewed in 2020/21 and categories of persons / entities who shall be considered as 'related parties' have been identified. The Committee has apprised the Board of its review on the related party transactions entered into by the Company.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Company in order to ensure that related parties are treated on par with other stakeholders and constituents of the Company. In carrying out the duties of the Committee, it is required to avoid 'conflicts of interest' which may arise in any transaction of the Company with any person particularly with related parties, ensure arms length dealings and adequate transparency is maintained with related parties. Whilst also ensuring adherence to the Corporate Governance Directions which requires the Company to avoid engaging in transactions with related parties in a manner that would grant such parties 'more favourable treatment' than accorded to other constituents of the Company carrying on the same business.

Summary of Responsibilities/ Scope of the Committee

The Committee's key focus is to review all proposed Related Party Transactions prior to the completion of the transaction according to the procedures laid down in the policy which was approved by the Board of Directors. Key responsibilities of the RPTRC are as follows:-

- Evaluate any proposed Related Party Transactions on a quarterly basis or sooner determination if required and ensure that it is conducted on an arms length basis without preferential treatment
- Ensure that the appropriate framework is in place to evaluate for the provision of obtaining of services from related parties
- Review any post quarter confirmations on related party transactions
- Review the related party transactions during the year and convey comments and observations.
- Obtain approval from the Board wherever necessary
- Review the threshold for Related Party Transactions which require either shareholders' approval or immediate market disclosures and the criteria of Key Management Personnel and the related party entering into a transaction with the Company

- Ensure that the transactions are carried out as per the guidelines laid down in the Related Party Transactions Review Policy

Disclosures

- Information relating to all related parties, as extracted as at the end of each quarter, was presented to the RPTRC
- The non-recurrent RPT's value of the year was below the threshold set by the Colombo Stock Exchange
- The aggregate value of the recurrent Related Party Transactions that were recorded were below the threshold set by the Colombo Stock Exchange
- The aggregate value of all RPTs during the year is disclosed in Note No. 51 to the Financial Statements in terms of LKAS 24 – related party transactions
- The Committee confirms that the Company has complied with the requirements of the Code of Best Practice on Related party Transactions and compliance with the Listing Rules in respect of requisite disclosures

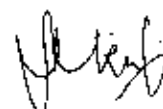
Meetings

The Committee met on four separate occasions to approve and confirm transactions with the related parties.

The Committee reviewed all Related Party Transactions carried out during the year at its meetings and the proceedings of the Committee meetings which also included activities under its Terms of Reference, were regularly reported to the Board of Directors with its comments and observations.

Declaration

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2021.



Mrs. G. S. T. Dharmakirti - Herath
Chairperson
Related Party Transaction Review Committee

13th May 2021

Board Integrated Risk Management Committee Report

Composition

The Board Integrated Risk Management Committee (BIRMC) was reconstituted in October 2020, consequent to the retirement of its Chairman upon completing nine years as an Independent Non-Executive Director of the Company.

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

Mr. Athula R. Samarasinghe

Chairman

(from 01st April 2020 to 22nd October 2020)

Mrs. G. S. T. Dharmakirti Herath

Chairperson

(w.e.f. 22nd October 2020)

Mrs. P. de Silva

Member

Mr. R. K. E. P. de Silva

Member

Mr. J. M. Gunasekera

Member

Mr. W. P. K. Jayawardana

Member

Mr. R. E. Rambukwelle

Member

Mrs. Thamara Rathnayaka

AGM Risk Management & Compliance

The Company Secretaries functioned as the Secretary to the Committee.

Meetings

The Committee held four meetings, on a quarterly basis, during the year under review. The minutes of the BIRMC Meetings were tabled at the Board meetings.

The attendance of Committee members at meetings is stated on page number 91 of this Report.

Charter

The BIRMC was established by the Board of Directors, in compliance with the Section 3 of Direction No.3 of 2008 on the "Corporate Governance for Licensed Finance Companies in Sri Lanka" issued by the Monetary Board of the Central Bank of Sri Lanka. The composition and the scope of work of the Committee is in conformity with the provisions of the Section 3 (6) of the said Direction.

The Board Integrated Risk Management Committee functions within the Terms of Reference which sets out the objectives and responsibilities and it was reviewed by the Board of Directors in 2020/21.

Role and Responsibilities of the BIRMC

- To assess the effectiveness of the Company's risk management framework and ensure that the Company has a comprehensive and prudent risk management framework relative to its business activities, corresponding risk tolerance limits as permitted by the Board and compliance to regulatory and supervisory requirements
- Undertake its review to all business risks on a monthly basis via appropriate Risk indicators presented by the Risk Management Department and submit to the Board risk assessment reports, with appropriate recommendations to mitigate risk as required
- To ensure that the compliance function is in place to assess the Company's compliance with laws, regulations, directions, regulatory guidelines, internal controls and approved policies assisted by the Compliance Officer of the Company
- Review the Business Continuity Plan and recommend to the Board
- Report and recommend to the Board of Directors on Compliance related matters seeking the Board's view and directions

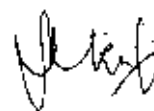
- Take appropriate action against the officers for failure to identify specific risk and take prompt corrective actions as recommended by the Committee
- Review the adequacy and effectiveness of all management level Committees such as Credit Committee and the Asset & Liability Committee to address specific risks and to manage those risks within the quantitative and qualitative risk limits as specified by the Committee
- To work closely with the Board Audit Committee to ensure that any lapses identified in relation to the Company's approved business processes, policies and risk and compliance functions, are discussed and appropriate disciplinary action and / or risk mitigating strategies are recommended to the Board for necessary action

Significant Activities

During the year under review the Committee reviewed its risk management policy framework in the light of the business strategy and changes in the external environment.

The Integrated Risk Management framework and related matters are described in the Risk Management Report on pages 137 to 144 of this Report.

The BIRMC is satisfied that the risk exposure of the Company is being appropriately managed.



Mrs. G. S. T. Dharmakirti Herath
Chairperson
Board Integrated Risk Management Committee

13th May 2021

Report of the Board on Internal Controls

Internal Controls and Responsibility of the Board on Internal Controls could be broadly defined as a process that is implemented by an entity's Board of Directors and Management to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations, systems and controls and the identification and mitigation of risks
2. Reliability of management information and financial reporting
3. Compliance with applicable laws and regulations

The first objective deals with the Company's basic business objectives, including performance and profitability goals and safeguarding of resources by the identification of risks. The second relates to the reliability and management of information and also preparation of reliable published Financial Statements, including interim and annual Financial Statements. The third aspect deals with complying with those laws and regulations which are applicable to the Company. The three areas although intrinsically different, overlap in certain categories but address different needs.

The Board of Directors is responsible for the structuring and effectiveness of the internal controls and also the continuous reviewing and revamping of the existing systems and controls.

The Company has a structured, proactive risk management system. A risk and control framework has been developed, based on good governance principles and is dealt with in greater detail in the Annual Report. This framework focuses on material strategic, operational, compliance and financial reporting risks. Using this

framework, the business units go through a systematic process of identifying and evaluating risks and controls and, where necessary, improve the way in which risks are managed. The above processes make the risks and the areas requiring improvement in the internal control systems transparent.

Process of evaluation

The Board has an established process by which the effectiveness of the risk management and internal control systems are reviewed. This process enables the Board and its committees to consider the systems of risk management and internal controls being operated for managing significant risks, including strategic, safety, operational, compliance and control risks, throughout the year.

Financial Statements of the Group are in compliance with prudential requirements, regulations and laws.

In considering the systems, the Board noted that such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute, assurance against material misstatement or loss.

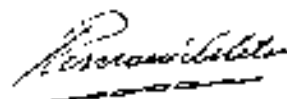
During the year, the Board through its Committee regularly reviewed the executive management processes whereby risks are identified, evaluated and managed.

External Auditors' Statement

The External Auditors, Messrs Baker Tilly Edirisinghe and Company has reviewed the above Directors' Statement on internal control for the year ended 31st March 2021 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with the understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system over the financial reporting of the Company.



Priyanthi de Silva
Chairperson
Audit Committee



Romani de Silva
Deputy Chairman and Managing Director

13th May 2021

Directors' Responsibility for Financial Reporting

The following statement sets out the responsibilities of the Directors in relation to the preparation and presentation of the Financial Statements of the Company as per Sections 148 (1), 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007.

Accordingly, the Directors confirm that the Company's Financial Statements for the year ended 31st March 2021 are prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the regulations and Directions of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and the Finance Business Act No. 42 of 2011. They believe that the Financial Statements present a true and fair view of the state of affairs of the Company at the end of the financial year.

The Directors also accept the responsibility for the integrity and accuracy of the Financial Statements presented and confirm that appropriate accounting policies have been selected and applied consistently and reasonable and prudent judgment has been exercised so as to accurately report transactions.

The Directors have taken reasonable steps to ensure that the Company maintains adequate general supervision, control and administration of the affairs and business of the Company to safeguard the assets of the Company, to prevent, deter and detect fraud, to ensure the integrity, accuracy and safeguarding of operational and financial records.

The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company as at the date of the Statement of Financial Position has been paid for, or where relevant, provided for.

The Directors also wish to confirm that as required under Sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, they have prepared this Annual Report in time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time as required by Rule No.7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

The External Auditors, Messrs Baker Tilly Edirisinghe & Company were provided with the opportunity to make appropriate inspections of financial records, minutes of Shareholders' and Directors' meetings and other documents and carry out review and sample check on the system of internal controls as they consider appropriate and necessary to enable them to form an opinion of the Financial Statements. The Report of the Auditors is set out on page 146 to 149.

By order of the Board
Alliance Finance Co. PLC

(Sgd.)
Alliance Management Services (Pvt) Ltd.
Secretaries

13th May 2021

Risk Management Report

Risk Environment

During the year under review, financial sector experienced challenging domestic and global market circumstances posed by the COVID-19 pandemic, which resulted in lockdowns that disrupted business operations to a larger extent. Tourism, hospitality and transport sector were affected at large and household income reduced significantly. To revive the economy, moratorium concessions were proposed by the regulator and in addition, AFC too offered alternative concessions to customers who faced severe hardships stemming from the pandemic. Further, the ban on import of motor vehicles caused decline in demand for credit facilities and as a result second hand vehicle prices increased which caused additional threat to the industry. Due to the spillover effects of pandemic, GDP contracted by 3.6%. The slowdown in the economic activities, loss of investor confidence and reduced lending opportunities caused the increase in the NPL ratios, decline in loans and advances and deposits. To curtail the increase in NPLs and provisions, credit screening was tightened. Regulatory actions taken for few LFCs that were not compliant with the prudential limits in Capital adequacy, liquidity ratios, and core capital and risk and governance issues brought negative sentiments in the minds of general public in placing deposits with the NBFIs sector. The regulator adopted an accommodative monetary policy and the policy interest rates were reduced five times by a total of 250 basis points. CBSL reduced the statutory liquid assets ratio and statutory reserve ratios which increased the liquidity in the banking sector. Therefore, adequate liquidity was available in the market throughout the year. Even in this volatile environment, the industry maintained the capital and liquidity ratios above the minimum regulatory requirement.

Risk Management Strategy

AFC's Risk management strategy aims to manage the risks of the Company in a proactive manner while taking a calculated risk that will allow greater benefits to the Company as we pursue our identified growth opportunities. We take a holistic and forward-looking view of the risks we face, continuously assessing our existing risk universe, while constantly keeping tabs on emerging risks. This approach, we believe is critical to our long-term sustainability, enabling us to deliver what matters most to our customers while balancing our obligations to our other stakeholders, thereby protecting the Company's legitimacy and reputation.

Objectives of Risk Management

- To assist in decisions relating to accepting, avoiding, transferring and mitigating risks and recommending remedial actions
- To evaluate the risk profile against the approved risk appetite on continuing basis
- To estimate possible losses that could arise from risk exposures assumed
- To periodically conduct stress testing to confirm that the Company holds appropriate buffers of capital and liquidity to meet unexpected losses and honor contractual obligation even under stress scenarios
- To integrate risk management with strategy development and implementation
- To instill and maintain a strong risk culture within the Company

Risk Management Framework

Our comprehensive risk management framework and clear risk appetite, which describes the risk tolerance levels, ensures a consistent approach to manage risk

across the Company. We regularly assess and enhance our risk management framework to ensure that it is fit-for-purpose and that we have adequate capacity to manage risks in unpredictable operating environments.

Risk Appetite

Risk appetite is the level and type of risk the Company is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. The Board regularly reviews the Company's Risk Appetite in response to changes in our operating environment, while in specific situations it is reviewed more often in order to guide decision making in relation to our exposures and capital allocation towards specific customers and sectors. The decisions are documented and clearly articulated comprehensively to those who are responsible for managing risk.

Risk Culture

Risk culture of AFC determines the effectiveness of the management of the risks of the Company. AFC has nurtured a culture led by the management in setting the risk management tone of the Company to manage risks proactively. In recent years, we have made focused efforts to strengthen the risk culture by improving risk awareness, by means of embedding the principles in Company's values and norms, extensive training programs to staff and adopting scientific risk assessment methodology.

Stress Testing

Stress testing is an integral part of the Company's risk management framework, which assesses the vulnerability and movements in key financial variables, which could impact the Company's profitability, liquidity and capital adequacy and results are designed to indicate the resilience of the Company to face potential and future risks.

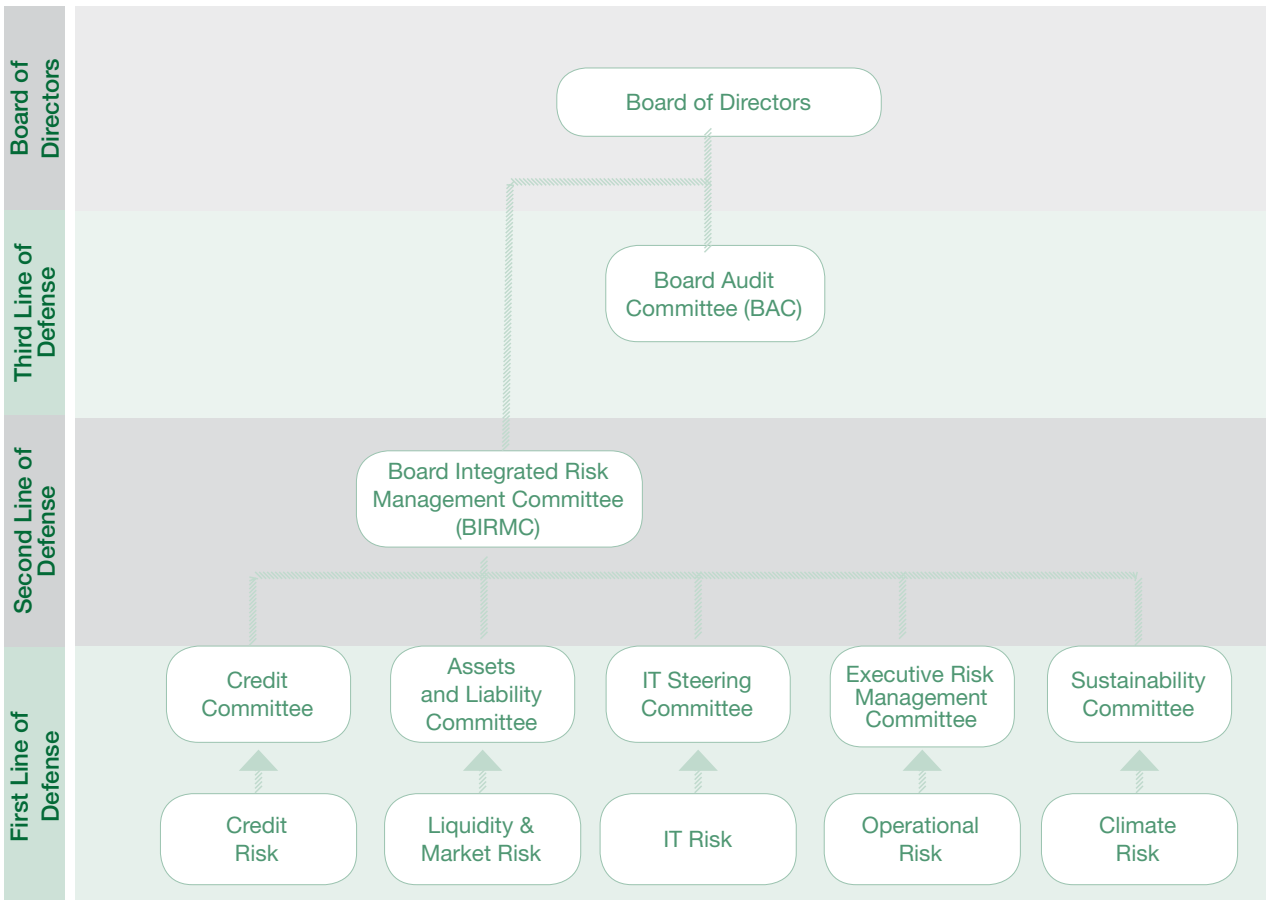
Risk Management Report

Risk Governance

With the purpose of establishing a robust risk management system, the Company has adopted a governance framework with three lines of defense to replicate clear accountability for risk management, oversight and independence assurance within the Company. The AFC Board of Directors holds apex responsibility for risk management and sets the tone at the top for the effective management of risks. In discharging its risk-related responsibilities, it is supported by two key committees namely the Board Integrated

Risk Management Committee (BIRMC) and the Board Audit Committee (BAC). The BIRMC is supported by executive level committees, credit committee, Assets and Liability Committee, IT steering committee. The risk Structure is based on the three lines of defense and aims to drive accountability and ownership while facilitating an appropriate level of independence and segregation of duties.

Risk Governance Framework



Credit Risk

Credit risk is potential financial losses due to failure of customers or counterparties to discharge the contractual obligations. Total Credit risk constitute default risk and concentration risk. The objective of the credit risk management is to safeguard the asset quality.

NBFI sector performance deteriorated during the year, with negative credit growth and high NPLs. Gross NPL ratios increased from 10.6% to 13.9% and net NPL ratio increased from 3.4% to 4.2% from 2019 to 2020. Given the magnitude of the issue, AFC identified Credit Cost to be the largest risk component, and provided a high concentration on managing and mitigating the impact of rising credit cost.

Actions for the year

- Large loan facilities subjected to independent pre sanction credit risk review process to assess the financial and commercial viability of loan proposals and to ensure compliance to the Credit Policy Framework.
- Post sanction review carried out on a sample basis and based on the findings credit delegation criteria and levels adjusted.
- Risk appetite levels are reviewed and revised.
- Informed management on possible risk arising from impacts of COVID-19.
- Concessionary & affordable payment terms were offered to customers affected from COVID-19.
- Regulatory moratorium concessions provided for eligible borrowers.

Credit Risk Governance

Board of Directors is responsible for providing oversight for the appropriate credit risk management strategy. Governance of Credit Risk comes under the purview BIRMC through the Credit Committee, where discussions and actions are being primarily focused on proactive review of credit quality and trends where diagnostic planning of actions are taken place. Alternatively, the development of the external environment is being discussed at large to ensure proactive decision making regarding minimizing the credit risk of the AFC. The credit risk policy of the Company is reviewed and revised annually with the approval of the Board of AFC.

As a financial services institution, the effective management of Credit Risk enables the Company to maintain a well-diversified portfolio that has the capacity to maximize returns and achieve an optimal risk-reward pay-off and thereby ensure our business achieves its strategic purpose. Furthermore, proper Credit Risk Management helps to minimize nonperforming loans and safeguards portfolio quality.

Default Risk

Default Risk is the risk of potential financial loss resulting from the failure of customer or the counterparty to meet their debt or contractual obligation.

The management of default risk is a team effort of the central recoveries unit, recovery call center and recovery teams based in branches.

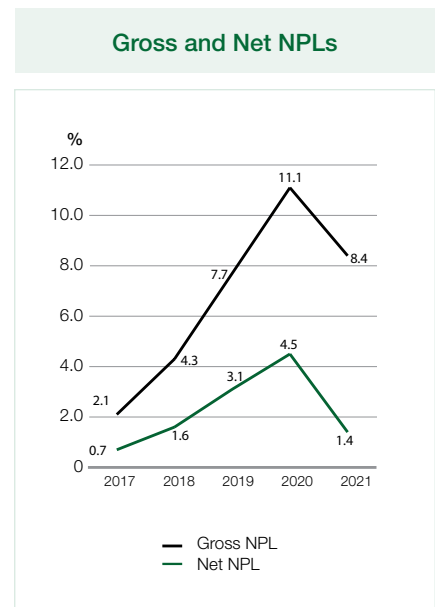
Actions for the year

- As per the Company’s policy, routine customer reminders are sent to all customers, while a strict monitoring procedures are in place to maintain proactive follow up of collections.

- Early warning signals are monitored centrally, along with a watch listing procedures to control new entrants to the non-performing loan baskets.
- The monthly plan of recovery takes place in the monthly meeting with the recovery team of AFC, along with the action plan for non-achievements of previous month.
- Strengthen collection and monitoring mechanisms while curtailing lending to relatively risky segments of the market.
- Stringent KPI's were assigned to ensure the focus on timely recoveries.

Assessment

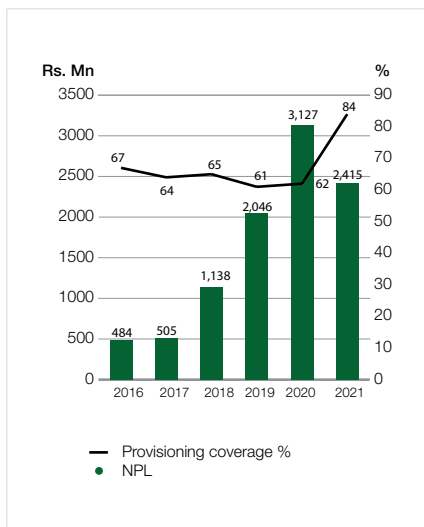
Non-performing loans ratio is monitored on a regular basis at different delegated levels for different product categories. In addition, company’s NPL ratio is compared with peers and industry for benchmarking.



End of the financial year, AFC’s gross NPL ratio and net NPL ratio stand at 8.4% and 1.4% respectively. Gross NPL ratio of the company below the industry average of 13.9% for the year ended 2020.

Risk Management Report

Provisioning Coverage Ratio



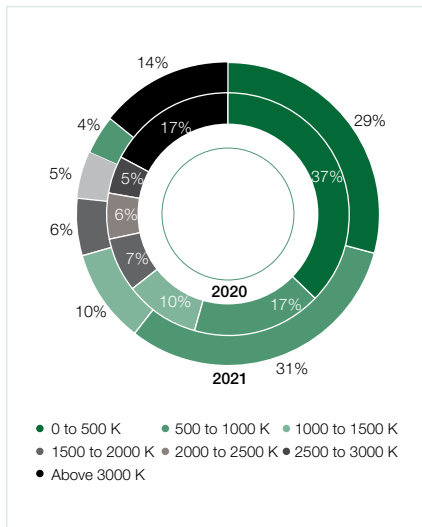
Provisioning coverage ratio of the company remain at 84% compared to industry average of 58.9% recorded for end of 2020.

Concentration Risk

Concentration risk is the uneven distribution of the company’s loans and advances amongst the borrowers, products, regions or collaterals. This arises due to lack of diversification of the portfolio.

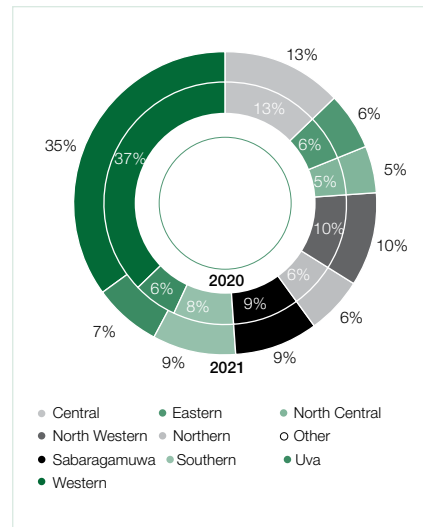
AFC takes action to mitigate Concentration Risk at a portfolio level as well as at product level. Accordingly, to reduce the over dependence on a single business, we maintain a healthy portfolio spread across all our businesses. Among each business unit a strong emphasis is placed on product diversification that would support our efforts to minimize the reliance on a single source.

Exposure on borrowers



Concentration on borrowers managed by investing in small tickets

Geographical distribution of the portfolio



Geographical concentration managed by expanding branch network outside the Western province

Actions for the Year

- AFC Credit Committee reviewed the product mix and carried out revisions on a regular basis to mitigate the risk due to regular market changes and regulatory requirements.
- Adherence to clearly articulated policies and procedures
- Developing policies and procedures for proven and potential deficient areas
- Setting clear authorization structure for approval and renewal of credit facilities
- Independently review the different type of significant portfolios
- Limiting exposure to counterparties and products

Market Risk

Market risk is the risk of loss in on and off-balance sheet position arising from movement in market variables or risk of loss resulting from reduction in value or earnings due to changes in market variables.

AFC’s key market risk consists of Interest rate risk, exchange rate risk, equity price risk and commodity price risk arising from fluctuations of gold prices.

Market Risk Governance

The Board remains the ultimate authority in charge of determining the Company’s Market Risk Management policy, while AFC’s Asset and Liability Committee (ALCO) responsible for

monitoring market risk, reviewing risks and periodic reporting, setting limits and guidelines, and formulating and implementing plans regarding market risk management in line with the Board approved guidelines.

Interest Rate Risk

Interest rate risk is the potential for changes in rates to reduce the Company's earnings or value. Continuous volatility in market interest rate affects the Company's net interest income and net interest margin.

Regulator reduced the maximum interest rates of deposits and debt instruments to reduce the interest rates on lending. As a result, interest bearing assets and liabilities reported negative gap position. Hence, interest rate risk was managed effectively through proactive monitoring of interest rate trends and maturity mismatches and timely repricing decisions.

Actions for the year

- Maintained the balance between fixed and floating rate funding arrangement.
- ALCO closely monitored the interest rate movements and issues directions to lending and borrowing units on interest rate strategies.
- Making timely adjustment in the composition of the funding.

Assessment

Interest rate risk is managed principally through minimizing interest rate sensitive asset and liability gaps. In order to manage interest rate risk, interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly. AFC uses sensitivity analysis, stress testing and scenario analysis to monitor the impact of various forms of interest rate risk.

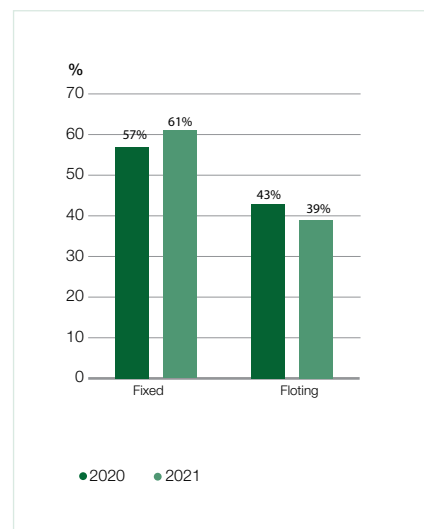
Maturity Gap of Rate Sensitive Assets and Liabilities (Rs. Mn)

Maturity bucket	0 to 3 month	3 to 6 month	6 to 12 month	1 to 3 year	Over 3 year
Assets	7,366	2,781	5,273	10,796	3,279
Liabilities	7,236	4,374	5,798	7,898	824
Gap	129	(1,592)	(525)	2,897	2,454
CGAP	129	(1,462)	(1,988)	909	3,364

Analysis of impact on net interest income due to re-pricing of assets and liabilities

Magnitude of impact	2020	2021
	Increased / (Decreased) Rs. Mn	Increased / (Decreased) Rs. Mn
1%	48.82/ (48.82)	62.30/ (62.30)
2%	97.63/ (97.63)	124.59/ (124.59)
3%	146.45/ (146.45)	185.89/ (186.89)

AFC Borrowings Fixed and Floating Mix



Variable rate borrowings reduced from 43% to 39% from 2020 to 2021. Respectively fixed rate borrowings has increased from 57% to 61% from 2020 to 2021.

Evaluation of net interest position and analysis of various interest rate scenarios are carried out in order to assess the interest rate risk faced by the Company. Regular monitoring of trends in the economy in general and interest rates in particular are carried out with a view towards limiting any potential adverse impact on the Company's earning. Making timely adjustments to the proportion of the fixed rate borrowing in the funding mix is also being done.

Foreign exchange risk

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local (LKR) exchange rate with other major currencies.

Foreign exchange risk arises due to exposure to foreign currency resulting from transaction and translation exposure. AFC has borrowed from foreign lenders, therefore AFC exposed to exchange rate risk.

Risk Management Report

Sri Lankan rupee continued to show a depreciating trend against the US dollar throughout the year of 2020/21 due to consecutive sovereign rate downgrades by global rating agencies. In order to mitigate the effect, government imposed restrictions on non-essential imports and selected outward remittances.

Managing Exchange Rate Risk

In parallel to the increase in the Company's foreign currency borrowings, the AFC continued to engage in proactive currency FX swaps as part of its hedging strategy aimed at reducing the exposure to exchange rate fluctuations. These actions helped safeguard the Company's repayment capacity of foreign borrowings.

Commodity Price Risk

Commodity price risk refers to the uncertainties of future market values and of the size of the future income caused by the fluctuation in the prices of commodities.

AFC engaged in gold loan business. Gold price risk could arise from either of adverse movement in the local and international gold prices or exchange rates. The Gold Loan business reflects the 11% of the total loan portfolio; given the significance of the gold loan business to the company's overall lending position, fluctuation in gold price could have an adverse impact on earnings.

During the year under review world gold prices shows strong upward movement and it provided an opportunity to bolster the Company's Gold Loan business.

Managing Gold Price Risk

- Concentrates on shorter term products to initiate its recovery process faster
- Frequent revision to the advance offered per gold sovereign: the company practices a process of

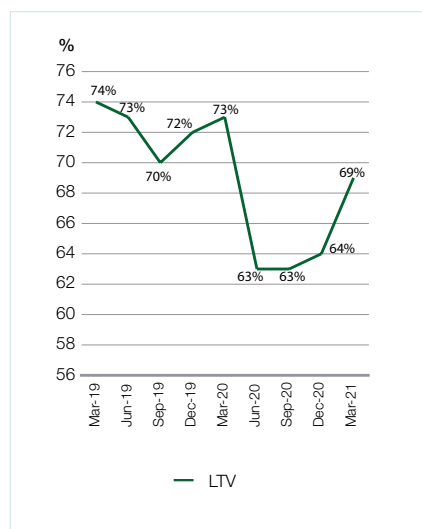
revisiting advances offered per sovereign to reflect market value fluctuation to maintain the desired LTV

- Conducting timely auctions of unredeemed gold loan articles
- Review and update gold loan policy manual to mitigate possible operational risk.
- Hedging the international gold price volatility
- More stringent recovery process

Assessment of commodity risk

In order to measure the commodity risk, AFC uses Value at risk model (Var), it measures the probable loss at different confidence levels. In addition, daily gold price movements are measured and proactive pricing decisions are taken.

Gold loan LTV Ratio



Gold loan LTV maintained with respect to changes in gold price.

Equity risk

Equity risk refers to the impact on AFC's equity portfolio due to adverse movement in stock market prices.

AFC's exposure to equity risk is minimal. In order to mitigate the risk, AFC maintained the equity portfolio at the market price. Value at Risk model used to measure the probable risk of the equity portfolio.

Liquidity Risk

Liquidity risk is the Company's inability to meet financial obligations as they fall due, without incurring unacceptable losses.

Liquidity Risk arises as a result of the maturity mismatch between assets and liabilities portfolio. The company's primary objective in the liquidity management is to ensure adequate funding for its businesses throughout market cycles even in periods of financial distress. To achieve this objective, the company regularly monitors liquidity position and maintains an adequate buffer of liquid assets. Further, it ensures the availability of stock of unencumbered high quality liquid assets to meet both expected and unexpected cash flows.

The Company's efforts to canvass long term foreign funding while maintaining a 50:50 ratio between deposit borrowing and bank borrowing throughout the year. This strategy would help the Company to successfully bridge the maturity mismatch and thereby maintain a consistently low liquidity risk profile.

Actions for the year

- The Company maintained statutory liquidity ratio well above the regulatory limit.
- Daily liquidity is monitored and stress scenarios covering various market conditions.

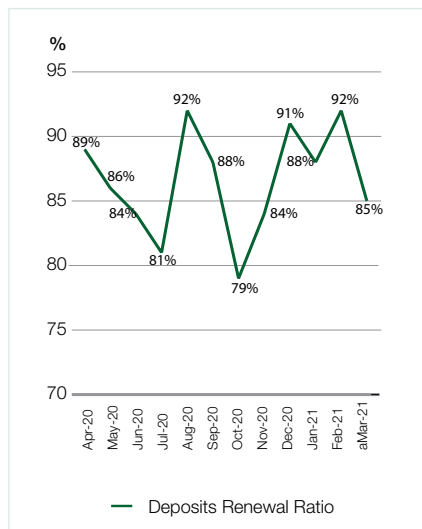
- Strengthened the contingency funding arrangements using standby facilities.
- Regular ALCO meetings were held and the Committee monitors the liquidity position of the Company and liquidity management.
- ALCO reviewed the overall liquidity position as shown by the weekly liquidity report.
- Maintained the deposit renewal ratio above the internal threshold of 80%.
- Continuous analysis and monitoring of liquidity positions and maintained an adequate buffer of liquid assets.
- Promoting long tenor borrowings
- Maintaining close relationship with lenders
- Maintaining the maturity GAP at prudent level

Assessment of Liquidity Risk

Contractual Gap Analysis (Rs. Mn)

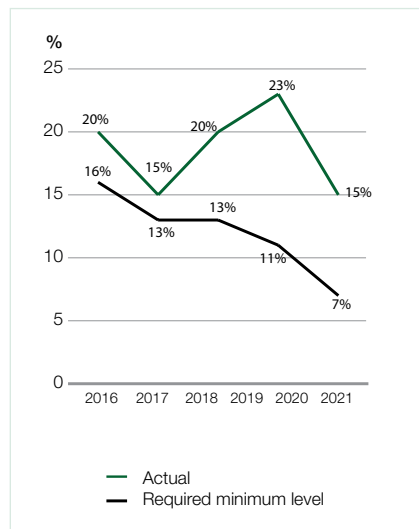
Maturity bucket	0 to 3 month	3 to 6 month	6 to 12 month	1 to 3 year	Over 3 year
Assets	8,502.26	3,095.91	5,342.01	11,127.33	6,048.55
Liabilities	8,226.40	4,787.30	5,800.68	8,669.03	8,669.03
Gap	275.86	(1,691.39)	(458.66)	2,458.30	5,223.68
CGAP	275.86	(1,415.53)	(1,874.20)	584.10	5,807.78

Deposit renewal ratio



Deposits renewal ratio is maintained at healthy level even in the recession period. Which range from 79% to 92%.

Statutory liquid assets ratio



In order to meet the imagining liquidity requirements at recession period liquidity buffer is maintained.

Operational Risk

Operational risk is defined as risk of loss resulting from failed or inadequate process, systems and people or external event.

The primary responsibility for achieving the organizational objectives and management of the operational risk assigned to the respective business unit where the risk is originated.

The AFC manage its operational risk through policies, procedures, comprehensive business continuity plan, disaster recovery plan and creating culture of risk awareness. Internal audit function ensures the effectiveness of internal control mechanisms adopted by the operational departments. The pandemic has added new dimension to operational risk with the need to manage health and safety of our employees and customers.

Actions for the year

- Strengthen and the incident reporting and monitoring process. Incident monitoring process covering root cause analysis and review of control effectiveness and proposed actions to prevent or mitigate the recurrence.
- Risk and control self-assessment (RCSA) is performed annually by all key business units to determine the inherent risk associated with their respective business processes. Material findings are further evaluated and serve as a basis for corrective action which may form a structural changes, process improvement and new policy implementation.
- Reviewed disaster recovery plan and business continuity plan.
- Conducted periodic internal audits.
- Formulated policies and procedures.
- High level of awareness given to employees on health precautions.

Risk Management Report

Business continuity management system

The (BCMS) framework of the AFC encompasses business continuity, disaster recovery, crisis management, incident reporting, emergency management and contingency planning activities. These activities will ensure that AFC's is committed to serve its customers, employees, shareholders and suppliers with minimum business interruption in the event of an unforeseen destruction to its business activities arising from man-made, natural disaster or technical failure. AFC has obtained the BCMS accreditation through DNVGL.

Actions for the year

- BCMS framework introduced to branch operations.
- Periodical audit conducted by the DNVGL and renewed the certification.

IT Risk

IT risk is the business risk associated with use, ownership, operation, involvement, influence and adaptation of IT system within the organization. IT risk is a major component of operational risk comprising inherent risks as system interruption, errors, frauds through the system manipulation, cyber-attacks, obsolesces in application and falling behind competitors concerning the technology that could potentially affect the continuation of business operations.

Actions for the year

- Conducted IT security vulnerability assessment through professional IT security firm.
- Conducted periodic internal audits.
- Review the IT security policy.
- Introduced data security systems and gateways.
- Enhance the polices on access controls.

Legal risk

Legal risk is defined as exposure to fines, penalties or punitive damage resulting from regulatory action or cost of private settlement.

Legal risk is managed by ensuring applicable regulations are fully taken into consideration in all relation and contract with institution and individual who maintains business relationship with the Company.

Strategic Risk

Strategic risk is the risk that affects or are created by companies' business strategy and strategic objectives.

The strategic risk manage through a board approved strategic plan reviewed annually to outline the future direction of the company through a set of long term high impact goals, objectives and priorities along with the actions needed to achieve them in line with company's overall vision.

Actions for the year

- Monthly reviewed the branch profitability and corrective actions are taken.
- Prepared roll over budgets to address impacts of COVID-19.
- Quarterly reviewed strategic plan.

Reputational Risk

The risk of potential or actual damage to the Company's image which may have a detrimental impact on the profitability and/or sustainability of the business.

Capital adequacy ratio

As at 31st March	2021		2020	
	Regulatory Limit	Actual	Regulatory Limit	Actual
Core capital ratio %	6.50	11.38	6.50	9.86
Total capital ratio %	10.50	14.00	10.50	12.97
Capital funds to deposit ratio %	10.00	38.00	10.00	30.76

Actions for the year

- The Company continued to strengthen relationships through open and transparent communications with all stakeholders.

Capital Risk

Capital risk is the risk that the Company has insufficient capital resources to meet minimum regulatory requirements and to support credit rating, growth and strategic options of the Company.

The main objective of capital is to withstand unexpected loss. For a financial institution capital is a buffer which could be utilized to absorb unseen losses which asserts the company's ability to continue its operation for foreseeable future.

The company's capital management process is steered with the aim of holding sufficient capital to support company's risk appetite while adhering to regulatory requirement.

Actions for the year

- Capital augmentation plan is prepared

Assessment of Capital Risk

Capital Adequacy Ratio (CAR) is the key indicator which measures the financial strength of a financial institution, expressed as a ratio of its capital to its risk weighted assets. A higher capital adequacy ratio indicates that the Company is able to handle losses and fulfill its obligations to account holders without ceasing operations. This ratio is used as an indicator to protect depositors and promote the stability and efficiency of a financial system. Due to the pandemic, CBSL deferred the increase in CAR of LFCs by one year.

The graphic consists of three concentric circles. The outermost circle is light green, the middle circle is a slightly darker shade of green, and the innermost circle is a very light, almost white, color. The text 'Financial Reports' is centered within these circles.

Financial Reports

Independent Auditors' Report



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TO THE SHAREHOLDERS OF ALLIANCE FINANCE COMPANY PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Alliance Finance Company PLC (the "Company") and the Consolidated Financial Statements of the Company and its Subsidiary (the "Group"), which comprise the Statements of financial position as at 31 March 2021 and the Statements of profit or loss, Statements of other comprehensive income, Statements of changes in equity and Statements of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group 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 our audit of the Financial Statements of the current period. These matters were addressed in the context of our 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, we have provided a description of how our audit procedures addressed the matter in that context.

Partners: P.P. Edirisinghe FCA ACIM MBA Ms. M.K.K. Karunaratne FCA ACMA P.K.A.M. Alahakoon ACA MAAT
S.A. Harischandra FCA ACMA CGMA MBA Bcom (Sp.)
Consultants: A.T.P. Edirisinghe FCA FCMA (UK) A.D. Jayasena FCA

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EDIRISINGHE & CO.
Chartered Accountants

Key audit matter	How our audit procedures addressed the key audit matter
<p>Impairment charges for loans and advances, lease rental receivables hire purchase rental receivables</p> <p>The accounting policy relating to provisioning of impairment for loans and advances, lease rental receivables hire purchase rental receivables is described in note 4.5.7, the detail relating to impairment charges for the year ended 31 March 2021 is included in note 11 and details of provisions carried at 31 March 2021 are included in note 23, 24 and 25.</p> <p>The assessment of impairment requires significant judgment by the Company and Group and may have a significant impact on the Financial Statements. Given the subjectivity and reliance on estimates and judgments inherent in the determination of the provision for impairment and historical issues in relation to classifying of loans as non-performing advances (NPAs) and insufficient provisioning, we determined this to be a matter of most significance to our audit.</p> <p>Impairment allowances represent management's best estimate of the losses incurred within the loan portfolios at the reporting date. They are calculated on a collective basis for portfolios of loans of a similar nature (the collective impairment model) and on an individual basis for significant loans (individual impairment model). Both models used by the company utilize arrears as the primary impairment trigger; however, there is a risk that other impairment triggers are not identified on a timely basis.</p> <p>For the collective impairment model, impairment is calculated on a modeled basis for portfolios of loans and advances. This is because loans and advances considered under this model comprise of large numbers of accounts with relatively small individual balances. The key assumptions and judgments made by the Company underlie the calculation of impairment. Key assumptions and judgments include the calculation of the average loss percentage once a loan is identified as default.</p>	<p>We assessed whether the Company and the Group's impairment computations and underlying methodology align to the requirements of SLFRS 9 with consideration of COVID-19 impacts and related responses from industry, the regulator and CA Sri Lanka based on the best available information up to the date of our report. Our audit procedure was designed to obtain sufficient and appropriate audit evidence, included amongst others the following.</p> <ul style="list-style-type: none"> • Evaluated design, implementation and operating effectiveness of controls over estimation of impairment of loans and receivables, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Management. • We checked the completeness and accuracy of underlying data used in the computations. <p>In additional to above following procedure we performed.</p> <p>For individual impairment</p> <ul style="list-style-type: none"> • We tested control over the timely identification of potentially impaired loans and receivables. • We tested the sample of loans and receivables to ascertain whether the loss event (the point at which impairment is recognized) had been identified in a timely manner. • We assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rate and the valuation of collateral held. We also compared the actual recoveries against previously estimated amounts of future recoveries. • Evaluated the associated reasonability of the provisions made with particular focus on the impact of COVID-19 on high-risk industries, strategic responsive actions taken, collateral values, and the value and timing of recoveries.

Independent Auditors' Report

EDIRISINGHE & CO.
Chartered Accountants

Key audit matter	How our audit procedures addressed the key audit matter
	<p>For Collective impairment</p> <ul style="list-style-type: none"> Assess the completeness of the underlying information in loans and advances used in the impairment calculations by agreeing details to the Company's sources of documents and information as well as re-performing the calculation of impairment allowance. Assess reasonableness of macro-economic and other factors used by management in their judgmental overlays. Assessing the reasonability of the basis for and data used by Management to determine overlays in consideration of the probable effects of the COVID -19 pandemic. <p>We assessed the adequacy of the related Financial Statement disclosures set out in notes 2.12.3, 4.5.7, 11, 23, 24 and 25.</p>

Other information

Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the Financial Statements and our Auditors' Report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we

are required to report that fact, We have nothing to report in this regard.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are 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 the Directors determine 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, the Directors are responsible for assessing the Group'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 the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibility for the Audit of the Financial Statements

The Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

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 auditors' 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 SLAuS 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.

EDIRISINGHE & CO.
Chartered Accountants

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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 auditors' 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 auditors' report is 3337.



Edirisinghe & Co.,
Chartered Accountants

Colombo
13- May -2021

Statement of Profit or Loss

	Notes	Company		Group	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
Gross Income	6	7,799,463,274	7,679,217,661	7,863,173,738	7,738,764,376
Interest income		7,172,427,543	7,212,017,278	7,175,165,275	7,214,750,962
Interest expenses		(2,912,756,756)	(3,321,169,317)	(2,912,756,756)	(3,321,169,317)
Net Interest Income	7	4,259,670,787	3,890,847,961	4,262,408,519	3,893,581,645
Fee and commission income		191,518,532	180,002,654	252,491,264	236,811,281
Fee and commission expenses		(272,347,232)	(178,059,341)	(272,354,366)	(178,073,741)
Net Fee and Commission Income	8	(80,828,700)	1,943,313	(19,863,102)	58,737,540
Net gain/(loss) from trading	9	17,262,743	49,512,493	17,262,743	49,512,493
Other operating income (net)	10	418,254,456	237,685,236	418,254,456	237,689,640
Total Operating Income		4,614,359,286	4,179,989,003	4,678,062,616	4,239,521,318
Impairment charges for loans and other losses	11	(752,126,049)	(1,112,357,328)	(752,126,049)	(1,112,357,328)
Net Operating Income		3,862,233,237	3,067,631,675	3,925,936,567	3,127,163,990
Operating Expenses					
Personnel expenses	12	(923,854,826)	(821,722,767)	(934,266,544)	(831,086,789)
Other operating expenses	13	(1,204,412,964)	(1,283,645,436)	(1,211,268,151)	(1,290,134,774)
Depreciation and amortization	14	(132,270,692)	(131,646,655)	(132,376,288)	(131,782,247)
Total operating expenses		(2,260,538,482)	(2,237,014,858)	(2,277,910,983)	(2,253,003,810)
Operating Profit before Taxes on Financial Services		1,601,694,755	830,616,817	1,648,025,584	874,160,180
Taxes on financial services	15	(307,871,498)	(296,140,836)	(307,871,498)	(296,140,836)
Operating Profit after Taxes on Financial Services		1,293,823,257	534,475,981	1,340,154,086	578,019,344
Share of profit/(loss) from associate		2,129,344	(2,842,382)	2,129,344	(2,842,382)
Profit before Taxation from Operations		1,295,952,601	531,633,599	1,342,283,430	575,176,962
Provision for income taxation	16	(735,062,807)	(323,000,000)	(746,181,731)	(334,797,494)
Profit for the year		560,889,794	208,633,599	596,101,699	240,379,468
Profit attributable to :					
Equity holders of the company		560,889,794	208,633,599	583,404,287	228,931,908
Non controlling interest		-	-	12,697,411	11,447,561
Profit for the year		560,889,794	208,633,599	596,101,699	240,379,468
Basic Earnings Per Share	17	16.65	6.19	17.31	6.79
Dividend Per Share	18	-	-	-	-

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 158 to 244 form an integral part of these Financial Statements.

Statement of Comprehensive Income

	Notes	Company		Group	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
Profit for the year		560,889,794	208,633,599	596,101,699	240,379,468
Other Comprehensive Income					
Other Comprehensive Income not to be Reclassified to Profit or Loss					
Actuarial gains /(losses) on defined benefit plans	42	(25,068,189)	12,086,651	(25,070,165)	12,076,162
Deferred tax effect on above		6,016,365	(2,900,796)	6,016,365	(2,900,796)
		(19,051,824)	9,185,855	(19,053,800)	9,175,366
Surplus from revaluation of property, plant & equipment	33	707,379,021	-	707,379,021	-
Deferred tax effect on land		(153,209,514)	-	(153,209,514)	-
Deferred tax effect on building		(16,561,451)	-	(16,561,451)	-
		537,608,056	-	537,608,056	-
Equity investments at FVOCI - net change in fair value		123,996,645	(61,455,160)	123,996,645	(61,455,160)
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		642,552,878	(52,269,305)	642,550,902	(52,279,794)
Total Comprehensive Income for the year		1,203,442,672	156,364,294	1,238,652,601	188,099,674
Attributable to:					
Equity holders of the company		1,203,442,672	156,364,294	1,225,955,189	176,295,289
Non controlling interest		-	-	12,697,411	11,804,386
Total Comprehensive Income for the year		1,203,442,672	156,364,294	1,238,652,601	188,099,675

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 158 to 244 form an integral part of these Financial Statements.

Statement of Financial Position

	Notes	Company		Group	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	21	587,405,947	986,553,659	637,840,499	1,027,324,614
Repurchase agreements		400,203,715	350,388,985	400,203,715	350,388,985
Placements with banks & financial institutions		793,564,909	915,617,034	793,564,909	915,617,034
Financial assets recognised through profit or loss	22	1,177,459,993	1,550,282,902	1,177,459,993	1,550,282,902
Loans and advances - at amortised cost	23	6,630,287,692	6,184,304,979	6,630,437,142	6,184,454,429
Lease rentals receivable & stock out on hire - at amortised cost	24	19,978,211,851	20,055,543,842	19,978,211,851	20,055,543,842
Hire purchase rentals receivable & stock out on hire - at amortised cost	25	5,542,117	4,527,976	5,542,117	4,527,976
Financial assets- fair value through other comprehensive income	26	203,724,802	137,940,332	203,724,802	137,940,332
Other trading stocks	27	279,566,570	207,388,189	279,566,570	207,388,189
Other financial assets	28	489,616,233	459,367,873	560,626,424	535,032,270
Other non financial assets	29	163,285,409	176,524,163	163,760,732	176,999,477
Investments in associates	30	47,756,062	45,626,718	96,563,532	94,434,188
Investments in subsidiaries	31	16,924,038	16,924,038	-	-
Investment property	32	574,254,000	549,000,000	574,254,000	549,000,000
Property, plant & equipment	33	2,377,684,658	1,694,020,530	2,377,956,161	1,694,141,728
Intangible assets	34	58,497,170	55,957,723	58,497,170	55,957,723
Right of use asset	35	193,321,481	259,039,810	193,321,481	259,039,810
Retirement benefit assets	42	-	1,046,687	-	-
Deferred tax assets	43	144,831,784	295,240,407	145,567,344	295,790,313
Total Assets		34,122,138,431	33,945,295,847	34,277,098,442	34,093,863,812
Liabilities					
Due to banks	36	13,214,241,102	15,424,806,028	13,214,241,102	15,453,081,166
Due to depositors - at amortised cost	37	12,918,786,478	12,347,296,849	12,918,786,478	12,347,296,849
Other financial liabilities	38	883,877,701	791,703,913	899,693,781	810,353,917
Other non financial liabilities	39	60,188,110	26,266,583	60,188,110	26,266,583
Derivative financial liabilities	40	13,545,550	59,836,277	13,545,550	59,836,277
Income tax liabilities	41	646,313,080	152,139,514	649,705,208	155,059,678
Retirement benefit liabilities	42	12,924,029	-	15,988,862	1,244,584
Deferred tax liabilities	43	555,848,404	530,275,377	555,855,791	530,283,797
Total Liabilities		28,305,724,454	29,332,324,541	28,328,004,882	29,383,422,851

	Notes	Company		Group	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
Shareholders' Funds					
Stated capital	44	613,980,000	613,980,000	613,980,000	613,980,000
Retained earnings	45	2,295,549,890	1,777,742,345	2,374,274,468	1,833,953,692
Reserves	46	2,906,884,087	2,221,248,961	2,906,884,087	2,221,248,961
Total Equity Attributable to Equity Holders of the Company		5,816,413,977	4,612,971,306	5,895,138,555	4,669,182,653
Non controlling interest		-	-	53,955,005	41,258,308
Total Equity		5,816,413,977	4,612,971,306	5,949,093,560	4,710,440,961
Total Liabilities and Shareholders' Funds		34,122,138,431	33,945,295,847	34,277,098,442	34,093,863,812
Contingent Liabilities and Commitments		261,333,077	273,286,699	261,333,077	273,286,699
Net assets value per share (Rs.)	19	173	137	175	139

Accounting policies & notes to accounts on pages 158 to 244 form an integral part of these Financial Statements.

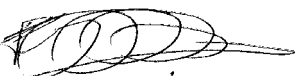
Certification

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



Dimuthu Tillekeratne
AGM-Finance

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



Kusal Jayawardana
Director Finance & Operations



R K E P De Silva
Deputy Chairman & Managing Director

13-May-2021
Colombo

Statement of Changes in Equity

Company	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balances as at 01st April 2019	613,980,000	834,309,800	1,018,409,546	388,258,055	-	-	1,655,299,368	4,510,256,769
Impact on adoption of SLFRS 16							(19,953,757)	(19,953,757)
Profit for the year	-	-	-	-	-	-	208,633,599	208,633,599
Other comprehensive income, net of tax								
Net actuarial gain/(loss) on defined benefit plan	-	-	-	-	-	-	9,185,855	9,185,855
Equity investments at FVOCI - net change in fair value	-	-	-	-	(61,455,160)	-	-	(61,455,160)
Transfer to statutory reserve	-	41,726,720	-	-	-	-	(41,726,720)	-
Dividend paid	-	-	-	-	-	-	(33,696,000)	(33,696,000)
Balances as at 31st March 2020	613,980,000	876,036,520	1,018,409,546	388,258,055	(61,455,160)	-	1,777,742,345	4,612,971,306
Balance as at 1st April 2020	613,980,000	876,036,520	1,018,409,546	388,258,055	(61,455,160)	-	1,777,742,345	4,612,971,306
Profit for the year	-	-	-	-	-	-	560,889,794	560,889,794
Other comprehensive income, net of tax								-
Net actuarial gain/(loss) on defined benefit plan	-	-	-	-	-	-	(19,051,824)	(19,051,824)
Revaluation Surplus			537,608,056				-	537,608,056
Equity investments at FVOCI - net change in fair value	-	-	-	-	123,996,645	-	-	123,996,645
Transfer of realized profit on equity portfolio to retain earnings					(4,014,065)	-	4,014,065	-
Transfer to statutory reserve	-	28,044,490	-	-	-	-	(28,044,490)	-
Balances as at 31st March 2021	613,980,000	904,081,009	1,556,017,602	388,258,055	58,527,420	-	2,295,549,890	5,816,413,977

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 158 to 244 form an integral part of these Financial Statements.

Group	Stated Capital	Statutory Reserve Fund	Revaluation Reserve Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balances as at 01st April 2019	613,980,000	834,309,800	1,018,409,546	388,258,055	-	29,810,747	1,691,222,896	4,575,991,044
Impact on adoption of SLFRS 16							(19,953,757)	(19,953,757)
Profit for the year	-	-	-	-	-	11,447,561	228,931,908	240,379,468
Other comprehensive income, net of tax								
Net actuarial gain/(loss) on defined benefit plan					-		9,175,366	9,175,366
Equity investments at FVOCI - net change in fair value					(61,455,160)			(61,455,160)
Transfer to statutory reserve	-	41,726,720	-	-	-	-	(41,726,720)	-
Dividend paid	-	-	-	-	-	-	(33,696,000)	(33,696,000)
Balances as at 31st March 2020	613,980,000	876,036,520	1,018,409,546	388,258,055	(61,455,160)	41,258,308	1,833,953,692	4,710,440,961
Balance as at 1st April 2020	613,980,000	876,036,520	1,018,409,546	388,258,055	(61,455,160)	41,258,308	1,833,953,692	4,710,440,961
Profit for the year	-	-	-	-	-	12,697,411	583,404,287	596,101,699
Other comprehensive income, net of tax -								
Net actuarial gain/(loss) on defined benefit plan	-	-	-	-	-	(714)	(19,053,087)	(19,053,801)
Revaluation Surplus			537,608,056				-	537,608,056
Equity investments at FVOCI - net change in fair value	-	-	-	-	123,996,645	-	-	123,996,645
Transfer to retain earnings					(4,014,065)		4,014,065	-
Transfer to statutory reserve	-	28,044,490	-	-	-	-	(28,044,490)	-
Balances as at 31st March 2021	613,980,000	904,081,009	1,556,017,602	388,258,055	58,527,421	53,955,005	2,374,274,468	5,949,093,560

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 158 to 244 form an integral part of these Financial Statements.

Statement of Cash Flows

As at 31st March	Notes	Company		Group	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
Cash Flows From/ (Used in) Operating Activities					
Profit before income tax expense		1,295,952,601	531,633,599	1,342,283,430	575,176,962
Adjustments for;					
Depreciation of property, plant & equipment	14	123,282,161	122,791,253	123,387,757	122,926,845
Amortization of intangible assets	14	8,988,531	8,855,402	8,988,531	8,855,402
Intangible asset write-off	34	(753,265)	-	(753,265)	-
Amortization of right of use asset	35	71,961,239	75,954,501	71,961,239	75,954,501
Impairment (reversal)/ provision	11	279,399,091	651,044,667	279,399,091	651,044,667
Interest on fixed deposits, commercial paper & treasury bills		(123,297,343)	(118,946,904)	(126,035,075)	(121,680,588)
(Profit)/ loss on sale of securities		-	(7,446,395)	-	(7,446,395)
Fair value (gain)/loss on equity investments (FVTPL)		2,031,684	(939,142)	2,031,684	(939,142)
Fair value gain on investment property	32	(25,254,000)	-	(25,254,000)	-
Bad debt written-off	11	472,726,958	461,312,661	472,726,958	461,312,661
Diminution/ (appreciation) in value of investments		-	(14,108,468)	-	(14,108,468)
Diminution/ (appreciation) in value of treasury bonds		4,222,979	2,566,699	4,222,979	2,566,699
Loss/ (profit) on disposal of property, plant & equipment		(42,278,926)	(21,293,820)	(42,278,926)	(21,293,820)
Provision/ (reversal) for defined benefit plans	42	31,822,498	28,944,650	32,594,083	29,391,316
Dividend received		(6,825,336)	(4,317,948)	(6,825,336)	(4,317,948)
Share of loss/(profit) from associates	30	(2,129,344)	2,842,382	(2,129,344)	2,842,382
Operating Profit before Working Capital Changes		2,089,849,528	1,718,893,137	2,134,319,806	1,760,285,074
(Increase)/decrease in trading stock		(72,178,381)	194,830,180	(72,178,381)	194,830,180
(Increase)/decrease in loans and advances	23	(772,080,576)	118,483,740	(772,080,576)	118,472,611
(Increase)/decrease in lease rentals receivable & stock out on hire	24	(348,913,589)	(2,116,276,583)	(348,913,589)	(2,116,276,583)
(Increase)/decrease in hire purchase rentals receivable & stock out on hire	25	(796,750)	7,508,010	(796,750)	7,508,010
(Increase)/decrease in fixed deposits & repurchase agreements		72,237,395	(323,788,890)	72,237,395	(323,788,890)
(Increase)/ decrease in other financial assets		(30,248,360)	(53,517,048)	(25,594,154)	(88,169,863)
(Increase)/ decrease in other non financial assets		78,542,359.06	(219,182,358)	78,542,351	(219,657,677)
Increase/ (decrease) in amounts due to depositors	37	571,489,629	(146,385,959)	571,489,629	(146,385,959)
Increase/ (decrease) in derivative financial liabilities		(46,290,727)	(39,934,502)	(46,290,727)	(39,934,502)
Increase/ (decrease) in other financial liabilities		92,173,788	9,770,675	89,339,863	28,816,338
Increase/ (decrease) in other non financial liabilities		48,712,361	(30,265,169)	48,712,361	(30,265,169)
Cash Generated from/(used in) Operations		1,682,496,677	(879,864,767)	1,728,787,229	(854,566,430)
Retirement benefit liabilities paid	42	(11,433,290)	(14,889,015)	(11,433,290)	(14,998,915)
Investment in gratuity fund	42	(31,486,681)	(33,714,921)	(31,486,681)	(33,714,921)
Taxes paid	41	(243,453,026)	(397,860,929)	(254,286,674)	(409,877,470)
Net cash generated from/(used in) operating activities		1,396,123,680	(1,326,329,632)	1,431,580,584	(1,313,157,736)

As at 31st March	Notes	Company		Group	
		2021	2020	2021	2020
		Rs.	Rs.	Rs.	Rs.
Cash Flows from Investing Activities					
Acquisition of property, plant & equipment	33	(116,837,204)	(78,139,072)	(117,093,104)	(78,139,072)
Acquisition of right of use assets	35	6,434,908	(12,180,000)	6,434,908	(12,180,000)
Acquisition of Intangible Assets	34	(12,230,194)	(8,289,630)	(12,230,194)	(8,289,630)
Investment in unquoted equities		-	-	-	(12,545,020)
Proceeds from sales of property, plant & equipment		61,048,800	29,024,526	61,048,800	29,024,526
Net sales/ (purchases) of financial investments - FVTPL/ FVOCI		424,735,963	78,007,252	424,735,963	78,007,252
Dividend received		6,825,336	4,317,948	6,825,336	4,317,948
Interest on fixed deposits, commercial paper & treasury bills		123,297,343	118,946,904	126,035,075	121,680,588
Net Cash Generated from Investing Activities		493,274,953	131,687,928	495,756,785	121,876,592
Cash Flows from/ (Used in) Financing Activities					
Settlement of operating lease liabilities	35	(77,981,423)	(82,967,050)	(77,981,423)	(82,967,050)
Increase/ (decrease) in borrowed funds		-	(819,062,771)	-	(819,062,771)
Net increase/ (decrease) in other borrowings		(2,210,564,922)	2,837,253,658	(2,238,840,061)	2,865,528,792
Net increase / (decrease) in finance lease		-	(1,917,211)	-	(1,917,211)
Dividend paid		-	(33,696,000)	-	(33,696,000)
Net Cash Generated from/ (Used in) Financing Activities		(2,288,546,345)	1,899,610,626	(2,316,821,484)	1,927,885,760
Net Increase/ (Decrease) in Cash and Cash Equivalents		(399,147,712)	704,968,923	(389,484,115)	736,604,615
Cash and cash equivalents at the beginning of the year		986,553,659	281,584,736	1,027,324,614	290,719,999
Cash and cash equivalents at the end of the year	21	587,405,947	986,553,659	637,840,499	1,027,324,614
Movement in Cash and Cash Equivalent		(399,147,712)	704,968,923	(389,484,115)	736,604,615

Note : Reporting cash flows from operating activities

The Company reports cash flows from operating activities by using the indirect method. The indirect method – whereby profit or loss is adjusted for the effects of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows – is shown in the above.

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 158 to 244 form an integral part of these Financial Statements.

Significant Accounting Policies

1. CORPORATE INFORMATION

1.1 General

Alliance Finance Company PLC (the 'Company') is a public limited liability Company listed on the Colombo Stock Exchange and incorporated on July 18, 1956 under the Companies Ordinance No 51 of 1938 and domiciled in Sri Lanka. It is a Registered Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto. The Company is re-registered under the new Companies Act No 7 of 2007. The registered office of the Company and the principal place of business are situated at No.84, "Alliance House", Ward Place, Colombo 07.

1.2 Consolidated Financial Statements

Consolidated Financial Statements of the Group for the year ended 31st March 2021 comprises the Company, and its Subsidiary (together referred to as the "Group").

All the Group entities are limited liability Companies, incorporated and domiciled in Sri Lanka.

1.3 Principal Activities and Nature of Operations of the Company and Group

1.3.1 The Company

The Company provides a comprehensive range of financial services encompassing accepting deposits, lease financing, hire purchase financing, mortgage loans, gold loan, term loans and other credit facilities, operating leases, vehicle hiring, consumer credit, micro financing activities and other value added financial services.

1.3.2 Subsidiary

Ownership of Subsidiary as at 31st March 2021 is given below

Subsidiary	Principal Activities	Ownership %	Incorporation Date	Registered Address
Alfinco Insurance Brokers (Pvt.) Ltd	Insurance Brokering	63.94%	26th February 2008	No. 84, "Alliance House", Ward Place, Colombo 07

1.3.3. Associate

Associate	Principal Activities	Ownership % (Group)	Incorporation Date	Registered Address
Macbertan (Private) Limited	Manufacturing and trading of Non - Crossed Polyethylene Form, Air Bubble Sheet, Thermal Insulation for Heat Controlling in Roof and Flexible tubes, PPGI roofing sheet, local and import trading	22.45 %	29th October 2007	No. 84, "Alliance House", Ward Place, Colombo 07

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Finance Business Act No. 42 of 2011 and amendments thereto, and provides appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

The Financial Statements comprise of the Statements of Financial Position, Statements of Profit or Loss, Statements of Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flow, together with the accounting policies and notes.

These Financial Statements, except for information presented on cashflows have been prepared following accrual basis.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements of the Group and the Company as per Sri Lanka Accounting Standards (SLFRSs and LKASs) and the provisions of the Companies Act No. 7 of 2007.

2.3 Date of Authorization for Issue

The Financial Statements of the Group and Company for the year ended 31st March 2021, were approved and authorized for issue in accordance with a resolution of the Board of Directors on 13th May 2021

2.4 Basis of Measurement

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

- Financial assets held at Fair Value Through Other Comprehensive Income(FVTOCI) (Note 26)
- Financial assets recognized Fair Value Through Profit or Loss (FVTPL) are measured at fair value (Note 22)
- Retirement benefit obligation measured at difference between present value of defined benefit plan asset and the present value of defined benefit plan liability (Note 42)
- Land and buildings which are measured at cost at the time of acquisition, subsequently measured at revalued amounts, which are the fair values at the date of revaluation (Note 33)
- Investment property measured at fair value(Note 32)

2.5 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees

which is the Group's functional and presentation currency of the primary economic environment in which Alliance Finance Company PLC operates. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless otherwise stated.

2.6 Presentation of Financial Statements

The Group presents its Statement of Financial Position broadly in order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 52.4.

2.7 Materiality & Aggregation and Offsetting

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

2.8 Materiality & Aggregation and Offsetting (Continued.)

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 recognized

amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretations, and as specifically disclosed in the accounting policies.

2.9 Comparative Information

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

2.10 Statements of Cash Flows

Statement of Cash Flows has been prepared by using the 'Indirect Method', as stipulated in Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows', whereby profit or loss is adjusted for the effects of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows, Cash and cash equivalents comprise short term highly liquid investments that

Significant Accounting Policies

are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The Cash and cash equivalent include cash in hand, balances with banks, placements with banks money at call and short notice.

2.11 Changes in Accounting Policies

The group has consistently applied accounting policies as set out in Note 6 to Note 52 to all periods presented in the Financial Statements.

2.12 Use of Significant Accounting Judgments, Estimates and Assumptions

In preparing Financial Statements of the Group in conformity with Sri Lanka Accounting Standards (SLFRSs and LKASs), requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty involved with estimates, actual results may differ from these estimates.

The group considered the impact of COVID -19 in preparing the Financial Statement in line with the circulars and guidelines issued by CBSL and CA Sri Lanka, while the specific areas, judgements may not change the impact of COVID-19 resulted in application of further judgement within those areas due to evolving nature of pandemic and limited recent experience of economic and financial impacts of such events.

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

Information about critical judgments, estimates and assumptions in applying accounting policies that could have a significant effect on the Financial Statements of the Group are as follows:

2.12.1 Going Concern

In determining the basis of preparing the Financial Statements for the year ended 31 March 2021, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group and the appropriateness of the use of the going concern basis. Further management considers the effect of COVID -19 is short to medium term having noted the government intention to contain the pandemic via travel restrictions rather than island wide lock down , vaccination program in place and the Company's readiness to face the pandemic by way of work from home policy and roster arrangements.

The Directors have made an assessment of its ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going

concern and they do not intend either to liquidate or to cease operations of the Group. Therefore, the Financial Statements continue to be prepared on a going concern basis.

2.12.2 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities which 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 Group measures fair value using the fair value hierarchy that reflects the significant of input used in making measurements. The valuation of financial instruments is described in more detail in Note 50.

The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 50. Determination of the fair value of financial instruments of the Group were not materially affected by the significant volatility in financial markets created by the COVID-19 pandemic.

2.12.3 Impairment Losses on Loans and Receivables

The measurement of impairment losses across the categories of financial assets under Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments” (SLFRS 9) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining

impairment losses.

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statements of Profit & Loss. In particular; the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

- Groups of homogeneous loans and advances that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group'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

interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life time expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of combination between macro-economic inputs, such as GDP growth, inflation, interest rates and unemployment and the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The above assumptions and judgments are discussed in detail under note 4.5.7 to the Financial Statements.

In response to COVID-19 and the Group's expectations of economic impacts, key assumptions used

in the Group's calculation of ECL have been revised. The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 4.5.7. Although the credit model inputs and assumptions, including forward-looking macroeconomic assumptions, were revised in response to the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

The Group 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 Central Bank of Sri Lanka. A case-by-case analysis has been conducted on the most significant exposures and only those exposures with increased credit risk have been moved to stage 2 and stage 3. Further, the exposures which are not individually significant has been moved to stage 2 based on the industry risk of the underlying borrowers. This approach ensures the volume of exposures in stage2 reflects a forward-looking view of the economy and not just what is observable as at the reporting date.

2.12.4 Impairment of non-financial assets

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The Group assess at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

For assets, an assessment is made at each reporting date as to whether there are any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal

is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

2.12.5 Classification of financial assets and liabilities

The Group's accounting policies provide scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instruments is given in Note 20, 'Analysis of Financial Instruments by Measurement Basis'. COVID-19 pandemic has resulted in significant volatility in the financial markets. However, the Group did not require to reclassify any of its financial assets as a result of the significant volatility created by the pandemic.

2.12.6 Leases

At inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group considers whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all

of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Group has right to obtain substantially all of the economic benefits from use of asset throughout the period of use; and
- The Group has right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
 - The Group has the right to operate the asset; or
 - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

As a Lessee

Under SLFRS 16, The Group determines whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing

rate.

The lessee shall measure that lease liability at the present value of the lease payments, discounted using the Company's cost of fund rate at the date of initial application date.

The Group recognises as right-of-use asset at the date of initial application for leases. The Group selected to measure the right-of-use asset at an amount equal to the lease liability, on a lease-by-lease basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application.

The Group used a number of practical expedients when applying SLFRS. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months.
- did not recognise right-of-use assets and liabilities for leases of low-value assets
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Applied a single discount rate to a portfolio of leases with similar characteristics
- Used hindsight when determining the lease term if the contact contains option to extend or terminate the lease

The Group presents right-of-

use assets and lease liabilities separately in the Statement of Financial Position.

The right of use asset is subsequently depreciated using straight line basis starting from the lease commencement date to the end of the use full life of the right of use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability subsequently measured at amortized cost using the effective interest rate. Further the rent payment are subject to the changes when there is a termination of lease agreement, extension or exercise of a purchase. When the lease liability re-measured in this regards the corresponding adjustment made to the Right of use asset.

The Group demonstrate the Right of Use Assets and Operating Lease Liabilities under the Note 35 respectively.

2.12.7 Taxation

The Group is subject to income taxes and other taxes including VAT on financial services. Significant judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes.

The Group recognized assets and

liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made. Details relating to taxation is described the Note 16.

With effect from 01st December 2019, Nation Building Tax and Debt repayment Levy has been abolished.

2.12.8 Deferred tax assets and liabilities

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against such tax losses which can be set-off. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies. Deferred tax asset and deferred tax liability details are present in the Note 43.

2.12.9 Defined benefit plans

The cost of defined benefit plans are 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, mortality rates etc.

Due to the complexity of

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the valuation, the underlying assumptions and their 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 of the Group. Details of the assumptions used in the valuation are described in the Note 43.

2.12.10 Revaluation of property and equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). The Group engages independent professional valuers to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard – SLFRS 13 on “Fair Value Measurement” (SLFRS 13). The Group has revalued its freehold lands and buildings during this year for consolidated accounting purposes, the details relevant to the revaluation of freehold land and buildings, including valuation method are given in the Note 33.

2.12.11 Useful life-time of the

property and equipment

The Group review the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. This is further described in the Note 4.6.2.

2.12.12 Classification and valuation of investment property

Management requires using its judgements to determine whether a property qualifies as an Investment Property. 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 Group are accounted for as investment properties. Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyor, who has recent experience in valuing properties of similar location and category. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The key assumptions used to determine the fair value of investment property are provided in detail in Note 32.

2.12.13 Commitment 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 benefit is not probable or cannot be reliably measured. Contingent Liabilities are

not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote. All discernible risks are accounted for in determining the amount of all known liabilities. Details of commitments and contingencies are given in Note 47.

2.13 Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in Note 48 where necessary.

3 NEW AMENDMENTS TO ACCOUNTING STANDARDS APPLICABLE FROM 1ST APRIL 2020

The amendments to the following existing Sri Lanka Accounting Standards which were effective from 1st April 2020 did not have a material impact on the Consolidated/ Separate Financial Statements of the Group.

- Amendments to Sri Lanka Accounting Standard – SLFRS 16 (Leases): COVID-19 Related Rent Concessions
- Amendments to Sri Lanka Accounting Standard - SLFRS 3 (Business Combinations)
- Amendments to Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements)

- Amendments to Sri Lanka Accounting Standard - LKAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors)
- Amendments to Conceptual Framework for Financial Reporting

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in preparation of the Financial Statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the Group, unless otherwise indicated.

4.1 Basis of Consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 on “Consolidated Financial Statements” (SLFRS 10) and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard – LKAS 28 on “Investments in Associates and Joint Ventures” (LKAS 28).

4.1.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company (the Parent) holds more than 50% of the voting rights and/or has the power, directly or indirectly, to govern the financial and operational policies of an enterprise to obtain benefits from its activities.

The Financial Statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases.

Currently, the Financial Statements of the subsidiary in the Group have a common financial year which ends on March, 31.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration, given on the date of transferring the title. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Company continues to recognize the investments in Subsidiaries at cost.

The total assets and liabilities of the Subsidiaries as at the reporting date are included in the Group column of Statements of Financial Position. The total Profit or Loss for the year of the subsidiaries is included in the Group column of Statements of Profit or Loss.

The non-controlling interest is presented in the Group column of Statements of Financial Position within equity; separately from the equity attributable to the equity holders of the Company. Non-controlling interest in the Profit or Loss of the Group is disclosed in the Group column of Statement of Comprehensive Income. Total Comprehensive Income is allocated to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where subsidiaries have been acquired or sold during the year, their operating results have been included from the date of acquisition or to the date of disposal.

Upon the loss of control, the Group derecognized the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the Statement of Changes in Equity. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.1.2 Associates and Jointly control entities

Associates

Associates are those entities which the Group has significant influence, but not control or power to govern the financial and operating policies of the entities so as to obtain benefits from their activities.

The Group Financial Statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis from the date that significant influence commences until the date that significant influence ceases.

Accordingly, under the equity method, investment in associates

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are carried at cost plus post-acquisition changes in the Group's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Statement of Profit or Loss reflects the share of current year's Profit or Loss of the Associates.

When the Group and Associate's share of losses exceed the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses are discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

4.1.3 Jointly controlled entities

Jointly controlled entities are those entities where the Group has entered into a contractual agreement to share the control over strategic, financial and operating decisions relating to economic activities of the entities through unanimous consent of other parties sharing control.

4.1.4 Loss of Control in Subsidiary and Associates

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Statement of Profit or Loss.

4.2 Transactions eliminated on consolidation

Intra-group balances and any income and expenses arising from intra- group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized losses are eliminated in the same way as unrealized gains (except that they are only eliminated to the extent that there is no evidence of impairment).

4.3 Foreign Currency Transactions and Balances

Foreign currency transactions are translated in to functional currencies, which is Sri Lankan rupees, using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies have been translated into local currency as per the exchange ruling at the date of the Statement of Financial Position while all non-monetary items are reported at the rate prevailing at the time transactions were affected. The financial currency gain or loss on monetary items is the difference between amortized cost in functional currency as at the beginning of the year adjusted for effective interest and payments during the year and amortized cost in foreign currency translated at exchange rates at reporting date.

Non- monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into functional currency at the spot exchange rate at the date that the fair value was

determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transactions.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- Equity instruments measured at fair value through other comprehensive income
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedge is effective.

4.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and money at call & short notice.

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

They are brought to Financial Statements at their face values or the gross values, where appropriate. Cash and cash equivalents are carried at amortized cost in the Statement of Financial Position.

4.5 Financial Instruments – Initial recognition, classification and subsequent measurement

4.5.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument.

Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

4.5.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss.

4.5.2 Initial measurement of financial instruments (Continued)

Transaction cost in relation to financial assets and financial liabilities at fair value through Profit or Loss are dealt through the Statement of Profit or Loss.

4.5.2.1 '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 Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' Profit or Loss) in 'Net trading income'.

4.5.3 Financial Assets and Liabilities

Group only measures loans and advances to customers and other financial assets 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.

The details of these conditions are outlined below.

4.5.3.1 (a) Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group'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 value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking into account "worse case" or "stress case" scenarios. 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.

4.5.3.1 (b) The SPPI Test

As a second step of its classification process the Group assesses the contractual terms of the financial assets 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

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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 that introduce a 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.

4.5.3.2 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity

risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. A fair value measurement of a non-financial asset considers 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 Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

a) Financial Assets at Amortised Cost

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

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

Loans and advances to other customers

Loans and advances to other customers include amounts due from loans and advances and lease receivables of the Group. Details of "Loans and advances to other customers" are given in Notes 23, 24 and 25.

Repurchase agreements

Securities purchased under agreements to resell at a specified future date are recognised in the Statement of Financial Position. The consideration paid including accrued interest, is recorded in the Statement of Financial Position, under 'Other Financial Assets' which reflects the transaction's economic substance as a loan by the Group.

Cash and cash equivalents

Details of "Cash and cash equivalents" are given in Note 21.

b) Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. For financial assets measured at FVOCI refer Note 26.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and selling financial assets, where the asset's contractual cash flows represent

payments that are solely payments of principal and interest on principal outstanding. Currently Company has no any debt instruments which are measured at FVTOCI.

Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity instruments held for strategic and regulatory purposes as equity instruments at FVOCI.

c) Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets measured at FVTPL include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rate, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in Statement of Profit or Loss (except where cash flow or net

investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income). Fair values may be obtained from quoted market prices in an active markets, recent market transactions and valuation techniques, including discounted cash flow models and option pricing models as appropriate, where the initially recognised fair value of a derivative contract is based on a valuation model that uses the inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments such as the conversion option in a convertible bond holds, are valued as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through Profit or Loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of Profit or Loss. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives. The group did not have separate embedded derivatives as at 31st March 2021.

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4.5.3.3 Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group may acquire, dispose of, or terminates a business line (change in business model).

When the Group reclassifies its financial assets it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or losses) or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from

the difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

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

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

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

be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Group did not reclassify any of its financial assets as at 31st March 2021.

4.5.4 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 derecognised when:

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.5.5 Financial Liabilities

4.5.5.1 Initial recognition and measurement

As per SLFRS 9, the Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category as –
 - Held-for-trading; or
 - Designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

4.5.5.1.1 Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated as such upon initial recognition as at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognized in the Statement of Profit or Loss.

Upon initial recognition, transaction costs are directly attributable to the acquisition, are recognized in Statement of Profit or Loss as incurred. The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

Changes in fair value are recorded in "Net fair value gains/ (losses) from financial instruments at fair value through profit or loss" with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Companies' own credit risk.

Interest paid/payable is accrued in "Interest expense", using the EIR. The Group has not designated any financial liabilities as at fair value through profit or loss as at the end of the reporting period.

4.5.5.1.2 Financial liabilities at amortized cost

Financial liabilities issued by the Group that are not designated at

FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Due to depositors" "Other borrowings" as appropriate, where the substance of the contractual arrangement results in the Group 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 asset for a fixed number of own equity shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "Interest expense" in the Statement of Profit & Loss. Gains and losses too are recognised in the Statement of Profit & Loss when the liabilities are derecognised as well as through the EIR amortisation process.

4.5.5.2 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such

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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 are recognised in Statement of Profit or Loss.

4.5.5.3 Reclassification of financial liabilities

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

4.5.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position only when the Group has a legal right to set-off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs

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

4.5.7 Impairment of financial assets

Overview of the ECL principles

SLFRS 9 presents a "three-stage" model for estimating expected losses on the basis of changes in credit quality since initial recognition.

Stage 1: When loans are originated, the Group recognises an allowance based on 12 months ECL and

performed assessment collectively. Stage 1 loans also contain the facilities which are reclassified from Stage 2 since the credit risk has improved.

Stage 2: When a loan credit risk increases significantly, the Group records an allowance for the Life Time Expected Credit Loss (LTECL), which performed collective basis. Stage 2 loans also include facilities, which are reclassified from stage 3 since the credit risk has improved.

Stage 3: When a loan is considered to be credit impaired, contain objective evidences of incurred loss, the Group records an allowance for the LTECL. Stage 3 assessment performed either individually or collectively.

Under SLFRS 9, loss allowances measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition. Twelve months ECL measurement applies if it has not increased an entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the

reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

Based on the computations:

- The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the SLFRS 9 impairment model.
- The estimated ECLs were calculated based on actual credit loss experience over the past five years.
- The Group performed the calculation of ECL rates separately for each product types.

Exposures within each group were segmented based on common credit risk characteristics such as product type, delinquency status, age of relationship and type of product purchased.

The Group to be performed an assessment, at the end of each reporting period to identify whether a financial instrument's credit risk has increased significantly since initial recognition.

Definition of default and cure

The Group considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 180 days past due on its contractual payments.

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

It is the Group's policy to consider a financial instrument as "cured" and therefore reclassified out of Stage 3 when none of the default criteria have been present and the borrower is no longer considered as non performing in accordance with the Directives of the Central Bank.

Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure. The Group's criterion for 'cure' for rescheduled / restructured loans is more stringent than ordinary loans.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Group assesses whether there has been a significant increase in the credit risk since initial recognition. The Group considers an exposure to have a significantly increase in the credit risk when it is past due for more than 90 days.

Calculation of ECL

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

- **Probability of default (PD)**
Probability of default is computed using transition matrix for last five years and computed average matrix from year 1 to 5. To minimize the sum of squared errors between average matrix and empirical matrix for that year computed a credit index. Regress macro-economic/other variables to forecast future indexes.
- **Exposure at default computation (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 drawdowns on committed facilities, and accrued interest from missed payments.

- **Loss Given Default (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.

Actual credit loss experience will be adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors were based on GDP and unemployment rate forecasts and industry outlook.

Calculation of ECLs for Individually significant loans

The Group first assesses ECLs individually for financial assets that are individually significant to the Group. In the event the Group determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Significant Accounting Policies

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 original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

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

- Aggregate exposure to the customer including any undrawn exposures;
- The amount and timing of expected receipts and recoveries;
- The realisable value of security (or other credit mitigants) and likelihood of successful repossession; and
- The likely deduction of any costs involved in recovery of amounts outstanding;

Grouping financial assets measured on collective basis

The Group calculates ECLs either on a collective or an individual basis. The Group categorise the

collective impairment exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral
- Industry of the borrower

The PD estimation Process

PD estimation for loans and advances to other customers under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Companies in the country at present.

Accordingly, exposures are categorised among 8 groups based on the DPD as follows.

- Zero days past due
- 1 – 30 days past due
- 31 - 60 days past due
- 61 – 90 days past due
- 91-120 days past due
- 121 – 150 days past due
- 151 – 180 days past due
- Above 180 days past due

Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instrument subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12

months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and stage 3 financial assets and credit impaired assets at origination, events over the lifetime of the instruments are considered. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

Loss given default

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

- Secured against immovable property
- Secured against motor vehicles and other movable properties
- Secured against gold

These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

Forward looking information

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

- GDP growth
- Unemployment rates
- Treasury bill rate
- Inflation rate

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. To ensure completeness and accuracy, the Group obtains the above data from third party sources (Central Bank, World Bank and etc).

Write-off of loan & advances, leases and hire purchases

Loans, advances, leases and hire purchases (the related impairment allowance was accounted) are normally written off, either partially or in full, when there are no realistic prospects of recovery. Where such balances are secured, these are generally after receipt of any proceeds from the realisation of security.

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 impairment

allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

Collateral valuation

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

Non-financial collateral such as real estate, is valued based on data provided by third parties such as independent valuers and other independent sources.

Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

Material Judgments and uncertainties

Company has made significant judgment as at period end to determine which events and circumstances relate and which do not. Typically, the shorter the period of time between period end and the information becoming available (e.g. a borrower defaulting on a loan shortly after period end), the

more likely it is that the information confirms events and conditions as at period end, and therefore, ought to be reflected in ECL calculations.

A movement from stage 1 to either stage 2 or 3 will typically result in a higher ECL, as the probability of default ('PD') over the lifetime of a financial asset will be at least equal to or higher than the PD over the next 12 months. However, the assessment of whether there has been a significant increase in credit risk (SICR) for a financial asset is carried out on the basis of the expected life of the financial asset, the severe effects of COVID-19 will be during the second and third quarters of 2021 and that there will be significant initial government support followed by a significant economic recovery from late 2021/ early 2021 onwards, then there may not be a SICR for many financial asset.

Forward Looking and Probability of Default

IFRS 9 recognizes that information relevance decreases as the forecast horizon increases and emphasizes the relevance of historical information. In this regard, the IFRS 9 provisions lead to the conclusion that where there is no reliable evidence for specific forecasts, long-term macroeconomic outlooks will provide the most relevant basis for estimation. And further, scenario based analysis has improved and Worst case has been given 1/3 of weighting when determine the forward looking and probability of default.

Significant Accounting Policies

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

CBSL issued Circular No. 4 of 2020 on 24th March 2020 instructing banks to offer a debt moratorium to COVID-19 affected segments of the economy. According to the above circular, banks and Financial institutions were required to offer moratoriums of 2 months, 3 months & 6 months for eligible borrowers under different qualifying criteria. Instalments (both capital and interest) fallen due during the moratorium period have been converted to a new loan account which can be repaid by the borrowers after the moratorium period. Repayment period of the new loan varies based on the repayment

capacity of each borrower and the terms and conditions of the loan agreement with the Bank. When initially recognised, the new loans were recorded at their nominal value as the Group considers that it is representative of the fair value.

(b) COVID-19 Moratorium (Second Wave): CBSL Circular No. 8 of 2020/ No. 10 of 2020

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

Repayment period of the new loan shall be two years in general, however may vary based on the terms and conditions agreed with the borrower. The banks/ Finance institutions were allowed to recover interest at the original EIR during the moratorium period and therefore did not recognise any modification loss on account of the second phase 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 led 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 exposures which are not individually significant has been moved to stage 2 based on the industry risk of the underlying borrowers.

4.6 Non – Financial Asset

4.6.1 Investment Property

Recognition and measurement

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, based in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured. Where the Group provides ancillary services to the occupants of a property it holds, the Group treats such a property as investment property if the services are insignificant to the arrangement as a whole.

If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply LKAS 16 "Property, plant and equipment"

up to the date of change in use. When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and classified as Investment Property. The entity shall treat any difference at that date between the carrying amount of the property in accordance with LKAS 16 "Property, plant and equipment" and its fair value in the same way as a revaluation in accordance with LKAS 16 "Property, plant and equipment". The land is non-depreciated. Accordingly, land and building classified as investment properties are stated at fair value.

De-recognition

Investment properties are de-recognised when disposed of, or permanently withdrawn from the use since no future economic benefits are expected. Gains or losses arising from de-recognition of an investment property are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss.

4.6.2 Property, plant and equipment

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment. Initially Property, Plant & Equipment are measured at its cost.

Recognition and measurement

Cost Model

Property, Plant and Equipment is stated at cost except land and building, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Revaluation Model

Land and buildings are measured at fair value, less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed every 3 to 5 years to ensure that the fair value of revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the Revaluation Reserve included in the Equity of the Statement of Financial Position except to the extent that it reverses a revaluation decrease of the same asset previously recognised in Statement of Profit or Loss. In which case the increase is recognised in Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset Revaluation Reserve. For more details relating to the land and building valuation refer the Note 33.

Subsequent Cost

These are costs that are recognised in the carrying amount of an asset if it is probable that the future economic benefits embodied within that part of the cost will flow to the Group and it can be reliably measured. The costs of the day-to-day servicing of property and equipment are recognised in Profit or Loss as incurred.

Depreciation

The company has reassessed useful life time and changed the depreciation policy from reducing balance to the straight line method from 1st April 2016, further company has applied this changes accordance with LKAS 8- "Accounting Policies and Change in Accounting Estimates and Errors".

The group provides depreciation from the date the assets are available for use and up to the date of disposal at the following rates on straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

Category of Asset	Expected useful life time (in years)
Building	20
Office Equipment	5
Plant & Machinery	5
Furniture & Fittings	8
Cutlery & Crockery	5
Motor Vehicles	5
Computers	3

Significant Accounting Policies

Freehold lands are not depreciated. Depreciation of an asset ceases at the earlier of the date that the asset is classified as Held for Sale or the date that the asset is derecognised.

Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Derecognition

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other Operating Income' in the Statement of Profit or Loss in the year the asset is derecognised.

4.6.3 Intangible assets

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

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standards LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are stated in the Statement of Financial Position at cost less accumulated amortisation and accumulated impairment losses, if any.

Expenditure of internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can be reliably measured the costs to complete the development.

Subsequent expenditure

Subsequent expenditure on Intangible Assets is capitalised only when it increases the future economic benefits embedded in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortisation

Group owned intangible assets are amortised over the period of 10 years unless otherwise stated.

Derecognition of intangible assets

The carrying amount of an item of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset, is included in the Statement of Profit or Loss when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further there were no items pledged as securities for liabilities.

Intangible assets reported in note 34 only included computer software and cost of licences.

4.7 Provisions

Provisions are recognised when the Group 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 for the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date after taking in to account the risks and uncertainties surrounding the obligation as at that date. The expense relating to any provision, is presented in the Statement of Profit or Loss net of any reimbursement.

4.7.1 Retirement Benefit Obligations

All the employees of the Group are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983.

Employees those who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of 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 Group operates an approved non-contributory Gratuity Fund to facilitate the Gratuity payments to the retiring employees of the Group. The Group determines the adequacy of gratuity liability in terms of Payment of Gratuity

Act No.12 of 1983. In order to meet this liability, the Group carries forward a provision in the Statement of Financial Position based on:

- Half a month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have complete service 5 to 10 years,
- One month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who completed the service over 10 years but not exceeding 15 years,
- One and half month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have completed the service over 15 years but not exceeding 25 years.
- Two months' salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have completed the service over 25 years.

An actuarial valuation is carried out as every year end to ascertain the full liability under gratuity. The valuation was carried out as at 31st March 2021 by M/s Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries based on the Projected Unit Credit Method recommended by the actuarial present value of the defined benefit obligation (PV-DBO) under the PUC method.

Recognition of actuarial losses / gains

The Group recognized the total actuarial gain and losses that arose in calculating the Group's obligation in respect of gratuity in Other Comprehensive Income during the period which it occurred.

Recognition of past service cost (applicable only when a plan has been changed)

Past service cost are recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the instruction of, or changes to the plan, past service costs are recognized immediately.

Management of the fund's assets

The assets of the Gratuity Fund and the Employees' Provident Fund are held separately from those of the Group and are independently administered by a separate management team appointed by the Group. As at 31st March 2021 fair value of plan assets is Rs. 341,535,006/- (2020-Rs. 297,000,040/-).

4.7.2 Taxation

As per the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes' tax expense (Tax income) is the aggregate amount included in determination of Profit or Loss for the period in respect of current and deferred taxes. Income tax expense is recognised in the Statement of Profit or Loss except to the extent it relates to items recognised directly in Equity or in Other Comprehensive Income

(OCI), in which case it is recognised in the Statement of Changes in Equity or in OCI.

4.7.2.1 Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for the taxation purpose in accordance with the provisions of the Inland Revenue Act No. 27 of 2017 and the amendments thereto.

4.7.2.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are recognised for all deductible differences carrying forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of a deferred tax asset is reviewed at end of the reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be

Significant Accounting Policies

available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it is probable that the future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Due to the end of owner occupation of the freehold land and building have been transferred to investment property, the differed tax impact on such adjustment as reversed to the statement of other comprehensive income.

4.7.2.3 Value Added Tax on Financial Services (FVAT)

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto. The value base for the computation of Value Added Tax on Financial Services is calculated by adjusting the depreciation computed on rates prescribed by the

Department of Inland Revenue to the accounting profit before Income Tax and emoluments payable.

4.7.2.4 Crop Insurance Levy (CIL)

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

4.7.2.5 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the subsidiaries attracts WHT at source and is not available to set off against the tax liability of the Company. Thus, the WHT deducted at source, on the dividends distributed by the subsidiaries is charged to the Consolidated Statement of Profit or Loss as a consolidation adjustment.

Withholding tax that arises from the distribution of dividends by the Group is recognised at the time of the liability is payable.

4.7.2.6 Nation Building Tax (NBT) on Financial Services

With effect from 01st January 2014, NBT rate of 2% was introduced on supply of financial services via an amendment to the NBT Act No. 09 of 2009. NBT is chargeable on the same base used for calculation of VAT on Financial Services. NBT has been abolished with effect from 1 December 2019 subject to Parliamentary approval for amendments to Nation Building Tax Act

4.7.2.7 Economic Service Charge (ESC)

As per provisions of the Economic Service Charge (ESC) Act No. 13 of 2006 and amendments thereto. ESC paid on aggregate turnover of the Company at 0.5% and is deductible from income tax payable. Unclaimed ESC, if any, can be carried forward and set off against the income tax payable in the three subsequent years including the current year of assessment. ESC has been abolished with effect from 1 January 2020 subject to Parliamentary approval for amendments to ESC Act.

4.7.2.8 Debt Repayment Levy (DRL) on financial services

DRL of 7% was introduced on the value addition attributable to the supply of financial services by each financial institution. DRL is chargeable on the same base used for calculation of VAT on financial services. DRL has been abolished with effect from 1 December 2019 subject to Parliamentary approval for amendments to Finance Act.

4.8 Recognition of Income

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

4.8.1 Net Interest income

Interest income and expense are recognised in the Statement of Profit or Loss using the effective

interest rate (EIR) method. Interest income and expense presented in the Income Statement include:

- Interest on financial assets measured at amortised cost (AC) calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

Effective interest rate (EIR)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets

which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs.

The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

4.8.2 Net Fee and Commission Income Service Income

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

Fee and Commission Income

The Group earns fee and commission income from a diverse range of services, it provides to its customers. Fee and commission income relates mainly to transactions and services fees which are charged from customers to provide relevant financial services. It mainly include CRIB verification charges, Yard fees, Loan processing fees and vehicles transfer fees, income account on cash basis.

Fee and Commission Expense

Fee and commission expense mainly relates to transactions and services fees which are expensed to third parties on behalf of customers. These expenses mainly includes RMV expenses, brokerage and Insurance expenses. Fee and commission expenses are recognised on an accrual basis.

Fee & Commission expenses collected from customers by way of capitalisation are released to income statement on EIR method.

4.8.3 Dividend Income

Dividend income is recognised when the right to receive the payment is established. Usually, this is the ex-dividend date for equity securities. Dividends are presented in the 'Other Operating Income' in Statement of Profit or Loss.

4.8.4 Net Trading Income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities recognized through Profit or Loss other than interest income.

4.8.5 Other Operating Income

Income earned on other sources, which are not directly related to the normal operations of the Group is recognised as Other Operating Income on an accrual basis.

The Profit/(Loss) on Disposal of Property, Plant and Equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of Other Operating Income in the financial year in which significant risks and rewards of ownership are transferred to the buyer.

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4.8.6 Personal Expenses

Personnel Expenses include salaries and bonus, terminal benefits and other staff- related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Defined Contributions Plans - Employees' provident fund (EPF) and Employees' trust fund (ETF)

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions in to a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

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 when they become due. Unpaid contributions are recorded as a liability.

The Parent company and employees contribute 20% and 10% respectively of the employee's monthly gross salary to the Employees' Provident Fund. The subsidiary company and employee's contribute 12% and

8% respectively of the employee's monthly gross salary to the Employees' Provident Fund.

The Group operates an approved private fund to manage EPF and managed by the committee of management.

The Group contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

4.8.7 Other operating expenses

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

4.9 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

4.10 Earnings per Share

The Group presents basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit

or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

4.11 Operating Segments

A business segment is a distinguishable component of the Group, engaged in providing products or services subject to risks and returns that are different from those of other business segments. Operating results of those segments are reviewed regularly by the Board of Directors to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The primary business format is based on the core business activities of the Group, namely, lease, hire purchase & consumer durable, loans, pawning, hiring of vehicles, investing in shares, investing in government securities, collaboration finance & others. The management uses its judgment in determining the compositions of these core business activities by taking into account the objective of reporting financial information by segment as set forth in Sri Lanka Accounting Standard, SLFRS 8 "Operating Segments", segment reporting and qualitative characteristics of Financial Statements as identified in the Framework for the Preparation and Presentation of Financial Statements.

The Group's business activities are carried out in Sri Lanka. Consequently, the economic

environment in which the Group operates in, is not subject to risk and returns that are significantly deferent on a geographical basis. Hence, disclosure by geographical region has not been provided. For the purpose of segment reporting disclosures, the information presented in respect of the Group's business segments is based on the Group's management and internal reporting structure.

Income recognised in segments is an income which is directly identified and reported in those segments and expenses directly identified to a particular segment are charged accordingly and expenses that cannot be directly identified to a particular segment are allocated on basis decided by the management and applied consistently throughout the period. Unallocated items mainly comprise of head office expenses. Measurement of segments assets, liabilities, segment revenue and results are based on the group accounting policies. Segments revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segments assets that are expected to be used for more than one accounting period.

5 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLICABLE AS AT 31ST MARCH 2021

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/ LKASs) which will become applicable for financial periods beginning after 1 April 2021. Accordingly, the Group has not applied the following new standards in preparing these Consolidated Financial Statements. The following amended standards are not expected to have a significant impact on the Group's Consolidated Financial Statements.

- Sri Lanka Accounting Standard – SLFRS 17 (Insurance Contracts) Consolidated/ Separate Financial Statements of the Group is not expected to have a material impact from SLFRS -17 (Insurance Contracts).
- Interest Rate Benchmark Reform - Amendments to SLFRS 9, LKAS 39, SLFRS 4 & SLFRS 16. The company is in the process of evaluating the impact of this amendment on Consolidated/Separate Financial Statements.

Notes to the Financial Statements

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
6 GROSS INCOME				
Interest income (Note 7.1)	7,172,427,543	7,212,017,278	7,175,165,275	7,214,750,962
Fee & commission income (Note No. 8)	191,518,532	180,002,654	252,491,264	236,811,281
Net trading income (Note No 9)	17,262,743	49,512,493	17,262,743	49,512,493
Other operating income (Note No. 10)	418,254,456	237,685,236	418,254,456	237,689,640
	7,799,463,274	7,679,217,661	7,863,173,738	7,738,764,376
7 NET INTEREST INCOME				
7.1 Interest Income				
Financial assets- recognised through profit or loss	94,140,871	140,052,484	94,140,871	140,052,484
Loans and advances (Note No. 7.1.1)	1,324,799,571	1,409,951,283	1,324,799,571	1,409,951,283
Lease rentals receivable	5,640,314,789	5,364,574,730	5,640,314,789	5,364,574,730
Hire purchase & consumer durables	-	594,195	-	594,195
Repurchase agreements	12,744,542	15,174,804	12,744,542	15,174,804
Placements with banks & other financial institutions	91,526,967	80,374,300	94,264,699	83,107,984
Interest income accrued on impaired loans & receivables	8,900,803	201,295,482	8,900,803	201,295,482
Total interest income	7,172,427,543	7,212,017,278	7,175,165,275	7,214,750,962
7.1.1 Interest Income from Loans & Advances				
Interest income from loans	573,550,002	604,092,475	573,550,002	604,092,475
Interest income from pledge loan	90,377,656	184,276,033	90,377,656	184,276,033
Interest income from gold loan	638,922,370	467,743,660	638,922,370	467,743,660
Interest income from micro finance	21,949,543	153,839,115	21,949,543	153,839,115
	1,324,799,571	1,409,951,283	1,324,799,571	1,409,951,283
7.2 Interest Expenses				
Securitization borrowings	857,418,034	602,749,630	857,418,034	602,749,630
Bank borrowings	633,766,758	866,182,386	633,766,758	866,182,386
Bank overdraft	7,096,689	7,858,486	7,096,689	7,858,486
Due to depositors	1,313,363,152	1,551,265,288	1,313,363,152	1,551,265,288
Debt instruments issued and other borrowed funds	-	55,737,229	-	55,737,229
Other financial liabilities	101,112,123	237,376,298	101,112,123	237,376,298
Total interest expenses	2,912,756,756	3,321,169,317	2,912,756,756	3,321,169,317
Net interest income	4,259,670,787	3,890,847,961	4,262,408,519	3,893,581,645

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
8 FEE AND COMMISSION INCOME				
8.1 Fees and Commission Income				
Commission income	-	-	60,972,732	56,808,627
Service charges	130,493,200	132,972,945	130,493,200	132,972,945
Transfer fees	49,689,424	33,537,623	49,689,424	33,537,623
Other fees	11,335,908	13,492,086	11,335,908	13,492,086
Total fee and commission income	191,518,532	180,002,654	252,491,264	236,811,281
8.2 Fee and Commission Expenses				
Brokerage	(179,525,687)	(124,510,580)	(179,525,687)	(124,510,580)
Credit related fees	(92,821,545)	(53,548,761)	(92,828,679)	(53,563,161)
Total fee and commission expenses	(272,347,232)	(178,059,341)	(272,354,366)	(178,073,741)
Net Fee and Commission Income /(Expenses)	(80,828,700)	1,943,313	(19,863,102)	58,737,540
9 NET GAINS /(LOSSES) FROM TRADING				
Profit /(loss) on sale of financial investments -FVTPL	-	7,446,395	-	7,446,395
Profit /(loss) on sale of foreign currencies	4,863,809	9,127,480	4,863,809	9,127,480
Income from trust investment	12,398,934	32,938,618	12,398,934	32,938,618
	17,262,743	49,512,493	17,262,743	49,512,493
10 OTHER OPERATING INCOME				
Income from financial investment - quoted shares	6,825,336	4,317,948	6,825,336	4,317,948
Fair value gain/(loss) on financial investments - FVTPL	(2,031,684)	15,047,610	(2,031,684)	15,047,610
Fair value gain / (loss) on treasury bonds	(4,222,979)	(2,566,699)	(4,222,979)	(2,566,699)
Profit/(loss) on disposal of property, plant & equipment	42,278,926	21,293,820	42,278,926	21,293,820
Fair value gain on investment property	25,254,000	-	25,254,000	-
Profit on sale of vehicles	42,430,107	44,375,348	42,430,107	44,375,348
Rental income from hiring vehicles	26,156,190	28,138,105	26,156,190	28,138,105
Income from sale of tiles & furniture	5,010,436	5,994,624	5,010,436	5,994,624
Bad debt recoveries	47,407,290	38,462,446	47,407,290	38,462,446
Recovery of charges on settlements	192,685,632	56,571,767	192,685,632	56,571,767
Others	36,461,202	26,050,267	36,461,202	26,054,671
Total Other Operating Income	418,254,456	237,685,236	418,254,456	237,689,640

Notes to the Financial Statements

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
11 IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES				
Impairment Charges / (Write Back)				
Lease rentals receivable	18,683,785	484,102,848	18,683,785	484,102,848
Hire purchase rentals receivable	(1,500,966)	73,505	(1,500,966)	73,505
Loans and advances (Note 11.1)	262,216,272	166,868,314	262,216,272	166,868,314
	279,399,091	651,044,667	279,399,091	651,044,667
Bad Debts Written off				
Lease rentals receivable	407,561,794	418,702,558	407,561,794	418,702,558
Hire purchase rentals receivable	1,283,574	239,601	1,283,574	239,601
Loans and advances (Note 11.1)	63,881,590	42,370,502	63,881,590	42,370,502
	472,726,958	461,312,661	472,726,958	461,312,661
	752,126,049	1,112,357,328	752,126,049	1,112,357,328
11.1 Impairment Charge on Loans and advances (Note 11.1)				
Term loans receivable	183,952,695	97,257,274	183,952,695	97,257,274
Gold loan receivable	125,607,365	18,074,375	125,607,365	18,074,375
Microfinance receivable	(73,848,670)	8,219,143	(73,848,670)	8,219,143
Pledged loan & speed cash loan receivable	26,504,882	43,317,522	26,504,882	43,317,522
	262,216,272	166,868,314	262,216,272	166,868,314
Bad Debts Written off charge on Loans & Advances				
Term loans receivable	29,652,655	42,370,502	29,652,655	42,370,502
Pledged loan & speed cash loan receivable	34,228,935	-	34,228,935	-
	63,881,590	42,370,502	63,881,590	42,370,502

IFRS 09 - Expected Credit Loss Charge for the Year

		Stage 01	Stage 02	Stage 03	Total
		Rs.	Rs.	Rs.	Rs.
Loans and advances - at amortised cost	- Collective impairment	43,109,518	(20,650,171)	149,662,683	172,122,029
	- Individual impairment			90,094,243	90,094,243
Lease rentals receivable & stock out on hire - at amortised cost	- Collective impairment	(249,393,534)	(75,722,212)	129,081,554	(196,034,192)
	- Individual impairment			214,717,977	214,717,977

IFRS 09 - Expected Credit Loss Charge for the Year

	Stage 01	Stage 02	Stage 03	Total
	Rs.	Rs.	Rs.	Rs.
Hire purchase rentals - Collective impairment	-	-	-	-
receivable & stock out - Individual impairment	-	-	(1,500,966)	(1,500,966)
on hire - at amortised cost				
	(206,284,016)	(96,372,383)	582,055,491	279,399,091

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
12 PERSONNEL EXPENSES				
Salaries and bonus	726,225,107	616,246,985	734,305,221	623,561,408
Gratuity charge for the year	31,822,498	28,944,650	32,594,083	29,391,316
Employer's contribution to EPF	112,332,100	114,164,866	113,140,965	114,968,907
Employer's contribution to ETF	16,849,815	17,124,730	17,052,031	17,325,740
Staff welfare	18,728,347	27,875,896	19,277,285	28,366,277
Other allowances & staff related expenses	17,896,959	17,365,640	17,896,959	17,473,140
	923,854,826	821,722,767	934,266,544	831,086,788
13 OTHER OPERATING EXPENSES				
13.1 Auditors' remuneration				
Audit fee	1,491,000	1,175,000	1,620,000	1,298,000
Other assurance service related expenses	243,000	225,000	304,000	283,000
Directors emoluments and other expenses (13.2)	73,408,644	64,425,475	75,008,644	66,025,475
Professional fees	11,764,045	27,025,926	11,764,045	27,025,926
Office administration & establishment expenses	421,246,675	397,071,733	423,220,163	398,714,418
Advertising & business promotion expenses	72,085,540	101,182,427	72,085,540	101,253,297
Motor vehicle running & maintenance	535,979,543	581,459,100	539,071,242	584,453,883
Others	88,194,517	111,080,775	88,194,517	111,080,775
	1,204,412,964	1,283,645,436	1,211,268,151	1,290,134,774

- 13.2** Directors emoluments and other expenses represent the fees, salaries, allowances and other expenses (except gratuity provision) of both Executive and Non-Executive Directors of the Company.

Notes to the Financial Statements

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
14 DEPRECIATION AND AMORTIZATION				
Depreciation of property, plant and equipment	123,282,161	122,791,253	123,387,757	122,926,845
Amortization of intangible assets	8,988,531	8,855,402	8,988,531	8,855,402
	132,270,692	131,646,655	132,376,288	131,782,247
15 TAXES ON FINANCIAL SERVICES				
Value added tax	307,871,498	191,540,821	307,871,498	191,540,821
Nation building tax	-	16,507,076	-	16,507,076
Debt repayment levy	-	88,092,939	-	88,092,939
	307,871,498	296,140,836	307,871,498	296,140,836
16 TAXATION				
Income tax expense for the year	735,062,807	323,000,000	746,181,731	334,797,494
	735,062,807	323,000,000	746,181,731	334,797,494
16.1 The Major Components of Income Tax Expense				
Current Income Tax Expenses				
Current tax on profit for the year (Note No. 16.2)	564,646,012	342,279,069	575,951,624	354,149,295
Under/ (over) provision of current taxes in respect of prior years	26,249,355	-	26,249,355	-
Provisions for contingent tax liabilities	131,940,390	64,847,116	131,940,390	64,847,116
	722,835,757	407,126,185	734,141,369	418,996,411
Deferred Tax Expenses				
Deferred taxation charge/ (reversal) (Note No. 16.4)	12,227,050	(84,126,185)	12,040,362	(84,198,917)
	735,062,807	323,000,000	746,181,731	334,797,494
Current Tax on Profit for the Year - Subsidiary				
Alfinco Insurance Brokers (Pvt) Ltd			11,118,923	11,797,494
			11,118,923	11,797,494

16.2 A reconciliation of between the tax expense and the accounting profit multiplied by relevant tax rate for the year ended 31 March is as follows;

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Accounting profit before income taxation	1,295,952,601	531,633,599	1,342,283,430	575,176,962
Total value of non deductible expenses	2,650,256,781	4,051,951,155	2,651,133,962	4,049,802,296
Total value of other allowable credits	(1,310,116,472)	(2,375,929,712)	(1,310,217,765)	(2,376,094,100)
Total value of exempt income	(99,583,300)	(303,691,111)	(99,583,300)	(300,957,427)
Total value of tax losses claimable	(187,799,340)	(648,463,164)	(187,799,340)	(648,463,164)
	2,348,710,270	1,255,500,767	2,395,816,987	1,299,464,567
Income tax for the first 09 months	-	263,655,161	-	272,887,559
Income tax for the last 03 months	-	75,330,046	-	77,967,874
Income tax for the year @ 24% & 28%	563,690,465	338,985,207	574,996,077	350,855,433
Tax on unit trust investment income (@ 10%)	-	3,293,862	-	3,293,862
Tax on dividend income (@ 14%)	955,547	-	955,547	-
Total Income Tax for the year	564,646,012	342,279,069	575,951,624	354,149,295
Effective tax rate (with deferred tax)	44.51%	48.56%		
Effective tax rate (without deferred tax)	43.57%	64.38%		

When computing the effective tax rate has not included the provision for contingent liabilities.

16.3 Applicable Income Tax Rates

Alfinco Insurance Brokers (Pvt) Ltd -		
Income Tax for the first 09 months	24%	28%
Income Tax for the last 03 months	24%	24%
Macbertan (Pvt) Ltd		
Income Tax for the first 09 months	18%	28%
Income Tax for the last 03 months	18%	18%

16.4 Deferred Tax Expense/(Reversal)

The following table shows deferred tax expense recorded in the profit or loss due to changes in the deferred tax assets and liabilities.

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liabilities				
Defined benefit obligation - Profit or Loss	-	8,595,790	-	8,590,209
Lease rentals	156,666,678	(20,516,677)	156,666,678	(20,516,677)
Accelerated depreciation - Leased assets	-	(4,724,133)	-	(4,724,133)
Accelerated depreciation - Own assets	(12,468,740)	(24,753,028)	(12,467,707)	(24,820,179)
	144,197,938	(41,398,048)	144,198,971	(41,470,780)

Notes to the Financial Statements

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Assets				
Accelerated depreciation - Own assets	(9,041,878)	-	(9,041,878)	-
Defined benefit obligation - Profit or Loss	(3,101,767)	-	(3,287,422)	-
Other temporary differences	168,568,633	39,827,341	168,568,633	39,827,341
	156,424,988	39,827,341	156,239,333	39,827,341
Total Deferred Tax Expense / (Reversal)	12,227,050	(81,225,389)	12,040,362	(81,298,121)
Other Comprehensive Income				
Defined benefit obligation	6,016,365	(2,900,796)	6,016,365	(2,900,796)
Revaluation	169,770,965	-	169,770,965	-
Deferred tax expense adjusted through profit or loss / OCI	188,014,380	(84,126,185)	187,827,692	(84,198,917)

17 EARNINGS PER ORDINARY SHARE

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

For the year ended 31 st March	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Amounts Used as the Numerators:				
Net profit for the year attributable to equity shareholders for basic earnings per ordinary share	560,889,794	208,633,599	583,404,287	228,931,908
Number of Ordinary Shares Used as Denominators for Basic Earnings per share				
Weighted average number of ordinary shares in issue	33,696,000	33,696,000	33,696,000	33,696,000
Basic earnings per ordinary share (Rs.)	16.65	6.19	17.31	6.79

The company diluted EPS is equal to the Basic Earning per Ordinary Share since the Company does not have any convertible securities as at the reporting date.

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
18 DIVIDENDS				
18.1 Declared and Paid During the Year				
Dividends on ordinary shares:				
Dividend Per Share (Rs.)	-	-	-	-
Dividend Yield	-	-	-	-

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
19 NET ASSETS VALUE PER ORDINARY SHARE				
Amount used as the numerator				
Total equity attributable to equity holders of the Company	5,816,413,977	4,612,971,306	5,895,138,555	4,669,182,653
Number of ordinary shares used as the denominator				
Total number of ordinary shares	33,696,000	33,696,000	33,696,000	33,696,000
Net assets value per ordinary share	173	137	175	139

20 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 the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in SLFRS 9 on 'Financial Instrument Recognition & Measurement' under the headings of the Statement of Financial Position.

20.1 Company

As at 31st March 2021	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and cash equivalents	-	587,405,947	-	587,405,947
Repurchase agreements	-	400,203,715	-	400,203,715
Placements with banks & financial institutions	-	793,564,909	-	793,564,909
Financial assets recognised through profit or loss -measured at fair value	1,177,459,993	-	-	1,177,459,993
Loans and advances - at amortised cost	-	6,630,287,692	-	6,630,287,692
Lease rentals receivable - at amortised cost	-	19,978,211,851	-	19,978,211,851
Hire purchase rentals receivable - at amortised cost	-	5,542,117	-	5,542,117
Financial assets - fair value through other comprehensive income	-	-	203,724,802	203,724,802
Other financial assets	-	489,616,233	-	489,616,233
Total Financial Assets	1,177,459,993	28,884,832,464	203,724,802	30,266,017,259

Notes to the Financial Statements

	Other Financial Liabilities at amortised cost	Total
	Rs.	Rs.
Financial Liabilities		
Due to banks	3,214,241,102	13,214,241,102
Due to depositors	12,918,786,478	12,918,786,478
Derivative financial liabilities	13,545,550	13,545,550
Other financial liabilities	883,877,701	883,877,701
Total Financial Liabilities	27,030,450,831	27,030,450,831

20.2 Company

As at 31st March 2020	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehen sive Income	Total
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and cash equivalents	-	986,553,659	-	986,553,659
Repurchase agreements	-	350,388,985	-	350,388,985
Placements with banks & financial institutions	-	915,617,034	-	915,617,034
Financial assets recognised through profit or loss -measured at fair value	1,550,282,902	-	-	1,550,282,902
Loans and advances - at amortised cost	-	6,184,304,979	-	6,184,304,979
Lease rentals receivable - at amortised cost	-	20,055,543,842	-	20,055,543,842
Hire purchase rentals receivable - at amortised cost	-	4,527,976	-	4,527,976
Financial assets - fair value through other comprehensive income	-	-	137,940,332	137,940,332
Other financial assets	-	459,367,873	-	459,367,873
Total Financial Assets	1,550,282,902	28,956,304,348	137,940,332	30,644,527,582

	Other Financial Liabilities at amortised cost	Total
	Rs.	Rs.
Financial Liabilities		
Due to banks	15,424,806,029	15,424,806,029
Due to depositors	12,347,296,849	12,347,296,849
Derivative financial liabilities	59,836,277	59,836,277
Other financial liabilities	791,703,913	791,703,913
Total Financial Liabilities	28,623,643,068	28,623,643,068

20.3 Group

As at 31st March 2021	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehen sive Income	Total
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and cash equivalents	-	637,840,499	-	637,840,499
Repurchase agreements	-	400,203,715	-	400,203,715
Placements with banks & financial institutions	-	793,564,909	-	793,564,909
Financial assets recognised through profit or loss -measured at fair value	1,177,459,993	-	-	1,177,459,993
Loans and advances - at amortised cost	-	6,630,437,142	-	6,630,437,142
Lease rentals receivable - at amortised cost	-	19,978,211,851	-	19,978,211,851
Hire purchase rentals receivable - at amortised cost	-	5,542,117	-	5,542,117
Financial assets - fair value through other comprehensive income	-	-	203,724,802	203,724,802
Other financial assets	-	560,626,424	-	560,626,424
Total Financial Assets	1,177,459,993	29,006,426,657	203,724,802	30,387,611,452

	Other Financial Liabilities at amortised cost	Total
	Rs.	Rs.
Financial Liabilities		
Due to banks	13,214,241,102	13,214,241,102
Due to depositors	12,918,786,478	12,918,786,478
Derivative financial liabilities	13,545,550	13,545,550
Other financial liabilities	899,693,781	899,693,781
Total Financial Liabilities	27,046,266,911	27,046,266,911

20.4 Group

As at 31st March 2020	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehen sive Income	Total
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and cash equivalents	-	1,027,324,614	-	1,027,324,614
Repurchase agreements	-	350,388,985	-	350,388,985
Placements with banks & financial institutions	-	915,617,034	-	915,617,034

Notes to the Financial Statements

As at 31st March 2020	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehen sive Income	Total
	Rs.	Rs.	Rs.	Rs.
Financial assets recognised through profit or loss -measured at fair value	1,550,282,902	-	-	1,550,282,902
Loans and advances - at amortised cost	-	6,184,454,429	-	6,184,454,429
Lease rentals receivable - at amortised cost	-	20,055,543,842	-	20,055,543,842
Hire purchase rentals receivable - at amortised cost	-	4,527,976	-	4,527,976
Financial assets - fair value through other comprehensive income	-	-	137,940,332	137,940,332
Other financial assets	-	535,032,270	-	535,032,270
Total Financial Assets	1,550,282,902	29,072,889,150	137,940,332	30,761,112,384

	Other Financial Liabilities at amortised cost	Total
	Rs.	Rs.
Financial Liabilities		
Due to banks	15,453,081,166	15,453,081,166
Due to depositors	12,347,296,849	12,347,296,849
Derivative financial liabilities	59,836,277	59,836,277
Other financial liabilities	810,353,917	810,353,917
Total Financial Liabilities	28,670,568,209	28,670,568,209

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
21 CASH AND CASH EQUIVALENTS				
Cash in hand	90,259,953	60,605,677	90,259,953	60,605,677
Balances with banks	497,145,994	925,947,982	547,580,546	966,718,937
	587,405,947	986,553,659	637,840,499	1,027,324,614

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short term deposits as defined above.

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
22 FINANCIAL ASSETS - RECOGNISED THROUGH PROFIT OR LOSS				
Government of Sri Lanka treasury bills - at fair value	905,162,506	1,205,125,799	905,162,506	1,205,125,799
Government of Sri Lanka treasury bonds - at fair value	272,297,487	287,807,781	272,297,487	287,807,781
Investments in unit trusts	-	57,349,322	-	57,349,322
	1,177,459,993	1,550,282,902	1,177,459,993	1,550,282,902
23 LOANS AND ADVANCES - MEASURED AT AMORTISED COST				
Term loan receivable	3,653,267,844	3,365,959,121	3,653,267,844	3,365,959,121
Gold loans	3,096,578,160	2,103,646,725	3,096,578,160	2,103,646,725
Pledge loans	427,068,346	992,874,760	427,068,346	992,874,760
Micro finance loans	336,025,221	466,097,824	336,025,221	466,097,824
Loans against fixed deposits	59,559,149	136,228,278	59,559,149	136,228,278
Staff loans (Note 23.3)	3,314,995	3,073,747	3,464,445	3,223,197
Gross loans and advances receivable	7,575,813,715	7,067,880,455	7,575,963,165	7,068,029,905
Less : Allowance for impairment losses (Note 23.1, 23.2, 23.4 & 23.5)	(945,526,023)	(883,575,476)	(945,526,023)	(883,575,476)
Net loans and advances	6,630,287,692	6,184,304,979	6,630,437,142	6,184,454,429
23.1 Allowances for Impairment Losses				
As at 01st April	883,575,476	715,026,031	883,575,476	715,026,031
Charge / (Reversal) for the year	51,598,184	166,868,314	51,598,184	166,868,314
Interest income accrued on impaired loans and advance receivables	10,352,363	1,681,131	10,352,363	1,681,131
As at 31 st March	945,526,023	883,575,476	945,526,023	883,575,476
23.2 Loan Category wise Allowances for Impairment Losses				
Term loan receivable	471,117,157	259,092,977	471,117,157	259,092,977
Gold loans	148,844,781	24,678,304	148,844,781	24,678,304
Pledge loans	116,326,257	310,196,519	116,326,257	310,196,519
Micro finance loans	209,237,828	289,607,676	209,237,828	289,607,676
	945,526,023	883,575,476	945,526,023	883,575,476

Notes to the Financial Statements

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
23.3 Staff Loans Include Loans Granted to Company Officers, the Movement of Which is as Follows :				
As at the beginning of the year	3,073,747	3,100,447	3,223,197	3,238,767
Loans granted during the year	20,954,489	22,996,445	21,379,889	23,493,845
Repayments during the year	(20,493,198)	(22,770,884)	(20,918,598)	(23,257,154)
Provision for staff loan	(220,043)	(252,261)	(220,043)	(252,261)
As at the end of the year	3,314,995	3,073,747	3,464,445	3,223,197

23.4 Analysis of the Impairment for Expected Credit Losses, Based on the Staging of the Underlying Loans and Advances is Given Below:

	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Gross loans and advances 31st March 2021	5,973,966,333	279,285,828	1,322,561,554	7,575,813,715
Less: Provision for collective impairment	(237,548,218)	(40,287,803)	(230,909,284)	(508,745,305)
Less: Provision for individual impairment	-	-	(436,780,718)	(436,780,718)
Net loans and advances 31st March 2021	5,736,418,115	238,998,025	654,871,552	6,630,287,692
Gross loans and advances 31st March 2020	4,935,205,314	571,413,594	1,561,261,548	7,067,880,455
Less: Provision for collective impairment	(194,438,700)	(60,937,974)	(291,864,689)	(547,241,363)
Less: Provision for individual impairment	-	-	(336,334,113)	(336,334,113)
Net loans and advances 31st March 2020	4,740,766,614	510,475,620	933,062,746	6,184,304,979

Term loan receivables include receivables amounting to Rs. 424,841,755/- that have been assigned under a securitization funding arrangement.

23.5 Company & Group

As at 31st March 2021	Within one year	1-5 Years	Over 5 years	Total
	Rs.	Rs.	Rs.	Rs.
Gross rentals receivables				
- Loan rentals	5,077,430,800	1,469,701,715	398,613	6,547,531,128
- Amounts receivable from hirers	1,028,282,587	-	-	1,028,282,587
Net rentals receivables	6,105,713,387	1,469,701,715	398,613	7,575,813,715
Less : Allowance for impairment losses				(945,526,023)
Total net rentals receivable				6,630,287,692

24 LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Gross rentals receivables				
- Lease rentals	27,597,551,276	27,053,348,434	27,597,551,276	27,053,348,434
- Amounts receivable from hirers	1,646,166,122	2,224,030,738	1,646,166,122	2,224,030,738
	29,243,717,398	29,277,379,172	29,243,717,398	29,277,379,172
Less: Unearned income	(8,177,616,007)	(8,159,455,679)	(8,177,616,007)	(8,159,455,679)
Net rentals receivables	21,066,101,391	21,117,923,493	21,066,101,391	21,117,923,493
Less : Allowance for impairment losses (Note 24.1 & 24.3)	(1,087,889,540)	(1,062,379,651)	(1,087,889,540)	(1,062,379,651)
Total net rentals receivable (Note 24.2 & 24.3)	19,978,211,851	20,055,543,842	19,978,211,851	20,055,543,842

24.1 Allowances for Impairment Losses

As at 01st April	1,062,379,651	535,169,574	1,062,379,651	535,169,574
Charge / (Reversal) for the year	18,683,785	484,102,848	18,683,785	484,102,848
Interest income accrued on impaired lease rental receivables	6,826,104	43,107,229	6,826,104	43,107,229
As at 31st March	1,087,889,540	1,062,379,651	1,087,889,540	1,062,379,651

24.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying leases is given below:

Company & Group

	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Gross lease and receivables 31st March 2021	16,286,717,124	2,215,853,322	2,563,530,944	21,066,101,390
Less: Provision for collective impairment	(104,388,770)	(96,543,122)	(303,701,678)	(504,633,570)
Less: Provision for individual impairment	-	-	(583,255,969)	(583,255,969)
Net lease and receivables 31st March 2021	16,182,328,354	2,119,310,200	1,676,573,297	19,978,211,851
Gross lease and receivables 31st March 2020	17,646,655,647	2,242,457,374	1,228,810,472	21,117,923,493
Less: Provision for collective impairment	(353,782,304)	(172,265,335)	(174,620,124)	(700,667,763)
Less: Provision for individual impairment	-	-	(361,711,888)	(361,711,888)
Net lease and receivables 31st March 2020	17,292,873,343	2,070,192,039	692,478,460	20,055,543,842

Notes to the Financial Statements

24.3 Company & Group

As at 31st March 2021	Within one year	1-5 Years	Over 5 years	Total
	Rs.	Rs.	Rs.	Rs.
Gross rentals receivables				
- Loan rentals	10,803,779,586	16,793,771,689	-	27,597,551,275
- Amounts receivable from hirers	1,646,166,122	-	-	1,646,166,122
	12,449,945,708	16,793,771,689	-	29,243,717,397
Less: Unearned income	(4,086,870,153)	(4,090,745,853)		(8,177,616,006)
Net rentals receivables	8,363,075,555	12,703,025,836	-	21,066,101,391
Less : Allowance for impairment losses				(1,087,889,540)
Total net rentals receivable				19,978,211,851

Company & Group

As at 31st March 2020	Within one year	1-5 Years	Over 5 years	Total
	Rs.	Rs.	Rs.	Rs.
Gross rentals receivables				
- Lease rentals	10,834,020,705	16,219,053,169	274,560	27,053,348,434
- Amounts receivable from hirers	2,224,030,738	-	-	2,224,030,738
	13,058,051,443	16,219,053,169	274,560	29,277,379,172
Less: Unearned income	(4,155,500,912)	(4,003,934,076)	(20,691)	(8,159,455,679)
Net rentals receivables	8,902,550,531	12,215,119,093	253,869	21,117,923,493
Less : Allowance for impairment losses				(1,062,379,651)
Total net rentals receivable				20,055,543,842

Lease rental receivables include receivables amounting to Rs. 11,942,191,236/- that have been assigned under a securitization funding arrangement.

25 HIREPURCHASE RENTALS RECEIVABLE & STOCK OUT ON HIRE

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Gross rentals receivables	-	-	-	-
- Amounts receivable from hirers	3,979,022	4,707,961	3,979,022	4,707,961
	3,979,022	4,707,961	3,979,022	4,707,961
Less: Unearned income	-	-	-	-
Net rentals receivables	3,979,022	4,707,961	3,979,022	4,707,961
Less : Allowance for impairment losses (Note 25.1)	1,563,095	(179,985)	1,563,095	(179,985)
Total net rentals receivable (Note 25.2 & 25.3)	5,542,117	4,527,976	5,542,117	4,527,976

25.1 Allowance for Impairment Losses

As at 01st April	179,985	334,760	179,985	334,760
Charge / (Reversal) for the year	(1,500,966)	73,505	(1,500,966)	73,505
Interest income accrued on impaired hire purchase and receivables	(242,115)	(228,280)	(242,115)	(228,280)
As at 31st March	(1,563,095)	179,985	(1,563,095)	179,985

25.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying Hire Purchase is given below:

	Stage 1	Stage 2	Stage 3	Total
	Rs.	Rs.	Rs.	Rs.
Gross hire purchase and receivable 31st March 2021	-	-	3,979,022	3,979,022
Less: Provision for collective impairment	-	-	-	-
Less: Provision for individual impairment	-	-	1,563,095	1,563,095
Net hire purchase and receivables 31st March 2021	-	-	5,542,117	5,542,117
Gross hire purchase and receivable 31st March 2020	(773,694)	-	5,481,655	4,707,961
Less: Provision for collective impairment	-	-	-	-
Less: Provision for individual impairment	-	-	(179,985)	(179,985)
Net hire purchase and receivables 31st March 2020	(773,694)	-	5,301,670	4,527,976

Notes to the Financial Statements

25.3 Company & Group

As at 31st March 2021	Within one year	1-5 Years	Over 5 years	Total
	Rs.	Rs.	Rs.	Rs.
Gross rentals receivables				
- Hire purchase rentals	-	-	-	-
- Amounts receivable from hirers	3,979,022	-	-	3,979,022
	3,979,022	-	-	3,979,022
Less: Unearned income	-	-	-	-
Net rentals receivables	3,979,022	-	-	3,979,022

As at 31st March 2020	Within one year	1-5 Years	Over 5 years	Total
	Rs.	Rs.	Rs.	Rs.
Gross rentals receivables				
- Hire purchase rentals	-	-	-	-
- Amounts receivable from hirers	4,707,961	-	-	4,707,961
	4,707,961	-	-	4,707,961
Less: Unearned income	-	-	-	-
Net rentals receivables	4,707,961	-	-	4,707,961

26 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Quoted equity securities (Note 26.1)	203,145,552	137,361,082	203,145,552	137,361,082
Unquoted equities (Note 26.2)	579,250	579,250	579,250	579,250
	203,724,802	137,940,332	203,724,802	137,940,332

As per the guidelines issued by CA Sri Lanka a one-off option is provided to reclassify equity portfolio as at 1, January 2020. Accordingly the Company has reclassified equity portfolio held under fair value through profit or loss to fair value through other comprehensive income.

26.1 Quoted Equities

	2021			2020		
	Company & Group			Company & Group		
	No of Shares	Cost of Investment	Fair Value	No of Shares	Cost of Investment	Fair Value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Banks, Finance & Insurance						
Central Finance Co PLC	-	-	-	31,560	4,135,882	2,556,360
Ceylinco Insurance PLC - non voting	-	-	-	1,500	602,749	1,185,000
Commercial Bank - non voting	-	-	-	81	9,513	4,739
Hatton National Bank PLC	-	-	-	30,226	6,742,309	3,176,753
Hatton National Bank PLC - non voting	-	-	-	6,260	895,180	627,878
Merchant Bank of Sri Lanka PLC	-	-	-	385	718,750	2,156
National Development Bank PLC	-	-	-	28,165	3,557,522	1,864,523
People's Leasing Company PLC	-	-	-	545,843	12,271,734	6,659,285
People's Insurance PLC	-	-	-	299,883	6,893,033	5,127,999
Sanasa Development Bank	2,066,310	107,410,425	117,366,407	39,836	6,046,150	1,872,292
Seylan Bank PLC	111,080	11,841,684	5,442,920	187,952	17,393,566	6,296,392
Seylan Bank PLC - non voting	-	-	-	73,113	4,220,294	1,615,797
Softlogic Life Insurance	47,133	1,662,224	1,437,557	-	-	-
Sinhaputhra Finance PLC -preference shares	-	-	-	50,000	125,000	120,000
LB Finance PLC	-	-	-	20,000	3,200,000	2,410,000
Union Bank PLC	-	-	-	296,680	5,146,220	2,403,108
		120,914,333	124,246,884		71,957,902	35,922,282
Land & Property						
East West Properties PLC	-	-	-	100,000	1,443,960	580,000
					1,443,960	580,000
Hotels & Travels						
Amaya Leisure PLC	-	-	-	24	1,121	600
Ceylon Hotels Corporation PLC	53,331	2,139,964	565,309	53,331	2,139,964	453,314
Dolphin Hotels PLC	-	-	-	135,000	7,245,218	2,470,500
Hotel Sigiriya PLC	-	-	-	35,000	3,539,200	1,274,000
Jetwing Symphony PLC	750,000	8,250,000	6,750,000	750,000	8,250,000	6,375,000
Mahaweli Reach Hotels PLC	71,928	2,970,734	935,064	71,928	2,970,734	863,136
The Nuwara Eliya Hotels Company PLC	-	-	-	327	455,040	273,078
Serendib Hotels PLC -non voting	-	-	-	14,510	334,376	159,610

Notes to the Financial Statements

26.1 Quoted Equities (continued)

	2021			2020		
	Company & Group			Company & Group		
	No of Shares	Cost of Investment	Fair Value	No of Shares	Cost of Investment	Fair Value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sigiriya Village Hotels PLC	64,902	6,779,287	2,323,492	64,902	6,779,287	1,706,923
Renuka City Hotel PLC	-	-	-	220	58,300	42,020
Tal Lanka Hotels PLC	17,800	997,893	218,940	17,800	997,893	137,060
Tangerine Beach Hotels PLC	-	-	-	7,516	630,813	263,812
		21,137,878	10,792,805		33,401,946	14,019,053
Manufacturing						
ACL Cables PLC	-	-	-	16,300	997,465	506,930
Central Industries PLC	-	-	-	200,000	11,764,452	6,560,000
Kelani Tyres PLC	47,778	4,131,201	3,726,684	20,000	1,000,000	662,000
Regnis Lanka PLC	-	-	-	29,410	3,622,634	1,758,718
Teejay Lanka PLC	-	-	-	77,296	3,401,024	1,800,997
Tokyo Cement PLC	5,971	175,557	361,843	6,550	353,700	147,375
Tokyo Cement PLC - non voting	-	-	-	56,124	1,806,175	1,122,480
		4,306,758	4,088,527		22,945,450	12,558,500
Trading						
Singer Sri Lanka PLC	-	-	-	91,215	3,675,127	1,842,543
		-	-		3,675,127	1,842,543
Investment Trusts						
Lee Hedges PLC	284,799	17,621,482	18,511,935	284,800	17,621,544	18,512,000
Renuka Holdings PLC	169,529	5,796,143	2,441,218	674,529	23,042,074	9,106,142
		23,417,625	20,953,153		40,663,618	27,618,142
Diversified Holdings						
Aitken Spence PLC	546,700	45,947,578	30,341,850	546,700	45,947,578	16,783,690
Hemas Holdings PLC	40,000	4,000,000	3,336,000	-	-	-
Hayleys PLC	-	-	-	35,000	12,386,795	4,326,000
John Keells Holdings PLC	-	-	-	105	19,025	12,117
		49,947,578	33,677,850		58,353,398	21,121,807
Plantations						
Horana Plantations PLC	-	-	-	25,000	1,873,625	425,000
Kegalle Plantations PLC	10,658	2,374,779	1,035,958	37,100	8,266,496	1,513,680
		2,374,779	1,035,958		10,140,121	1,938,680

	2021			2020		
	Company & Group			Company & Group		
	No of Shares	Cost of Investment	Fair Value	No of Shares	Cost of Investment	Fair Value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Construction & Engineering						
Access Engineering PLC	-	-	-	731,723	16,863,025	9,658,744
Colombo Dockyard PLC	-	-	-	6,580	1,232,107	240,170
					18,095,132	9,898,914
Power & Energy						
Lanka IOC PLC	-	-	-	75,000	2,337,426	1,185,000
Mackwoods Energy PLC	-	-	-	100,000	1,399,997	120,000
					3,737,423	1,305,000
Motors						
C M Holding PLC	-	-	-	2,285	800,794	97,111
Diesel & Motor Engineering PLC	15,748	17,227,215	8,350,377	17,500	19,143,781	4,375,000
United Motors PLC	-	-	-	6,819	668,851	309,583
		17,227,215	8,350,377		20,613,426	4,781,694
Telecommunications						
Dialog Axiata PLC	-	-	-	200,000	2,660,000	1,700,000
					2,660,000	1,700,000
Chemicals & Pharmaceuticals						
CIC Holdings PLC	-	-	-	27,199	1,681,279	951,965
CIC Holdings PLC -non voting	-	-	-	25,000	1,320,665	722,500
Haycarb PLC	-	-	-	15,000	2,834,828	2,400,000
					5,836,772	4,074,465
Total Investment	-	239,326,166	203,145,552		293,524,276	137,361,082

Notes to the Financial Statements

26.2 Unquoted Equities

Company & Group	Company		Group	
	2021		2020	
	Cost of Investment	Fair Value	Cost of Investment	Fair Value
	Rs.	Rs.	Rs.	Rs.
Comp Trust Equity Fund	200,500	200,500	200,500	200,500
Commercial Fund Management	1,500	1,500	1,500	1,500
Shaw Wallace Ceylon Ltd	11,544	11,544	11,544	11,544
Alliance Agencies Ltd	75,300	75,300	75,300	75,300
Ceylon Japan Industries Ltd	1	1	1	1
Orient Food Processing (Lanka) Ltd	1	1	1	1
Trigem Knitwear Ltd	1	1	1	1
Credit Information Bureau of Sri Lanka	25,400	25,400	25,400	25,400
Finance House Consortium (Pvt) Ltd	200,000	200,000	200,000	200,000
Orient Hotels Ltd	1	1	1	1
Ranwelli Holiday Resorts Ltd	65,001	65,001	65,001	65,001
Nation Lanka Equities (Pvt) Ltd	8,785,740	1	8,785,740	1
Total	9,364,989	579,250	9,364,989	579,250

Directors of the Company assessed that fair value of the unquoted share investments held by the Company as at 31st March 2021 and concluded that the carrying value as at that date is a reasonable approximation of fair value.

Investments in equity accounted investees are carried at cost less any accumulated impairment losses. The Group has not determined impairment as at the reporting date due to the COVID -19 pandemic.

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
27 OTHER TRADING STOCKS				
Real estates	21,301,500	21,376,500	21,301,500	21,376,500
Vehicles stock	258,265,070	186,011,689	258,265,070	186,011,689
	279,566,570	207,388,189	279,566,570	207,388,189
28 OTHER FINANCIAL ASSETS				
Collaboration debtors	48,889,858	36,248,097	48,889,858	36,248,098
Deferred expenses	293,837,741	315,913,269	293,837,741	315,913,269
Other receivables	146,888,634	107,206,507	217,898,825	182,870,903
	489,616,233	459,367,873	560,626,424	535,032,270

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
29 OTHER NON FINANCIAL ASSETS				
Pre-paid expenses	158,593,103	169,690,055	158,593,103	169,690,055
Stationery stock account	4,692,306	2,619,961	4,692,306	2,619,952
VAT recoverable	-	4,214,147	475,323	4,689,470
	163,285,409	176,524,163	163,760,732	176,999,477
30 INVESTMENT IN ASSOCIATES				
Company	% Holding	Carrying Value 01.04.2020	Share of profit/(loss)	Carrying Value 31.03.2021
	Rs.	Rs.	Rs.	Rs.
a) Equity Method				
Company				
Macbertan (Pvt) Ltd	22.45%	45,626,718	2,129,344	47,756,062
		45,626,718	2,129,344	47,756,062
Group				
Macbertan (Pvt) Ltd	22.45%	94,434,188	2,129,344	96,563,532
		94,434,188	2,129,344	96,563,532
			2021	2020
Company	No. of Ordinary Shares	Cost of Investment	Cost of Investment	
	Rs.	Rs.	Rs.	
b) Cost Method - Holding By Company				
Macbertan (Pvt) Ltd	1,720,000	17,200,000	17,200,000	
		17,200,000	17,200,000	
Cost Method - Holding By Group				
Macbertan (Pvt) Ltd	5,610,747	66,007,470	66,007,470	
		66,007,470	66,007,470	

Notes to the Financial Statements

Summarized Financial Information of Associate Company

As at 31st March	2021	2020
	Rs.	Rs.
Mac-bertain Pvt Ltd		
Revenue	490,170,702	578,467,286
Profit / (Loss) for the period	9,484,827	(25,366,914)
Current Assets	267,911,598	226,310,108
Non Current Assets	366,590,626	375,121,741
Current Liabilities	256,725,600	236,764,268
Non Current Liabilities	39,570,368	4,770,971
Dividend income received	-	-

"Alliance Tech Trading (Pvt) Ltd is an Associate Company (40% holding) and the Company has been dormant and no significant assets or liabilities were carried in its books as at 31st March 2021 and 2020."

31 INVESTMENT IN SUBSIDIARIES

	Principal Activity	% Holding	Cost of Investment
	Rs.	Rs.	Rs.
Alfinco Insurance Brokers (Pvt) Ltd	Insurance Brokering	63.94%	16,924,038

Alfinco Insurance Brokers (Pvt) Ltd not quoted in Colombo Stock Exchange.

Summarized Financial Information of Subsidiary

As at 31st March	2021	2020
	Rs.	Rs.
Alfinco Insurance Brokers (Pvt) Ltd		
Net operating income	116,412,229	94,809,612
Less: operating expenses	(70,081,406)	(51,266,244)
Profit before taxes	46,330,823	43,543,368
Less: Taxes	(11,118,923)	(11,797,494)
Profit after tax	35,211,900	31,745,874
Assets	199,136,569	146,416,670
Liabilities	43,869,956	26,962,047
Equity	155,266,613	119,454,623

32 INVESTMENT PROPERTY

Company & Group	Balance as at	Fair value gain	Balance as at
	01.04.2020		31.03.2021
	Rs.	Rs.	Rs.
Gross Carrying Amounts			
Land	549,000,000	25,254,000	574,254,000
	549,000,000	25,254,000	574,254,000

Company & Group	Balance as at	Fair value gain	Balance as at
	01.04.2019		31.03.2020
	Rs.	Rs.	Rs.
Gross Carrying Amounts			
Land	549,000,000	-	549,000,000
	549,000,000	-	549,000,000

32.1 Revaluation of Investment property

The Company revalued its investment properties as at 31st March 2021, adopting an open market comparable basis of valuation by Mr. M.T.H Farook being independent, professional valuer with recent experience in the location category of the property being valued.

Details of investment properties Stated at Valuation

Location	Date of valuation	Net book	Revaluation amount	Revaluation
		Value at valuation		Gain Recognised in P & L
		Rs.	Rs.	Rs.
No.199/11, Rajagiriya Road, Rajagiriya	31.03.2021	480,000,000	502,080,000	22,080,000
No.199/10, Rajagiriya Road, Rajagiriya	31.03.2021	69,000,000	72,174,000	3,174,000
		549,000,000	574,254,000	25,254,000

32.2 Details of investment properties as at 31st March 2021

Location	Land extent	No: of	Building	Total
	(perches)	Buildings		value
	Rs.	Rs.	(Square feet)	Rs.
No.199/11, Rajagiriya Road, Rajagiriya	160	1	16,508	502,080,000
No.199/10, Rajagiriya Road, Rajagiriya	23	-	-	72,174,000
				574,254,000

The carrying value of the building amounting to Rs. 19,148,250 situated at No.199/11 Obesekarapura- Rajagiriya has been derecognized as future development of this property will need the existing building to be demolished. As a result Rs. 19,148,250/- has been written off to retained profits as at 1 April 2017.

Notes to the Financial Statements

Fair Value

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land value is based on the market prices of each land respectively.	Market value of Land (Price per Perch)	The estimated fair value would increase/ (decrease), when market value per perch was higher (lower)

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in values considered opinion, meets the requirements in SLFRS 13 fair Value Measurements.

32.3 Title restriction on Investment properties

There were no restriction on the title of land classified as investment properties as at 31st March 2021.

32.4 Rental income earned and expenses incurred on Investment Property

The Company has not rented out the investment property during the financial year. However we are in the discussion level of renting out this property to a third party.

Direct operating expenses (including repair and maintenance) incurred on investment property that did not generate rental income during the period is Rs. 1,988,958/-

33 PROPERTY, PLANT AND EQUIPMENT

33.1 Company

Gross Carrying Amounts	Balance as at 01.04.2020	Additions	Revaluation	Disposals	Transfers	Balance as at 31.03.2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / Valuation						
Freehold Assets						
Land	1,179,529,965	-	638,372,975	-	-	1,817,902,940
Buildings	192,787,061	18,105,145	69,006,046	-	(34,663,753)	245,234,499
Furniture & fittings	81,758,723	3,855,995	-	(1,327,195)	(147,500)	84,140,023
Equipment	274,472,720	39,378,874	-	(7,621,615)	108,120	306,338,099
Motor vehicles & accessories	352,484,160	43,310,000	-	(78,863,891)	-	316,930,269
Computers	134,677,795	12,187,190	-	(829,200)	87,180	146,122,965
Antiques	25,580	-	-	-	-	25,580
	2,215,736,004	116,837,204	707,379,021	(88,641,901)	(34,615,953)	2,916,694,375

Gross Carrying Amounts	Balance as at 01.04.2020	Additions	Revaluation	Disposals	Transfers	Balance as at 31.03.2021
	Rs.					Rs.
Depreciation						
Freehold Assets						
Land	-	-	-	-	-	-
Buildings	26,754,790	9,887,142	-	-	(36,641,932)	-
Furniture & fittings	37,821,777	10,215,033	-	791,630	(7,682)	47,237,498
Equipment	161,702,995	57,443,962	-	(6,229,526)	7,682	212,925,113
Motor vehicles & accessories	178,994,932	34,098,224	-	61,686,410	-	151,406,746
Computers	116,440,980	11,637,800	-	(643,200)	4,780	127,440,360
Antiques	-	-	-	-	-	-
	521,715,474	123,282,161	-	(69,350,764)	(36,637,153)	539,009,717
Net book value						
Land	1,179,529,965					1,817,902,940
Buildings	166,032,271					245,234,499
Furniture & fittings	43,936,946					36,902,525
Equipment	112,769,725					93,412,986
Motor vehicles & accessories	173,489,228					165,523,523
Computers	18,236,815					18,682,605
Antiques	25,580					25,580
	1,694,020,530					2,377,684,658

33.2 Group

Gross Carrying Amounts	Balance as at 01.04.2020	Additions	Revaluation	Disposals	Transfers	Balance as at 31.03.2021
	Rs.					Rs.
Cost / Valuation						
Freehold Assets						
Land	1,179,529,965	-	638,372,975	-	-	1,817,902,940
Buildings	192,787,061	18,105,145	69,006,046	-	(34,663,753)	245,234,500
Furniture & fittings	82,747,877	4,111,895	-	(1,327,195)	(147,500)	85,385,077
Equipment	276,832,693	39,378,874	-	(7,621,615)	108,120	308,698,072
Motor vehicles & accessories	352,484,160	43,310,000	-	(78,863,891)	-	316,930,269
Computers	135,845,025	12,187,190	-	(829,200)	87,180	147,290,195
Antiques	25,580	-	-	-	-	25,580
	2,220,252,361	117,093,104	707,379,021	(88,641,901)	(34,615,953)	2,921,466,633

Notes to the Financial Statements

Gross Carrying Amounts	Balance as at 01.04.2020	Additions	Revaluation	Disposals	Transfers	Balance as at 31.03.2021
	Rs.					Rs.
Depreciation						
Freehold Assets						
Land	-	-	-	-	-	-
Buildings	26,754,790	9,887,142	-	-	(36,641,933)	-
Furniture & fittings	38,805,685	10,234,675	-	(791,629)	(7,682)	48,241,048
Equipment	164,079,069	57,464,962	-	(6,229,526)	7,682	215,322,187
Motor vehicles & accessories	178,994,931	34,098,224	-	(61,686,409)	-	151,406,745
Computers	117,476,158	11,702,754	-	(643,200)	4,780	128,540,492
Antiques	-	-	-	-	-	-
	526,110,633	123,387,757		(69,350,764)	(36,637,153)	543,510,472
Net book value						
Land	1,179,529,965					1,817,902,940
Buildings	166,032,271					245,234,500
Furniture & fittings	43,942,192					37,144,029
Equipment	112,753,624					93,375,885
Motor vehicles & accessories	173,489,229					165,523,524
Computers	18,368,867					18,749,703
Antiques	25,580					25,580
	1,694,141,728					2,377,956,161

33.3 Revaluation of Fixed Assets

The Company revalued its land and buildings as at 31st March 2021, adopting an open market comparable basis of valuation by Mr.M.T.Hilmy Farook being Independent, professional Valuer with recent experience in the location category of the Property being valued.

33.3.1 Details of Company's Land Stated at Valuation

Location	Valuer	Date of valuation	Method of valuation	Net book Value Before valuation	Revaluation amount	Revaluation Gain/(Loss) Recognised in OCI
				Rs.	Rs.	Rs.
No.84, Ward Place, Colombo 7	Mr. M T Hilmy Farook	31.03.2021	Market Comparable Method	708,500,000	1,072,981,930	364,481,930
No.98, Ward Place, Colombo 7	Mr. M T Hilmy Farook	31.03.2021	Market Comparable Method	224,770,000	308,046,420	83,276,420

Location	Valuer	Date of valuation	Method of valuation	Net book	Revaluation	Revaluation
				Value Before valuation	amount	Gain/(Loss) Recognised in OCI
				Rs.	Rs.	Rs.
No.720, Kotte Road, Rajagiriya	Mr. M T Hilmy Farook	31.03.2021	Market Comparable Method	130,253,800	212,389,850	82,136,050
No.722, Kotte Road, Rajagiriya	Mr. M T Hilmy Farook	31.03.2021	Market Comparable Method	89,503,793	158,144,740	68,640,947
No.383, Kotugoda Road, Seeduwa	Mr. M.T.Hilmy Farook	31.03.2021	Market Comparable Method	25,769,902	41,840,000	16,070,098
No.152,150/1 Batapadura Watta Road, Siyambalagoda	Mr. M T Hilmy Farook	31.03.2021	Market Comparable Method	732,470	24,500,000	23,767,530
				1,179,529,965	1,817,902,940	638,372,975

33.3.2 Details of Company's Buildings Stated at Valuation

Location	Valuer	Date of valuation	Method of valuation	Net book	Revaluation	Revaluation
				Value Before valuation	amount	Gain/(Loss) Recognised in OCI
				Rs.	Rs.	Rs.
No.84, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2021	Market Comparable Method	6,549,760	33,750,000	27,200,240
No.98, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2021	Market Comparable Method	25,514,087	46,080,000	20,565,913
No.720, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2021	Market Comparable Method	17,610,659	25,000,000	7,389,341
No.722, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2021	Market Comparable Method	121,858,349	132,268,500	10,410,151
No.383, Kotugoda Road, Seeduwa	Mr.M.T.Hilmy Farook	31.03.2021	Market Comparable Method	4,695,598	8,136,000	3,440,402
				176,228,453	245,234,500	69,006,047

Notes to the Financial Statements

33.3.3 Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land value is based on the market prices of each land respectively.	Market value of Land (Price per Perch)	The estimated fair value would increase/ (decrease) if - Market value per perch was higher (Lower)

33.3.4 Carrying value at cost

The carrying amount of Company's revalued freehold land and buildings, if they were carried at cost less accumulated depreciation would be as follows;

As at 31st March 2021	Cost	Accumulated Depreciation	Net Book Value
	Rs.	Rs.	Rs.
Freehold lands	558,712,624	-	558,712,624
Freehold buildings	203,678,617	49,471,920	154,206,696
	762,391,241	49,471,920	712,919,320

33.3.5 Carrying value at revaluation

The carrying amount of Company's revalued freehold land and buildings, if they were carried at revaluation less accumulated depreciation, would be as follows:

As at 31st March 2021	Revalued Amount	Accumulated Depreciation	Net Book Value
	Rs.	Rs.	Rs.
Land	1,817,902,940	-	1,817,902,940
Building	245,234,500	-	245,234,500
	2,063,137,440	-	2,063,137,440

33.4 Details of Freehold Land and Buildings as at 31st March 2021

Location	Land extent (Perches)	Cost or	No of Buildings	Buildings	Cost or	Total Value
		Revaluation of Land		(Square Feet)	Revaluation of Building	
		Rs.		Rs.	Rs.	Rs.
No 84 Ward Place Colombo - 7	65.00	1,072,981,930	2	6,967	33,750,000	1,106,731,930
No.98, Ward Place, Colombo - 7	19.41	308,046,420	1	8,460	46,080,000	354,126,420
No.152,150/1 Batapadura Watta Road, Siyambalagoda	49.00	24,500,000	-	-	-	24,500,000
No.720, Kotte Road, Rajagiriya	33.85	212,389,850	1	-	25,000,000	237,389,850
No.722, Kotte Road, Rajagiriya	23.26	158,144,740	1	16,660	132,268,500	290,413,240
No.383, Kotugoda Road, Seeduwa	80.00	41,840,000	1	2,712	8,136,000	49,976,000
Freehold Land and Building		1,817,902,940			245,234,500	2,063,137,440

33.5 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 116,837,204 /- (2019/20 - Rs. 78,139,072 /-) and payment made by cash.

33.6 The cost of the fully depreciated / amortised property, plant and equipment and intangible assets of the Company which are still in use as at the end of the reporting date is as follows:

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Motor vehicles	44,044,086	83,319,484	44,044,086	83,319,484
Office Equipment	120,232,899	-	122,629,973	2,292,074
Furniture & Fittings	468,510	-	1,449,663	869,794
Computers	108,967,034	99,988,068	110,007,164	100,899,748
Software - Intangible assets	3,225,075	9,141,825	4,778,075	9,141,825
	276,937,604	192,449,377	282,908,961	196,522,925

33.7 Title restriction on Property Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2021.

33.8 Property Plant and Equipment pledged as security for liabilities

Property	Mortgaged with	Value
No.722, Kotte Road, Rajagiriya	Public Bank	550 mn

33.9 Measurement of fair values

The fair value measurement for freehold lands have been categorized as a Level 3 fair value based on the input to the valuation technique used.

33.10 The Group does not foresee indications of Impairment of Fixed assets as at the reporting date due to the COVID-19 pandemic and each business unit functions under the respective business continuity plans.

Notes to the Financial Statements

34 INTANGIBLE ASSETS

Gross Carrying Amounts of Freehold and Leasehold Assets	Balance as at 31.03.2020	Additions	Transfers / Disposals	Balance as at 31.03.2021
	Rs.	Rs.	Rs.	Rs.
34.1 Company				
Cost / Valuation				
Computer software	104,512,007	12,230,194	(706,996)	116,035,205
	104,512,007	12,230,194	(706,996)	116,035,205
Amortization				
Computer software	48,554,284	8,988,531	(4,780)	57,538,035
	48,554,284	8,988,531	(4,780)	57,538,035
Net book value				
Computer software	55,957,723			58,497,170
	55,957,723			58,497,170
34.2 Group				
Cost / Valuation				
Computer software	104,512,007	12,230,194	(706,996)	116,035,205
	104,512,007	12,230,194	(706,996)	116,035,205
Amortization				
Computer software	48,554,284	8,988,531	(4,780)	57,538,035
	48,554,284	8,988,531	(4,780)	57,538,035
Net book value				
Computer software	55,957,723			58,497,170
	55,957,723			58,497,170

35 RIGHT TO USE ASSETS

	Company	Group
	Rs.	Rs.
35.1 Carrying Value of Right to use Assets		
Cost		
Balance as at 01st April 2020	335,621,211	335,621,211
Additions and improvements	6,242,910	6,242,910
Balance as at 31st March 2021	341,864,121	341,864,121
Accumulated Amortisation		
Balance as at 01st April 2020	76,581,401	76,581,401
Charge for the Year	71,961,239	71,961,239
Balance as at 31st March 2021	148,542,640	148,542,640
Net book value as at 31st March 2021	193,321,481	193,321,481
Net book value as at 31st March 2020	259,039,810	259,039,810

35.2 Operating Lease Liability

Balance as at 01st April 2020	254,705,576	254,705,576
Additions and improvements	(191,999)	(191,999)
Accretion of Interest	30,204,707	30,204,707
Payments made during the year	(77,981,423)	(77,981,423)
Balance as at 31st March 2021	206,736,861	206,736,861
Balance as at 31st March 2020	254,705,576	254,705,576

36 DUE TO BANKS

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Bank overdrafts	109,147,260	274,242,117	109,147,260	302,517,255
Securitized borrowings and other facilities (Note 36.1)	13,105,093,842	15,150,563,911	13,105,093,842	15,150,563,911
	13,214,241,102	15,424,806,028	13,214,241,102	15,453,081,166

Notes to the Financial Statements

	As at 31.03.2020	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2021	Period	Security
	Rs.	Rs.	Rs.	Rs.	Rs.		
36.1 Securitized Borrowings							
Company and Group							
HNB							
Securitization							
-02	617,673,409	-	64,703,228	499,988,895	182,387,742	24 months	Lease receivables
HNB							
Securitization							
-03	546,872,117	-	44,875,568	591,747,685	-	12 months	Lease receivables
HNB							
Securitization							
-03 - III	349,509,625	-	49,273,299	-	398,782,924	24 months	Lease receivables
HNB							
Securitization							
-03 -II	128,816,862	-	12,908,599	97,089,032	44,636,429	15 months	Lease receivables
HNB							
Securitization							
-04	510,177,645	-	62,410,721	117,497,667	455,090,699	36 months	Lease receivables
HNB							
Securitization							
-05	-	999,471,148	114,114,679	-	1,113,585,827	24 months	Lease receivables
Seylan Trust 02	-	750,000,000	36,869,224	-	786,869,224	30 months	Lease receivables
Peo-Trust 01							
part 01	481,439,986	-	63,256,073	336,420,737	208,275,322	24 months	Lease receivables
Peo-Trust 01							
part 02	476,623,131	-	37,337,765	427,508,310	86,452,586	17 months	Lease receivables
	3,111,112,775	1,749,471,148	485,749,156	2,070,252,326	3,276,080,753		
Direct Bank Borrowings							
Term Loans							
BOC	835,028,470	20,000,000	79,813,081	413,653,357	521,188,194	56 Months	Lease receivables
Cargill's Bank PLC	44,675,935	-	1,909,674	46,585,609	-	60 Months	Lease receivables
Commercial Bank of Ceylon PLC	449,999,998	450,000,000	27,378,634	552,378,932	374,999,700	18 Months	Land & buildings
DFCC Bank	764,379,074	-	64,818,057	331,974,920	497,222,211	48 Months	Loan receivables
DFCC Bank - PCI Loan	64,886,587	-	3,382,889	29,647,752	38,621,724	70 Months	Nil
Hatton National Bank	430,549,998	-	37,758,990	134,988,988	333,320,000	36 Months	Lease receivables
National Savings Bank	250,000,000	-	22,497,576	104,191,604	168,305,971	36 Months	Lease receivables
Nations Trust Bank PLC	99,999,998	250,000,000	13,953,862	113,953,860	250,000,000	1 Months	Lease receivables
NDB Bank PLC	1,878,085,649	2,275,000,000	204,150,221	2,707,937,104	1,649,298,766	03 Months	Lease receivables
Public Bank	492,718,240	-	46,764,642	138,946,607	400,536,275	60 Months	Lease receivables
Reverse repo on treasury bills	70,124,176	-	543,119	70,667,295	-	7 Days	Treasury bonds

	As at 31.03.2020	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2021	Period	Security
	Rs.	Rs.	Rs.	Rs.	Rs.		
Sampath Bank PLC	987,099,998	-	80,472,905	456,472,903	611,100,000	60 Months	Lease receivables
Seylan Bank PLC	300,000,000	1,700,000,000	37,602,993	1,337,602,961	700,000,032	60 Months	Lease receivables
Union Bank of Colombo PLC	1,456,562,302	7,000,000,000	84,340,254	7,552,807,311	988,095,245	60 Months	Lease receivables
	8,124,110,425	11,695,000,000	705,386,897	13,991,809,203	6,532,688,118		

Foreign Currency Borrowings

DWM	621,464,556	68,025,600	36,572,140	384,361,132	341,701,165	36 Months	Lease receivables
FMO	1,849,398,100	109,725,400	119,874,914	391,476,081	1,687,522,332	60 Months	Lease receivables
IFC	718,578,054	-	73,476,025	279,352,606	512,701,473	60 Months	Lease receivables
Tridos Investment Management	725,900,000	28,500,000	66,487,126	66,487,126	754,400,000	72 Months	Lease receivables
	3,915,340,710	206,251,000	296,410,205	1,121,676,945	3,296,324,970		
	15,150,563,911	13,650,722,148	1,487,546,258	17,183,738,474	13,105,093,842		

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
37 DUE TO DEPOSITORS				
Fixed deposits	12,558,378,736	11,978,777,299	12,558,378,736	11,978,777,299
Savings deposits	360,407,742	368,519,550	360,407,742	368,519,550
	12,918,786,478	12,347,296,849	12,918,786,478	12,347,296,849
38 OTHER FINANCIAL LIABILITIES				
Accrued expenses	171,737,615	46,278,303	164,966,781	63,242,279
Trade creditors	243,012,089	280,657,989	243,012,089	280,657,989
Others	469,127,997	464,767,621	491,714,911	466,453,649
	883,877,701	791,703,913	899,693,781	810,353,917
39 OTHER NON FINANCIAL LIABILITIES				
FVAT payable	43,148,490	9,996,165	43,148,490	9,996,165
Other taxes payables	17,039,620	16,270,418	17,039,620	16,270,418
	60,188,110	26,266,583	60,188,110	26,266,583

Notes to the Financial Statements

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
40 DERIVATIVE FINANCIAL LIABILITIES				
Foreign currency swaps	13,545,550	59,836,277	13,545,550	59,836,277
	13,545,550	59,836,277	13,545,550	59,836,277
41 INCOME TAX LIABILITY				
Receivable from Inland Revenue Department	(260,036,730)	(356,056,928)	(267,950,214)	(356,056,928)
ESC paid	-	(29,055,201)	-	(38,005,263)
Current tax liability	564,646,012	342,279,069	575,951,624	354,149,295
Provision for contingent tax liabilities	341,703,798	194,972,574	341,703,798	194,972,574
	646,313,080	152,139,514	649,705,208	155,059,678
41.1 Movement of Income Tax Liability				
Balance as at 01st April	152,139,514	142,874,259	155,059,678	145,940,743
Current tax based on profit for the year	564,646,012	342,279,069	575,951,624	354,149,295
(Over)/under provision in respect of previous years	26,249,356	(130,125,458)	26,249,356	(130,125,458)
Provision for contingent liabilities	131,940,390	194,972,574	131,940,390	194,972,574
Provision for contingent liabilities - FVAT paid	14,790,834	-	14,790,834	-
Payment of tax	(243,453,026)	(397,860,930)	(254,286,674)	(409,877,476)
Balance as at 31st March	646,313,080	152,139,514	649,705,208	155,059,678
42 RETIREMENT BENEFIT OBLIGATIONS				
Gratuity Liability				
42.1 Liability Recognized in the Statement of Financial Position				
Balance as at 01st April	(1,046,687)	30,699,249	1,244,584	32,643,265
Amount charged/(reversed) for the year (Note - 42.2)	56,890,687	16,858,000	57,664,249	17,315,155
Transfer to gratuity trust fund	(31,486,681)	(33,714,921)	(31,486,681)	(33,714,921)
Payments made during the year	(11,433,290)	(14,889,015)	(11,433,290)	(14,998,915)
Balance as at 31st March	12,924,029	(1,046,687)	15,988,862	1,244,584
42.2 Amount charged/(reversed) for the year				
Current service cost for the year	31,937,917	25,579,558	32,575,469	25,850,242
Interest cost for the year	29,584,585	30,483,220	29,718,619	30,659,202
Expected return on plan assets	(29,700,004)	(27,118,127)	(29,700,004)	(27,118,127)
	31,822,498	28,944,651	32,594,084	29,391,317

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Amount Recognised in Other Comprehensive Income				
Net actuarial (gains)/ losses	25,068,189	(12,086,651)	25,070,165	(12,076,162)
Amount Charged for the year	56,890,687	16,858,000	57,664,249	17,315,155
42.3 Changes in the Present Value of Obligation				
Present value obligation as at 01st April	295,781,549	277,227,678	296,118,315	277,227,678
Interest cost	29,584,585	30,483,220	29,718,619	30,659,202
Current service cost	31,937,917	25,579,558	32,575,469	25,850,242
Benefits paid / payable	(11,433,290)	(14,889,015)	(11,433,290)	(14,998,915)
Actuarial (Gain) / Loss	8,588,274	(22,619,892)	8,588,274	(22,619,892)
Present value obligation as at 31st March	354,459,035	295,781,549	355,567,387	296,118,315
42.4 Movement in the Present Value of Plan Assets				
Value of plan assets as at 01st April	297,000,040	246,528,429	295,045,535	244,584,413
Expected return on the plan assets for the period	29,700,004	27,118,127	29,700,004	27,118,127
Contribution paid to the plan	31,486,681	33,714,921	31,486,681	33,714,921
Actuarial gain/(loss) on plan assets	(16,651,719)	(10,361,437)	(16,653,695)	(10,371,926)
Value of plan assets as at 31st March	341,535,006	297,000,040	339,578,525	295,045,535
42.5 Assumptions				
Discount rate	7%	10%	7%	10%
Salary scale	6.0%	6.0%	6.0%	6.0%
Mortality table	A 67/70	A 67/70	A 67/70	A 67/70
Staff turnover	21%	18%	21%	18%

Retirement age: Normal retirement age or age on valuation date, which is greater.

An actuarial valuation of the gratuity was carried out as at 31st March 2021 by 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 Method", recommended by LKAS 19.

Sensitivity Analysis of Present Value of Defined Benefit Obligation		2021
		Rs.
A one percentage point increase (+1%) in the discount rate		340,082,785
A one percentage point decrease (-1%) in the discount rate		370,094,176
A one percentage point increase (+1%) in the salary/wage increment rate		371,506,979
A one percentage point decrease (-1%) in the salary/wage increment rate		338,534,851

Notes to the Financial Statements

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
43 DEFERRED TAX ASSETS AND LIABILITIES				
Deferred tax liability				
Balance as at 01st April	530,275,376	607,383,605	530,283,797	607,459,177
Recognised in profit & loss	(144,197,938)	(77,108,229)	(144,198,971)	(77,175,380)
Recognised in other comprehensive income	169,770,965	-	169,770,965	-
Balance as at 31st March	555,848,403	530,275,376	555,855,791	530,283,797
Deferred tax asset				
Balance at 01st April	295,240,407	291,123,246	295,790,313	291,667,571
Recognised in profit & loss	(156,424,988)	7,017,957	(156,239,334)	7,023,538
Recognised in other comprehensive income	6,016,365	(2,900,796)	6,016,365	(2,900,796)
Balance as at 31st March	144,831,784	295,240,407	145,567,344	295,790,313
Net Deferred tax liability / (asset)	411,016,619	235,034,969	410,288,447	234,493,484
43.1 Composition of Deferred Tax Assets and Liabilities				
Liabilities				
Accelerated depreciation - own assets	9,516,350	(2,952,390)	9,523,738	(2,943,970)
Lease rentals	117,565,047	274,231,725	117,565,047	274,231,725
Recognised in revaluation surplus	428,767,007	258,996,042	428,767,007	258,996,042
	555,848,404	530,275,377	555,855,792	530,283,797
Assets				
Accelerated depreciation - own assets	9,041,878	-	9,227,533	-
Defined benefit obligation	3,101,767	-	3,651,672	549,906
Others	126,671,774	295,240,407	126,671,774	295,240,407
Recognised in other comprehensive income	6,016,365	-	6,016,365	-
	144,831,784	295,240,407	145,567,344	295,790,313

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
44 STATED CAPITAL				
44.1 Issued and Fully Paid-Ordinary shares				
Ordinary shares	613,980,000	613,980,000	613,980,000	613,980,000
	613,980,000	613,980,000	613,980,000	613,980,000
44.2 Number of Shares				
Balance as at 01 April	33,696,000	33,696,000	33,696,000	33,696,000
	33,696,000	33,696,000	33,696,000	33,696,000

44.3 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled one vote per share at the meeting. All shares rank equally with regard to the Company's residual assets.

Shares in the Alliance Finance Company PLC are quoted in the Colombo Stock Exchange.

45 RETAINED EARNINGS

As at 31st March	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
As at 01st April	1,777,742,345	1,655,299,368	1,833,953,692	1,691,222,896
Impact of adopting SLFRS 16	-	(19,953,757)	-	(19,953,757)
Dividend paid	-	(33,696,000)	-	(33,696,000)
Profit for the year	560,889,794	208,633,599	583,404,287	228,931,908
Transfer of realised share disposal profit from FVTOCI	4,014,065	-	4,014,065	-
Adjustment on actuarial gain / (losses) on defined benefit plan	(19,051,824)	9,185,855	(19,053,087)	9,175,366
Transfers to statutory reserve fund	(28,044,490)	(41,726,720)	(28,044,490)	(41,726,720)
As at 31st March	2,295,549,890	1,777,742,345	2,374,274,468	1,833,953,692

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

Notes to the Financial Statements

46 RESERVES

As at 31st March	Company			Group		
	2020	Transfers	2021	2020	Transfers	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Fair Value Through OCI	(61,455,160)	119,982,581	58,527,421	(61,455,160)	119,982,581	58,527,421
Capital reserve (Note 46.1)	1,018,409,546	537,608,056	1,556,017,602	1,018,409,546	537,608,056	1,556,017,602
General reserve	388,258,055	-	388,258,055	388,258,055	-	388,258,055
Statutory reserve fund (Note 46.2)	876,036,520	28,044,490	904,081,009	876,036,520	28,044,490	904,081,009
	2,221,248,961	685,635,127	2,906,884,087	2,221,248,961	685,635,127	2,906,884,087

46.1 Capital Reserve - Revaluation Reserve

The Capital Reserves represents the increase in the fair value of the land & buildings at the date of revaluation. The Company revalues its freehold lands and buildings in every three to five years, unless significant changes in fair values indicate it may be necessary to revalue freehold lands and buildings on an earlier date, to ensure that the carrying amounts do not differ materially from the fair values at the end of the reporting date.

The Company treats 50% of the revaluation surplus as supplementary capital in the Total Capital Base in the computation of the Risk Weighted Capital Adequacy Ratio in accordance with the Central Bank of Sri Lanka, Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.03 of 2018 on Capital Adequacy Requirements.

46.2 Statutory Reserve Fund

From 2020/21 financial year onwards, as Company fulfil with the requirement mentioned in the section 3 (b) of Finance Companies (Capital Funds) Direction No.1 of 2003, 5% of profits after tax of 2021 is transferred to the Statutory Reserve Fund. This balance in the Statutory Reserve Fund will be used only for the purposes specified in the Finance Business Act, No.42 of 2011.

47 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of the business, the Company makes various commitments and incurs certain contingent liabilities. The company has made a provision against contingent liabilities.

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Financial guarantees				
Tax Appeal Commission	26,984,181	26,984,181	26,984,181	26,984,181
Bank Guarantees	75,000,000	-	75,000,000	-
Sri Lanka Air Lines	826,200	826,200	826,200	826,200
	102,810,381	27,810,381	102,810,381	27,810,381

	Company		Group	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Tax Assessments				
Income Tax 2014/15	121,253,215	121,253,215	121,253,215	121,253,215
Income Tax 2015/16	-	95,000,000	-	95,000,000
Income Tax 2016/17	-	50,200,000	-	50,200,000
Income Tax 2017/18	241,413,983	-	241,413,983	-
FVAT, NBT 2016/17		43,870,220		43,870,220
Less: Provisions made as at 31st March	(204,144,502)	(64,847,117)	(204,144,502)	(64,847,117)
	158,522,696	245,476,318	158,522,696	245,476,318
Total	261,333,077	273,286,699	261,333,077	273,286,699

The department of Inland Revenue has sent tax assessments for the years of assessment 2014/15 for an additional tax liability of Rs. 85,274,307 and a penalty of Rs.35,978,908/- and for the year of assessment 2017/18, for an additional liability of Rs. 160,940,789 and a penalty of Rs.80,473,194/-. The Company has formally objected to above assessments stating the reasons on which the Company believes that assessments are arbitrary and excessive. It also actively engaging with Department of Inland Revenue to conclude on these pending assessments. Based on the outcome of the discussion and agreement reached or likely to reach with the Department of Inland Revenue, management has made a provision of Rs. 204,144,502/-.

Comparative figure on Commitments & Contingencies as of 31st March 2020 which has been reported on gross basis is now reported on a net basis as mentioned above.

47.1 Litigations Against the Company

Litigation is a common occurrence in the Finance Industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. No material losses are anticipated as a result of these transactions.

There were no any other capital commitments or contingent liabilities as at the end of reporting date which requires separate disclosure to these Financial Statements.

48 EVENTS AFTER THE REPORTING PERIOD

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 disclosure in the Financial Statements except the following.

The Company continued to provide its services to the customers despite some part of the island being isolated to mitigate a third wave of COVID-19 post Sinhala and Tamil New Year. In preparation to face the pandemic, the Company announced work from home policy and roster arrangements with immediate effect.

PCR tests and antigen tests were undertaken by the Company for identified staff and their close contacts with strict quarantine periods to safeguard the staff and customers being affected. In person meetings were converted to organization wide virtual meetings adhering to all safety protocols.

As the pandemic situation continues to evolve and bring fresh challenges, the Company capitalized on the lessons learnt in the past to strengthen resilience. At these unprecedented times Company's move towards digital platforms helps all stakeholders to stay connected.

Notes to the Financial Statements

The Company believes that the impact of a third wave is too early to be determined, yet it could have a short to medium term impact on our businesses. Given the fact that an island-wide vaccination program is in place while containment of the pandemic is planned via travel restrictions rather than complete lockdown, the Company does not foresee a long-term impact on the pandemic.

Company is continuously monitoring the liquidity position of the Company and has adequate lines of unutilized credit arranged via banks to face any liquidity challenge.

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SEGMENT REPORT

31st March 2021 - Group	Leasing		Hire Purchase & Consumer Durables		Loans		Gold Loans		Hire of Vehicles		Investing in Shares		Investing in Government Securities		Collaboration Finance		Others		Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
REVENUE																				
External sales	18,423,558,643	4,787,402	705,904,625	625,829,719	27,621,688	6,825,336	100,630,750	9,088,795	505,868,096	20,410,115,055										
Total revenue	18,423,558,643	4,787,402	705,904,625	625,829,719	27,621,688	6,825,336	100,630,750	9,088,795	505,868,096	20,410,115,055										
Total income	5,871,994,440	4,547,059	706,144,970	625,829,719	27,621,688	6,825,336	113,029,684	13,711,680	493,469,162	7,863,173,738										
RESULTS																				
Segment results	4,520,881,821	4,612,995	197,257,696	510,031,077	9,876,396	6,109,349	101,913,579	13,711,680	457,672,983	5,822,067,577										
Unallocated company expenses																				(1,569,156,734)
Operating profit	(1,921,138,803)	(532,939)	(354,135,052)	(288,459,051)	(9,337,117)	(19,590,523)	(151,710,823)	(4,701,332)	(168,151,119)	(2,912,756,760)										4,252,910,843
Interest expenses																				
Share of profits of associates before tax																				
Income taxes																				2,129,346
Net Profit																				596,101,699
OTHER																				
INFORMATION																				
Segment assets	19,978,211,851	5,542,117	3,682,703,763	2,947,733,379	97,098,082	203,724,803	1,577,663,708	48,889,858	1,748,628,777	30,290,196,338										
Investment in associates																				
Unallocated company assets																				96,563,532
Total assets																				3,890,338,572
Segment liabilities	16,910,073,531	4,395,108	2,920,523,162	2,337,663,892	77,002,446	161,561,462	1,251,146,901	38,771,504	1,386,728,658	25,087,866,664										
Unallocated company liabilities																				
Total liabilities																				28,328,004,882

49.1

49 SEGMENT REPORT (Continued)

31st March 2020- Group	Leasing		Hire Purchase & Consumer Durables		Loans		Gold Loans		Hire of Vehicles		Investing in Shares		Investing in Government Securities		Collaboration Finance		Others		Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
REVENUE																				
External sales	15,402,838,706	9,265,813	1,115,365,293	487,475,177	31,522,368	53,830,441	153,599,731	11,466,694	311,224,805	17,576,589,028										
Total revenue	15,402,838,706	9,265,813	1,115,365,293	487,475,177	31,522,368	53,830,441	153,599,731	11,466,694	311,224,805	17,576,589,028										
Total income	5,591,963,071	5,461,447	1,114,704,987	487,475,177	31,522,368	25,872,811	186,538,349	16,939,978	278,286,187	7,738,764,375										
RESULTS																				
Segment results	3,550,013,243	4,202,130	558,552,300	325,753,542	11,490,778	(22,430,026)	133,891,227	16,939,978	192,195,764	4,770,608,938										
Unallocated company expenses																				
Operating profit																				(871,420,278)
Interest expenses	(2,188,655,836)	(494,137)	(448,030,529)	(226,877,237)	(10,596,286)	(30,106,778)	(216,151,447)	(3,955,745)	(196,301,322)	(3,321,169,317)										
Share of profits of associates before tax																				(2,842,382)
Income taxes																				(334,797,494)
Net Profit																				240,379,468
OTHER																				
INFORMATION																				
Segment assets	20,055,543,842	4,527,976	4,105,486,008	2,078,968,421	97,098,082	275,880,660	1,980,683,647	36,248,097	1,798,788,873	30,433,225,605										
Investment in associates																				94,434,188
Unallocated company assets																				3,566,204,019
Total assets																				34,093,863,812
Segment liabilities	17,779,410,213	3,889,289	3,526,392,530	1,785,722,493	83,402,050	236,966,706	1,701,301,138	31,135,173	1,545,063,272	26,693,282,865										
Unallocated company liabilities																				2,690,139,986
Total liabilities																				29,383,422,851

50 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments. The amounts are based on the values recognised in the Statement of Financial Position.

50.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

- Level 1 :** Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 :** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3 :** Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Notes to the Financial Statements

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Company

As at 31st March 2021		Level 1	Level 2	Level 3	Total
	Note	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills / bonds	22	-	1,177,459,993	-	1,177,459,993
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	203,145,552	-	-	203,145,552
Total Financial Assets		203,145,552	1,177,459,993	579,250	1,381,184,795

As at 31st March 2020		Level 1	Level 2	Level 3	Total
	Note	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills / bonds	22	-	1,492,933,580	-	1,492,933,580
Investments in Unit Trusts	22	57,349,322	-	-	57,349,322
Quoted equities	26	137,361,082	-	-	137,361,082
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Total Financial Assets		194,710,404	1,492,933,580	579,250	1,688,223,234

Group

As at 31st March 2021		Level 1	Level 2	Level 3	Total
	Note	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills /bonds	22	-	1,177,459,993	-	1,177,459,993
Investments in Unit Trusts	22	-	-	-	-
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	203,145,552	-	-	203,145,552
Total Financial Assets		203,145,552	1,177,459,993	579,250	1,381,184,795

As at 31st March 2020		Level 1	Level 2	Level 3	Total
	Note	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills	22	-	1,492,933,580	-	1,492,933,580
Investments in Unit Trusts	22	57,349,322	-	-	57,349,322
Quoted equities	26	137,361,082	-	-	137,361,082
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Total Financial Assets		194,710,404	1,492,933,580	579,250	1,688,223,234

Notes to the Financial Statements

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued.)**50.2 Determination of Fair Value and Fair Value Hierarchy**

Set out below is the comparison by classes of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non- financial assets and non-financial liabilities.

Company	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and cash equivalents	587,405,947	587,405,947	986,553,659	986,553,659
Repurchase agreement	400,203,715	400,203,715	350,388,985	350,388,985
Placement with banks & other financial institutions	793,564,909	793,564,909	915,617,034	915,617,034
Loans and advances	6,630,287,692	6,984,865,437	6,184,304,979	6,068,718,518
Lease rentals receivables	19,978,211,851	19,061,683,706	20,055,543,842	18,634,820,905
Hire purchase receivables	5,542,117	5,542,117	4,527,976	4,527,976
Other financial assets	489,616,233	489,616,233	459,367,873	459,367,873
Total Financial Assets	28,884,832,464	28,322,882,064	28,956,304,348	27,419,994,950
Financial Liabilities				
Due to banks	13,214,241,102	13,214,241,102	15,424,806,029	15,424,806,029
Due to customers	12,918,786,478	12,953,194,241	12,347,296,849	12,372,197,246
Financial liabilities	883,877,701	883,877,701	791,703,913	791,703,913
Total Financial Liabilities	27,016,905,281	27,051,313,044	28,563,806,791	28,588,707,188

Group	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial Assets				
Cash and cash equivalents	637,840,499	637,840,499	1,027,324,614	1,027,324,614
Repurchase agreement	400,203,715	400,203,715	350,388,985	350,388,985
Placement with banks & other financial institutions	793,564,909	793,564,909	915,617,034	915,617,034
Loans and advances	6,630,437,142	6,984,865,437	6,184,454,429	6,068,718,518
Lease rentals receivables	19,978,211,851	19,061,683,706	20,055,543,842	18,634,820,905
Hire purchase receivables	5,542,117	5,542,117	4,527,976	4,527,976
Other financial assets	560,626,424	560,626,424	535,032,270	535,032,270
Total Financial Assets	29,006,426,657	28,444,326,807	29,072,889,150	27,536,430,302

Group	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Financial Liabilities				
Due to banks	13,214,241,102	13,214,241,102	15,453,081,167	15,453,081,167
Due to customers	12,918,786,478	12,943,686,875	12,347,296,849	12,372,197,246
Financial liabilities	899,693,781	899,693,781	810,353,917	810,353,917
Total Financial Liabilities	27,032,721,361	27,057,621,758	28,610,731,933	28,635,632,330

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

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which fair value approximates carrying value

"For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to fixed deposits and savings deposits without a specific maturity."

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

Fixed rate financial instruments

"Carrying amounts are considered as fair values for short term credit facilities. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. For quoted debt issued the fair value are determined based on quoted market prices."

51 RELATED PARTY TRANSACTIONS

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', except for the transactions that Key Management Personnel (KMPs) have availed under schemes uniformly applicable to all staff at concessionary rates.

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

51.1 Transactions with Key Managerial Personnel (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning, directing and controlling the activities for the Company. Such KMPs include the Board of Directors of the Company (include executive and non executive directors), executives who directly report to Board sub committees and other key executives who meet the criteria described above.

Notes to the Financial Statements

51.2 Compensation to Key Management Personnel

	2021	2020
	Rs.	Rs.
KMP's Emoluments (other than directors)		
Short term	95,034,452	73,993,451
Long term	31,909,652	13,439,171
	126,944,104	87,432,622
Remuneration and other expenses of directors		
Short term	64,674,378	55,825,251
Long term & post employment benefits	11,866,620	17,189,896
	76,540,998	73,015,146

Compensations paid to KMP's are increased by 45% compared to previous year. This is due to the change in the policy of identifying KMP's. Until 2020, KMP's include only CXO's and AGMs. Now all the officers handling Key management functions are identified as KMP's. This change was done in-compliance to the CBSL Direction on Assessment of fitness and propriety of directors and officers performing executive functions

51.3 Transactions, Arrangements and Agreements Involving KMPs, and their Close Family Members (CFMs)

Close Family Members (CFMs) of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity. They may include KMPs domestic partner and children of the KMP, the children of KMP's domestic partner and dependents of KMP and KMPs domestic partner.

51.4 Transactions involving Key Management Personnel (KMPs) and their Close Family Members (CFMs)

Statement of Financial Position - Company and Group

	2021	2020
	Rs.	Rs.
Liabilities		
Financial Liabilities measured at amortised cost - due to depositors		
Fixed deposits	127,325,904	158,827,805
Savings Deposits	60,900,657	11,278,094
Assets - Company and Group		
Financial assets measured at amortised cost - Loans and advances to customers	20,073,388	4,606,181
Financial assets measured at amortised cost - Lease rentals receivable & stock out of hire	-	-
Statement of Profit or Loss - Company & Group		
Interest income	1,009,271	756,479
Interest expenses	13,668,396	20,599,180
No of Shares held by KMPs		
Ordinary shares	11,051,366	8,952,925

51.5 Transaction, arrangements and agreements involving with Entities which are controlled, and /or jointly controlled by the KMP's and their CFMs .

Company & Group	Nature of the Relationship	Nature of Transaction / Facility	Company	
			2021	2020
			Rs.	Rs.
Alfinco Insurance Brokers (Pvt) Ltd.	Subsidiary	Saving deposits	711,220	675,333
		Insurance referral income	63,934,249	48,915,399
Alliance Management Services (Pvt) Ltd	Other related parties	Fixed deposits	1,861,025	2,536,288
		Secretarial fees	752,961	812,368
		Saving deposits	24,059	41,552
Alliance Travel Services Ltd	Other related parties	Fixed deposits	4,247,198	3,788,064
		Saving deposits	308,424	299,119
Alliance Tech Trading (Pvt) Ltd.	Other related parties	Fixed deposits	14,113,592	13,675,092
Alliance Ventures Pvt Ltd	Other related parties	Fixed deposits	983,945	1,043,945
		Saving deposits	10,194	27,413
Alliance Agencies Ltd	Other related parties	Fixed deposits	10,000,000	-
		Saving deposits	160,015	
Alliance Graphic Services (PVT) Limited	Other related parties	Fixed deposits	4,982,256	4,464,788
Heshia Shipping (Pvt) Limited	Other related parties	Fixed deposits	4,185,153	-

51.6 Parent and Ultimate Controlling Party

The Company does not have an identifiable parent of its own.

52 FINANCIAL RISK MANAGEMENT

52.1 Introduction

Constantly assessing and being cognizant of the concept of risk is fundamental to the managerial philosophy of Alliance Finance Company PLC.

Consequent to the global, economic and financial crises, companies are placing greater emphasis on risk management by adopting comprehensive risk management framework to increasingly safeguard stakeholder interest. Due to diversified and geographic spread of the portfolio of businesses, Alliance Finance maintains a holistic risk management system that continuously monitors primary risk factors. Risk mitigation actions are also built in to the day - to day operations of the Company. The Company's business divisions are closely monitored through a comprehensive computerized information system and employees, ranging from managerial credit and other officers, have been apprised and trained to adopt risk management practices as an integral part of their decision making.

Risk Coverage

The Company's Comprehensive risk management framework covers three major areas that comprise credit risk, liquidity risk and market risk management.

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, analysis, measurement and continuous monitoring, subject to the risk limits and their controls.

Notes to the Financial Statements

52.2 Credit Risk

Credit risk is the risk that the company will incur a loss because its customers or counterparties fail to discharge their contractual obligations and arises principally from the loans and advances to the customers. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

52.2.1 Credit quality analysis

The Company has established a credit quality review process to provide early identification of possible changes in the credit worthiness of counter parties, including regular collateral revisions. Counter party limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Impairment assessment

For accounting purposes, the Company uses an expected loss model for the recognition of losses on impaired financial assets. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. Triggering events include the following:

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including hire purchases, lease receivables, other loans and advances and consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.

"Company include macroeconomic factors within its expected credit loss assessments. The Company relies on a broad range of forward looking information as economic inputs, such as GDP growth, unemployment rates, interest rates , treasury bill rate, inflation rate and etc."

52.2.2 Concentrations of Credit Risk

The Company monitors concentration of credit risk by sector exposures.

Industry wise concentration

The following table shows the risk of concentration by industry for the financial assets measured at amortised cost

Sector wise Breakdown	Cash and Bank Balances	Financial Assets - Fair Value Through Profit or Loss	Loans and Advances	Financial Assets - Fair Value Through OCI	Other Financial Assets	Total Financial Assets
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture & fishing	-	-	8,988,689,698	-	-	8,988,689,698
Construction	-	-	658,374,896	-	-	658,374,896
Food, beverages & tobacco	-	-	5,211,374	-	-	5,211,374
Financial services	587,405,947	-	183,828,406	-	793,564,909	1,564,799,262
Industry	-	-	1,332,339,457	-	-	1,332,339,457
Tourism	-	-	686,596,009	-	-	686,596,009
Government	-	1,177,459,993	2,928,038	-	400,203,715	1,580,591,746
Transport	-	-	6,534,130,958	-	-	6,534,130,958
Services	-	-	1,887,736,475	-	489,616,233	2,377,352,708
Consumption	-	-	4,183,745,510	-	-	4,183,745,510
Other	-	-	2,165,227,276	203,724,802	-	2,368,952,078
Total	587,405,947	1,177,459,993	26,628,808,097	203,724,802	1,683,384,857	30,280,783,696

Geographical concentration

Concentration of loans and advances by location is given below.

Province	Balance	%
Western	8,997,079,380	34%
Central	3,308,156,160	12%
North Western	2,560,230,642	10%
Sabaragamuwa	2,356,049,224	9%
Southern	2,287,786,569	9%
Northern	2,280,935,328	9%
Uva	1,826,399,895	7%
Eastern	1,737,011,611	7%
North Central	1,275,159,288	5%
	26,628,808,097	100%

Concentration by location for loans and advances is measured based on the location of the customer centre that granted the facility, which has a high correlation with the location of the borrower.

Notes to the Financial Statements

52.2.3 Risk limit control and mitigation policies

The Company manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and geographical locations.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to quarterly or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved monthly by the Credit Committee.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Collateral and other credit enhancements

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Company will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The general creditworthiness of customer tends to be the most relevant indicator of the credit quality of a loan.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlining agreement. The company pursue timely realisation of the collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding claim.

52.3 Liquidity Risk

"Liquidity risk refers to the unavailability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments, debt obligations associated with its financial liabilities due to lack of funds or having to meet these obligations at excessive cost. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity."

COVID-19, disrupted the cash flows of the certain business segments. Due to the credit relief offered to customers by deferring their payments and existing customers drawing additional facilities to manage their working capital it is evident to maintain excess liquidity to meet unexpected circumstances. Therefore mismatches of contractual cash flows are expected in financial services industry.

Management of Liquidity Risk

The objective of the Company liquidity and funding framework is to ensure that funding commitments and deposit withdrawals can be met when due and that market access remains cost effective. The Company's liquidity management process, as carried out within the Company and monitored by a separate team in Company Treasury, includes:

1. Maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
2. The Company also has committed lines of credit that it can access to meet liquidity needs.
3. The Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.
4. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
5. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
6. Monitoring the liquidity ratios of the Statement of Financial Position against internal and regulatory requirements and gaps are reviewed at Assets and Liability Committee.
7. Managing the concentration and profile of debt maturities.
8. Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.
9. Company Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

To Manage the expected liquidity drains due to COVID-19 , the company closely monitor the funding and recovery plans on daily basis. Further, the company used unutilised credit line to manage the liquidity requirements. A freeze on all non-essential capital expenditure and implemented Stringent expense control measures.

Notes to the Financial Statements

52.3.1 Statutory Liquid Asset Ratio

As per the requirements of Finance Companies (Liquid Assets) Direction No. 01 of 2009, Company has to maintain minimum liquid assets, not less than the total of,

(i) Ten per cent of

(a) The outstanding value of the time deposits received by the finance company at the close of the business on such day, and

(b) The face value of certificate of deposits issued by the finance company; as appearing on the books of the finance company at the close of the business of such day and

(ii) Fifteen per cent of the outstanding value of savings deposits accepted by such company, at the close of the business on such day.

As at 31st March 2021, the Company maintained Statutory Liquid Asset ratio at 14.68% (2020 : 24.65%).

52.4 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2021.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns

As at 31st March 2021	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.		
Financial Assets							
Cash and cash equivalents	587,405,947	-	-	-	-	-	587,405,947
Repurchase agreements	-	400,203,715	-	-	-	-	400,203,715
Placements with banks & financial institutions	-	107,276,395	686,288,514	-	-	-	793,564,909
Financial assets recognised through profit or loss	-	129,683,537	946,758,536	101,017,921	-	-	1,177,459,993
Loans and advances - at amortised cost	-	3,550,238,418	1,609,948,945	1,066,251,104	403,450,612	398,613	6,630,287,692
Lease rentals receivable & stock out on hire - at amortised cost	-	2,240,067,065	5,035,118,951	9,794,610,965	2,908,414,870	-	19,978,211,851
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	5,542,117	-	-	-	-	5,542,117

As at 31st March 2021	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.		
Financial assets- fair value through other comprehensive income	-	203,724,802					203,724,802
Other financial assets	-	37,527,479	252,700,155	107,292,831	92,095,768	-	489,616,233
Total Financial Assets	587,405,947	6,674,263,528	8,530,815,102	11,069,172,820	3,403,961,250	398,613	30,266,017,259
Financial Liabilities							
Due to banks	108,767,975	4,327,850,795	3,366,091,353	4,865,508,261	538,079,817	7,942,901	13,214,241,102
Due to depositors - at amortised cost	360,407,742	2,439,603,520	6,806,572,353	3,033,351,473	278,851,390	-	12,918,786,478
Other financial liabilities	-	677,451	7,850,128	753,385,409	113,310,116	8,654,597	883,877,701
Derivative financial liabilities	-	11,320,036	2,225,514	-	-	-	13,545,550
Total Financial Liabilities	469,175,717	6,779,451,802	10,182,739,348	8,652,245,143	930,241,323	16,597,498	27,030,450,830
Total Net Financial Assets/ (Liabilities)	118,230,230	(105,188,274)	(1,651,924,246)	2,416,927,677	2,473,719,927	(16,198,884)	3,235,566,429

Notes to the Financial Statements

As at 31st March 2020	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.		
Financial Assets							
Cash and cash equivalents	986,553,659	-	-	-	-	-	986,553,659
Repurchase agreements	350,388,985	-	-	-	-	-	350,388,985
Placements with banks & financial institutions	-	721,335,674	194,281,360	-	-	-	915,617,034
Financial assets recognised through profit or loss	-	274,485,398	1,021,006,324	154,791,180	100,000,000	-	1,550,282,902
Loans and advances - at amortised cost	-	2,505,216,250	1,328,759,244	2,105,651,687	244,677,798	-	6,184,304,979
Lease rentals receivable & stock out on hire - at amortised cost	-	3,729,366,229	4,825,836,493	9,031,516,955	2,468,577,624	246,541	20,055,543,842
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	4,527,976	-	-	-	-	4,527,976
Financial assets- fair value through other comprehensive income	-	137,940,332	-	-	-	-	137,940,332
Other financial assets	-	459,367,873	-	-	-	-	459,367,873
Total Financial Assets	1,336,942,644	7,832,239,732	7,369,883,421	11,291,959,822	2,813,255,422	246,541	30,644,527,582

As at 31st March 2020	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.		
Financial Liabilities							
Due to banks	-	2,568,484,478	5,394,360,277	5,633,626,046	1,781,392,612	46,942,616	15,424,806,029
Due to depositors - at amortised cost	-	3,398,609,306	5,639,724,447	2,990,713,376	318,249,720	-	12,347,296,849
Other financial liabilities	-	791,703,913	-	-	-	-	791,703,913
Derivative financial liabilities	-	35,867,792	23,968,485	-	-	-	59,836,277
Total Financial Liabilities	-	6,794,665,489	11,058,053,209	8,624,339,422	2,099,642,332	46,942,616	28,623,643,068
Total Net Financial Assets/ (Liabilities)							
	1,336,942,644	1,037,574,243	(3,688,169,788)	2,667,620,400	713,613,090	(46,696,075)	2,020,884,514

Assets held for managing liquidity risk

The Company holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Company's assets held for managing liquidity risk comprise:

1. Cash and balances with central banks;
2. Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
3. Secondary sources of liquidity in the form of highly liquid instruments in the Company's trading portfolios.

52.5 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. Trading portfolio includes financial assets and liabilities that are managed on a fair value basis. Non trading portfolio is managed in accordance with the purpose and strategic benefits of such investments, rather than purely on fair value basis.

52.5.1 Interest Rate Risk

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

To manage the interest rate risk, company has established limits on the non-trading interest rate gaps for stipulated periods. The Company's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. Which is supplemented by monitoring the sensitivity of the company's financial assets and liabilities to various rate Scenarios. Net interest yields are also calculated for each product to ensure adequate margins are kept.

Notes to the Financial Statements

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity. Impact on Net Interest Income due to a parallel rate shock of 100 basis points (bps) on the rate sensitive assets and liabilities is shown below.

Currency of Borrowings/ Advance	Increase (Decrease) in 100 basis points Rs.	Sensitivity of Net Interest Income	
		2021	2020
		Rs.	Rs.
Long term loans linked to AWPLR	+100/ (-100)	(48,817)/48,817	(62,296) / 62,296

52.5.2 Interest rate risk exposure on non trading financial assets & liabilities

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

As at 31st March 2021	Up to 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31/03/2021 Rs
Assets						
Cash and cash equivalents	496,886,022	-	-	-	90,519,925	587,405,947
Repurchase agreements	400,203,715	-	-	-	-	400,203,715
Placements with banks and financial institutions	107,276,395	686,288,514	-	-	-	793,564,909
Financial assets recognised through profit or loss	129,683,537	946,758,536	101,017,921	-	-	1,177,459,993
Loans and advances - at amortised cost	3,550,238,418	1,609,948,945	1,469,701,715	398,613	-	6,630,287,692
Lease rentals receivable & stock out on hire - at amortised cost	2,240,067,065	5,035,118,951	12,703,025,835	-	-	19,978,211,851
Hire purchase rentals receivable & stock out on hire - at amortised cost	5,542,117	-	-	-	-	5,542,117
Financial assets- fair value through other comprehensive income	-	-	-	-	203,724,803	203,724,803
Other financial assets	37,527,479	252,700,155	199,388,599	-	-	489,616,233
Total Financial Assets	6,967,424,747	8,530,815,102	14,473,134,070	398,613	294,244,728	30,266,017,259
Financial Liabilities						
Due to banks	4,436,618,770	3,366,091,353	5,403,588,077	7,942,900	-	13,214,241,102
Due to depositors - at amortised cost	2,800,011,262	6,806,572,353	3,312,202,863	-	-	12,918,786,478
Other financial liabilities	677,451	7,850,128	866,695,525	8,654,597	-	883,877,701
Derivative financial liabilities	11,320,036	2,225,514	-	-	-	13,545,550
Total Financial Liabilities	7,248,627,519	10,182,739,348	9,582,486,466	16,597,497	-	27,030,450,830
Interest Sensitivity Gap	(281,202,773)	(1,651,924,246)	4,890,647,604	(16,198,884)	294,244,728	3,235,566,429

52.5.3 Exchange rate risk

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local exchange rate with other major currencies.

The following significant exchange rates were applied during the year

Currency of Borrowings/ Advance	Average Rate	Reporting date spot rate	
	2021	2021	2020
USD/ LKR	188.53	200.50	192.75

The Company's exposure to foreign currency risk is as follows;

As at 31st March 2021	Rs.	USD Converted to Rs.	Total
Cash & Cash Equivalents	28,875,949	200.50	144,020
Borrowings	2,796,693,128	192.71	14,512,444
	2,825,569,077		14,656,465

Foreign Currency Sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31st March 2021.

As at 31st March 2021	Effect on profit or loss (Rs.)	Effect on equity (Rs.)
USD depreciated against LKR by 5%	141,278,454	141,278,454
USD appreciated against LKR by 5%	(141,278,454)	(141,278,454)

Driven by the volatility surrounding the COVID-19 outbreak, the exchange rate depreciated by 4.5 percent in March 2020. However the volatility of exchange rate managed though currency swap engaged with a commercial bank.

52.5.4 Commodity price risk

Commodity price risk refers to the uncertainties of future market values and of the size of future income, caused by the fluctuation in the prices of commodities. Given the significance of the Gold Loans business to the Company's overall loan book, sharp fluctuations to the gold prices could have an adverse impact to earnings. Gold price fluctuations lead to market risk is the primary source of credit risk associated with this product. The company manage gold commodity risk by concentrating short term products and revise LTV on routine intervals.

52.5.5 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

Notes to the Financial Statements

52.6 Operational Risk

An operational risk is the risk arising from execution of a company's business functions. The concept of operational risk is broad and focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, regulatory and compliance risks, reputation and physical or environmental risks.

Business were stress tested with multiple operating scenarios to ascertain the impact on the ability to sustain its operations with liquidity reserves in place. With the assumptions and different levels of operations the company satisfied of the ability of the business manage its operations even an extreme tested scenarios.

The key focus of the Company will be to manage the liquidity, particularly given the debt moratorium announced by the Central Bank.

52.7 Capital

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka . The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

Capital Management

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

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financing markets where the entities within the Company operate;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Company's management, employing techniques based on the guidelines developed by the Central Bank of Sri Lanka, for supervisory purposes. The required returns is filed with the Authority on a monthly basis.

The Company maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the Authority which takes into account the risk profile of the Company.

The regulatory capital requirements are strictly observed when managing economic capital. The Company's regulatory capital is managed by each month by board of directors and comprises two tiers:

Capital Management

For a financial institution capital is a buffer against insolvency. It is available to absorb unforeseen losses which asserts the Company's ability to continue operations in to the foreseeable future. The more capital the company has relative to the risks it takes, the more confident the stakeholders are that it will meet its obligations to them. Company's capital management process is steered with the aim of holding sufficient capital to support the Company's risk appetite whilst maintaining adequate capital to meet minimum regulatory capital requirements.

Tier 1' Capital is capital which is permanently and freely available to absorb losses without a finance company being obliged to cease trading. Tier 1' Capital consists of paid up ordinary share capital, free reserves, statutory reserve fund and audited retained earnings. Tier 1' Capital is important because it safeguards both the survival of a finance company and stability of the financial system.

Tier 2' Capital is capital which generally absorbs losses only in the event of a winding up of a finance company, and so provides a lower level of protection for depositors and other creditors. Tier - 2' Capital includes revaluation reserve, general provisions and hybrid capital instruments and approved subordinated term debts.

Credit Risk

Total Amount of on balance sheet items, risk weighted CRMs and total amount of credit equivalent of off balance sheet items after applying the specific risk weight assigned is considered as credit risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

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

Measures taken to consider capital adequacy requirements of the Company

The Company prepares the Corporate Plan and Budget on a rolling basis covering a period of 5 years which includes the computation of Capital Adequacy ratios (CARs).

The Company carefully analyses the CARs against increases in risk-weighted assets underlying the budgeted expansion of business volumes.

The Company has set up an internal guideline on minimum CARs and ensures that appropriate measures are employed to improve the CARs are also built into the budget. Budgeting process of the Company encapsulates all future capital requirements and this process invariably captures estimated capital expenditure and the business growth in determining the optimum level of capital to be maintained.

The Company has addressed all material risk exposures when formulating strategic plan and has a well-diversified assets portfolio which is neither overly exposed to any counterparty nor to any sector. Ways and means of improving the CARs are being monitored on an ongoing basis.

The Company always strives to achieve a reasonable growth in profit and is ever mindful to pay a consistent stream of dividends to the shareholders. Part of the profit generated is retained for future business expansion. Given the size of the Company, capital generated through retained profits over the years could be considered as one of the primary sources of internal capital to the Company.

Capital management objectives

The objectives of the Company's Capital Management efforts include:

- Compliance with the regulatory requirements
- Maintaining internal capital targets which are more stringent than the regulatory requirements
- Optimum capital usage for maximum profitability (which meets investor expectations)

Notes to the Financial Statements

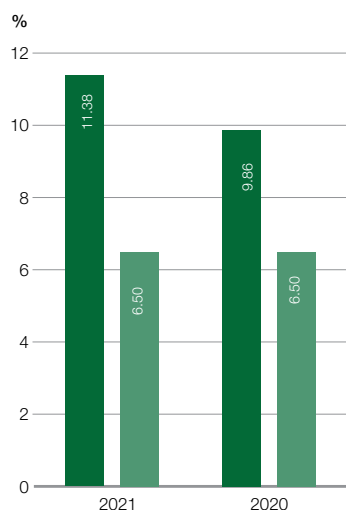
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The table below summarises the composition of regulatory capital and the ratios of the Company for the years ended 31 March 2021 and 2020. During those two years, the Company has complied with all of the externally imposed capital requirements to which they are subject.

Capital Adequacy Ratios

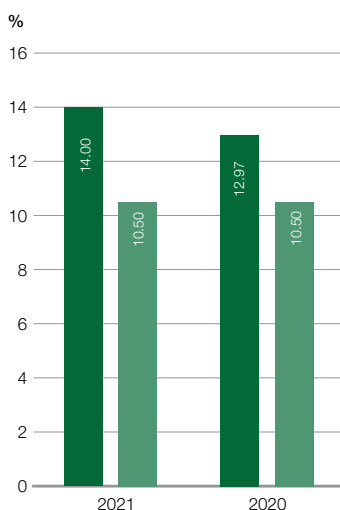
As at 31st March	2021	2020
	Rs. '000	Rs. '000
Tier 1 Capital	3,942,172	3,406,821
Total Capital	4,851,067	4,481,251
Total Risk Weighted Amount	34,640,612	34,539,731
Risk Weighted Amount for Credit Risk	28,626,311	29,208,432
Risk Weighted Amount for Operational Risk	6,014,301	5,331,259
Core Capital Ratio, %	11.38	9.86
Regulatory requirement	6.50	6.50
Total Capital Ratio, %	14.00	12.97
Regulatory requirement	10.50	10.50

Core Capital Ratio, %



● Core Capital Ratio, % ● Regulatory requirement

Total Capital Ratio, %



● Total Capital Ratio, % ● Regulatory requirement

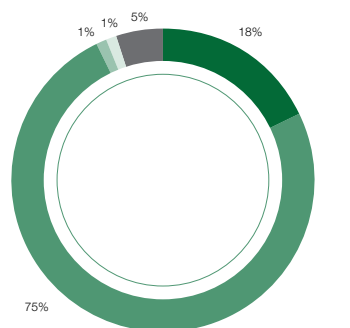
Regulatory measures taken by the Central Bank of Sri Lanka to provide flexibility to Licensed Finance Companies to support business and individuals affected by the outbreak of COVID-19. The CBSL defer the maintenance of Capital Adequacy requirement by LFCs, which will be to meet the minimum Capital Adequacy Requirement by 01.07.2020 and 01.07.2021 in terms of the Finance Business Act Direction No.03 of 2018 – Capital Adequacy requirements until 01.07.2021 and 01.07.2022 respectively.

Contribution to National Economy

SOURCES AND UTILISATION OF INCOME - COMPANY

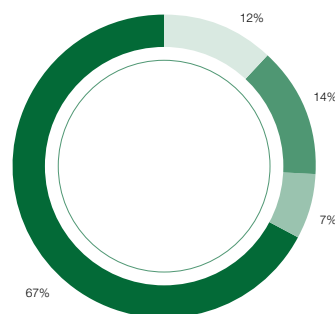
For the year ended 31st March	2021		2020	
	Rs.	%	Rs.	%
Sources of Income				
Loans and Advances	1,333,700,374	18%	1,611,246,765	21%
Lease, Hire purchases and Consumer Durables	5,640,314,789	75%	5,365,168,925	72%
Government Securities	94,140,871	1%	140,052,484	2%
Placements with Banks & Financial Institutions	91,526,967	1%	80,374,300	1%
Other Investments	12,744,542	0%	15,174,804	0%
Other Income	354,688,499	5%	289,141,042	4%
Total Income	7,527,116,042	100%	7,501,158,320	100%
To Employees				
Personnel Expenses	923,854,826	12%	821,722,767	11%
To Suppliers				
Interest Paid	2,912,756,756	39%	3,321,169,317	44%
Other Expenses	1,204,412,964	16%	1,283,645,436	17%
Depreciation	132,270,692	2%	131,646,655	2%
Impairment for Loans and Other Losses	752,126,049	10%	1,112,357,328	15%
	5,001,566,461	67%	5,848,818,736	78%
To Government				
Value Added Tax & Other Taxes	307,871,498	4%	296,140,836	4%
Income Tax	735,062,807	10%	323,000,000	4%
	1,042,934,305	14%	619,140,836	8%
To Shareholders				
Dividends	-	0%	33,696,000	0%
Invested in the Business	558,760,450	7%	177,779,981	3%
	558,760,450	7%	211,475,981	3%
	7,527,116,042	100%	7,501,158,320	100%

Sources of Income - 2020/21



- Loans and Advances
- Lease, Hire purchases and Consumer Durables
- Government Securities
- Placements with Bank & Financial Institutions
- Other Investments
- Other income

Value Distribution- 2020/21



- To Employees
- To Government
- To Shareholders
- To Suppliers

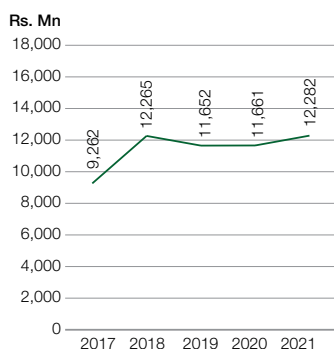
Depositors Information

ANALYSIS OF DEPOSIT BASE

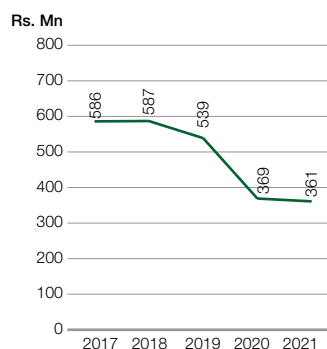
a) Value of Deposit Base

Value of Deposits	2017	2018	2019	2020	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Value of Term Deposits	9,261,992	12,265,237	11,651,749	11,660,695	12,281,957
Value of Savings Deposits	585,658	587,408	539,239	369,041	360,980
	9,847,650	12,852,645	12,190,988	12,029,736	12,642,937

Value of Term Deposits



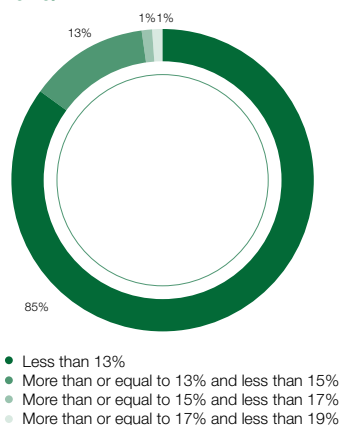
Value of Savings Deposits



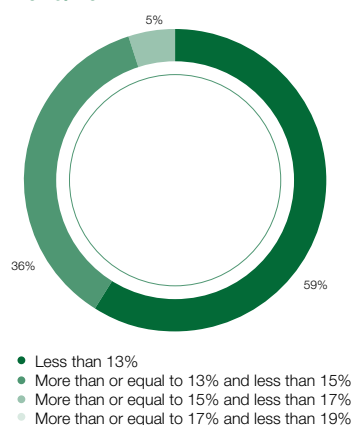
b) Rate of Interest Basis on Term Deposits

	As at 31st March 2021			As at 31st March 2020		
	No. of Deposits	Value Rs. '000	% of Total	No. of Deposits	Value Rs. '000	% of Total
Less than 13%	7,631	10,444,920	85%	5,825	6,852,499	59%
More than or equal to 13% and less than 15%	996	1,612,747	13%	2,845	4,139,823	36%
More than or equal to 15% and less than 17%	108	166,133	1%	447	610,131	5%
More than or equal to 17% and less than 19%	15	58,157	1%	16	58,242	0%
Total	8,750	12,281,957	100%	9,133	11,660,695	100%

Rate of Interest on Term Deposit 2020/21



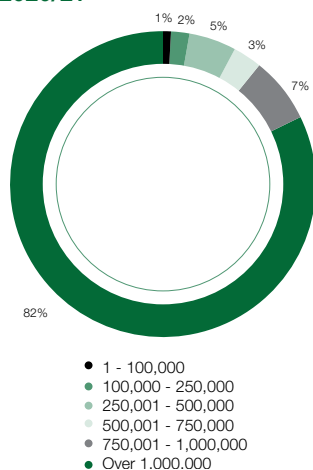
Rate of Interest on Term Deposit 2019/20



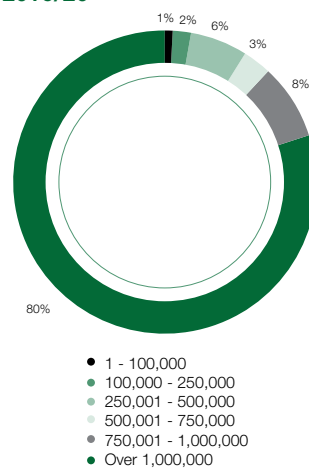
c) Capital Range on Term Deposits

	As at 31st March 2021			As at 31st March 2020		
	No. of Deposits	Value Rs. '000	% of Total	No. of Deposits	Value Rs. '000	% of Total
1 - 100,000	1,884	106,937	1%	2,063	116,725	1%
100,000 - 250,000	1,386	250,027	2%	1,466	264,617	2%
250,001 - 500,000	1,560	630,082	5%	1,624	654,597	6%
500,001 - 750,000	604	378,108	3%	604	380,834	3%
750,001 - 1,000,000	948	901,432	7%	988	942,250	8%
Over 1,000,000	2,368	10,015,371	82%	2,388	9,301,672	80%
	8,750	12,281,957	100%	9,133	11,660,695	100%

Capital Range of Term Deposits 2020/21



Capital Range of Term Deposits 2019/20

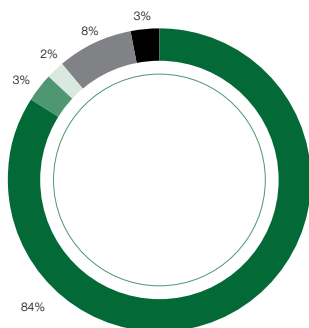


Depositors Information

d) Deposits Analysis

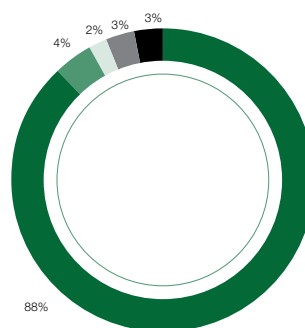
	As at 31st March 2021		As at 31st March 2020	
	Value Rs. '000	% of Total	Value Rs. '000	% of Total
Individuals	10,615,392	84%	10,636,720	88%
Shareholders	391,974	3%	434,182	4%
Subsidiaries / Associate Companies	51,372	0%	39,322	0%
Other Companies	232,963	2%	226,590	2%
Pensions, Provident Funds, Clubs etc.	990,256	8%	323,881	3%
Savings	360,980	3%	369,041	3%
	12,642,937	100%	12,029,736	100%

Deposit Holders' Analysis
2020/21



- Individuals
- Shareholders
- Subsidiaries / Associate Companies
- Other Companies
- Pensions, Provident Funds, Clubs etc.
- Savings

Deposit Holders' Analysis
2019/20



- Individuals
- Shareholders
- Subsidiaries / Associate Companies
- Other Companies
- Pensions, Provident Funds, Clubs etc.
- Savings

Ten Year Summary - Company

(In Rupees Million)

For Year Ended 31 March	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OPERATING RESULTS										
Income	2,270.91	3,487.97	3,837.89	4,175.93	4,473.44	5,331.34	6,730.65	7,029.00	7,501.16	7,527.12
Profit Before Tax	492.72	586.18	261.27	277.45	530.31	834.13	810.10	600.27	531.63	1,295.95
Income Tax	36.98	75.06	(35.22)	74.54	111.12	184.67	81.60	294.10	323.00	735.06
Profit After Tax	455.74	511.12	296.49	202.91	419.19	649.46	728.50	306.17	208.63	560.89
BALANCE SHEET										
Assets										
Cash, Cash Equivalent & Deposits	527.37	1,043.08	1,248.20	1,111.75	2,713.93	1,644.84	1,625.70	1,223.80	2,252.56	1,781.17
Receivables	1,220.85	1,126.05	1,350.21	1,101.92	595.04	1,306.76	1,435.38	3,278.64	4,137.95	2,585.67
Stocks	9,366.68	13,477.41	12,997.64	14,440.63	19,293.67	22,866.23	25,019.13	24,862.57	24,789.84	26,249.06
Investments	785.08	770.74	2,010.06	2,122.07	1,795.53	2,081.21	2,018.71	1,020.24	1,070.92	1,128.55
Property, Plant & Equipment	754.01	1,074.24	1,120.35	1,133.33	1,446.54	2,122.91	1,681.95	1,746.40	1,694.02	2,377.68
Total Assets	12,653.99	17,491.52	18,726.46	19,909.70	25,844.70	30,021.95	31,780.87	32,131.65	33,945.29	34,122.13
Liabilities										
Term Deposit	6,732.81	9,001.88	11,201.59	10,344.07	10,464.15	10,087.82	13,256.95	12,493.68	12,347.30	12,918.79
Bank Overdraft/Loans	4,213.29	6,013.19	4,945.87	6,833.37	12,275.60	15,154.16	13,144.17	14,190.47	16,216.51	14,098.12
Provisions & Other Liabilities	240.20	357.37	187.70	282.91	382.89	715.18	1,080.67	937.26	768.52	1,288.82
Total Liabilities	11,186.30	15,372.44	16,335.16	17,460.35	23,122.64	25,957.16	27,481.79	27,621.41	29,332.33	28,305.73
Shareholders' Funds	1,467.69	2,119.08	2,391.31	2,449.34	2,722.05	4,064.80	4,299.08	4,510.26	4,612.97	5,816.41
CHANGES IN FINANCIAL POSITION										
Sources of Funds										
Operations	717.93	820.61	(904.12)	541.03	876.95	795.93	1,534.11	37.99	782.21	1,973.22
Sale of Fixed Assets	59.98	36.01	21.44	8.06	47.62	25.23	39.95	6.99	7.73	18.77
Term Deposits	1,731.06	2,269.07	2,199.71	(857.52)	120.08	(376.33)	3,169.13	(763.27)	(146.39)	571.49
Bank Overdraft/Loans	2,168.21	1,812.02	(1,103.21)	1547.46	5,258.86	2,890.35	(1,571.60)	727.87	1,935.22	(2,288.55)
Others	(50.95)	(105.27)	(165.36)	(108.48)	(153.38)	(101.67)	(119.67)	(105.93)	(118.95)	(123.30)
Grand Total	4,626.22	4,832.44	48.45	1,130.55	6,150.13	3,233.51	3,051.92	(96.35)	2,459.83	151.63
Application of Funds										
Capital Expenditure	237.85	158.35	137.36	106.74	450.67	70.49	208.09	207.31	98.61	122.63
Portfolio Disbursements	4,169.62	4,654.30	20.34	1,071.33	5,952.84	2,848.00	2,179.29	191.25	704.94	460.84
Deposits	(110.79)	10.17	66.37	400.92	(73.28)	37.27	(334.01)	(94.58)	477.54	(243.83)
Income Tax	42.56	1.89	1.14	0.93	19.57	180.12	125.60	147.74	412.75	254.89
Dividends	105.30	109.35	36.45	48.60	126.36	183.00	213.97	75.82	33.70	-
Other	164.93	(130.93)	(199.30)	(479.01)	(351.44)	(191.58)	398.81	(395.11)	27.32	(43.75)
Changes in Available Resources	16.75	29.31	(13.93)	(18.96)	25.41	106.21	260.17	(228.78)	704.97	(399.15)
Grand Total	4,626.22	4,832.44	48.45	1,130.55	6,150.13	3,233.51	3,051.92	(96.35)	2,459.83	151.63
NO. OF SHARES	2,430,000	2,430,000	2,430,000	2,430,000	2,430,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000

Ten Year Summary - Company

For Year Ended 31 March	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
INDICATORS OF PERFORMANCE										
Return on Shareholders Funds % (After Tax)	34.63	28.50	13.15	8.38	16.21	19.14	17.42	6.95	4.57	10.76
Return on Total Assets % (After Tax)	4.29	3.39	1.64	1.05	1.83	2.33	2.36	0.96	0.63	1.65
Earnings per Share (Rs.)	187.55	210.33	122.01	83.50	172.51	19.85	21.62	9.09	6.19	16.65
Market Value per Share (Rs.)	630.00	800.10	769.80	770.00	740.00	55.00	65.70	53.60	34.40	49.50
Price Earning Ratio %	3.36	3.80	6.31	9.22	4.29	2.77	3.04	5.90	5.56	2.97
Rate of Dividend %*	450.00	400.00	200.00	230.00	530.00	32.38	35.12	5.49	-	30.18
Dividend per Share (Rs.)*	45.00	40.00	20.00	23.00	53.00	5.90	6.40	1.00	-	5.50
Gross Dividend Rs. Mn*	109.35	97.20	48.60	55.89	128.79	198.81	215.65	33.70	-	185.33
Dividend Cover (times)*	4.17	5.26	6.10	3.63	3.25	3.36	3.38	9.09	-	3.03
Dividend Payout %*	23.99	19.02	16.39	27.55	30.72	29.73	29.60	11.01	-	33.04
Net Assets per Share (Rs.)	603.99	872.05	984.08	1,007.96	1,120.19	120.63	127.58	133.85	136.90	172.61
MARKET VALUE PER SHARE DURING THE YEAR										
Highest Value Recorded During the Year (Rs.)	824.90	702.00	820.00	929.00	1,000.00	1,300.00	79.40	72.50	54.50	59.00
Lowest Value Recorded During the Year (Rs.)	516.00	849.00	730.00	810.00	732.00	52.30	53.00	50.00	30.00	30.00
Market Value as at 31st March (Rs.)	630.00	800.10	769.80	770.00	740.00	55.00	65.70	53.60	34.40	49.50
FINANCIAL HIGHLIGHTS										
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assets Rs. Mn	12,654	17,492	18,726	19,910	25,845	30,022	31,781	32,132	33,945	34,122
Liabilities Rs. Mn	11,186	15,372	16,335	17,460	23,123	25,957	27,482	27,621	29,332	28,306
Shareholders Funds Rs. Mn	1,468	2,119	2,391	2,449	2,722	4,065	4,299	4,510	4,613	5,816

* Dividend indicators include final dividend of Rs. 5.50 per share for the year ended 31st March 2021 proposed for approval at the Annual General Meeting. This has not been recognised as a liability in the financial statements as at 31st March 2021.

Shareholder Information

20 MAJOR SHAREHOLDERS

As at 31st March 2021				As at 31st March 2020			
No.	Name of Shareholder	No. of Shares	%	No.	Name of Shareholder	No. of Shares	%
1	Mr. R. K. E. P. de Silva	11,035,291	32.75	1	Mr. R. K. E. P. de Silva	8,934,075	26.51
2	Motor Service Station (Pvt) Ltd.,	4,542,220	13.48	2	Motor Service Station (Pvt) Ltd.,	4,542,220	13.48
3	Mrs. D. M. E. P. Perera	2,501,443	7.42	3	Mrs D. M. E. P. Perera	2,501,443	7.42
4	Mr. D. D. Wijemanne	1,422,974	4.22	4	Mr. R. K. E. P. de Silva & Mr. J. E. P. A. de Silva	2,101,216	6.24
5	Mr. D. F. W. S. K. Perera & Mr. D. F. W. Perera	1,381,536	4.10	5	Mr. D. F. W. S. K. Perera & Mr. D. F. W. Perera	1,381,536	4.10
6	Orient Hotels Ltd.,	1,358,323	4.03	6	Orient Hotels Ltd.,	1,358,323	4.03
7	Mrs. S. E. Canekeratne	612,268	1.82	7	Mrs. S. E. Canekeratne	612,268	1.82
8	Mr. D. L. S. R. Perera	553,556	1.64	8	Mr. D. L. S. R. Perera	553,556	1.64
9	Mrs. C. R. de Silva	374,400	1.11	9	Mr. S. Vasudevan	515,000	1.53
10	Elgin Investments Ltd.	311,877	0.93	10	Mrs. C. R. de Silva	374,400	1.11
11	Mr. D. F. W. Perera	310,560	0.92	11	Elgin Investments Ltd.	311,877	0.93
12	Ms. D. D. P. T. Perera	309,384	0.92	12	Mr. D. F. W. Perera	310,560	0.92
13	Mrs. P. Weththasinghe	299,975	0.89	13	Ms.D.D.P.T. Perera	309,384	0.92
14	Mrs. A. S. Wijewardena	259,200	0.77	14	Mrs. P. Weththasinghe	299,975	0.89
15	Mutiara Holdings (Pvt) Ltd.	250,000	0.74	15	Mrs. S. J. Amarasinghe	264,728	0.79
16	Hatton National Bank PLC/ Mr. K. K. Shujeevan	238,786	0.71	16	Mrs. A. S. Wijewardena	259,200	0.77
17	Ms. D. C. M. A. Perera	236,632	0.70	17	Miss S. Marcelline	246,240	0.73
18	Mr. G. P. Kapilasena	201,180	0.60	18	Miss Z. Marcelline	246,240	0.73
19	Mrs. K. G. G. S. L. Perera	201,066	0.60	19	Ms. D. C. M. A. Perera	236,632	0.70
20	Miss R. H. Abdulhussein	180,000	0.53	20	Mrs. K. G. G. S. L. Perera	201,066	0.60
		26,580,671	78.88			25,559,939	75.86

DISTRIBUTION OF SHARES

Holdings	31st March 2021			31st March 2020		
	No. of Holders	Total	%	No. of Holders	Total	%
1 - 1,000	734	172,350	0.51	840	195,375	0.58
1,001 - 10,000	350	1,244,595	3.69	373	1,332,489	3.95
10,001 - 100,000	131	3,761,121	11.16	143	4,194,580	12.45
100,001 - 1,000,000	28	6,276,147	18.63	29	7,154,743	21.23
Over 1,000,000	6	22,241,787	66.01	6	20,818,813	61.78
	1,249	33,696,000	100.00	1,391	33,696,000	100.00

Shareholder Information

The shares in the hands of the public as at 31st March 2021 were 18,076,775 representing 53.65% of the Issued Share Capital of the Company and as at 31st March 2020 were 18,088,219 representing 53.68% of the Issued Share Capital of the Company.

FLOAT ADJUSTED MARKET CAPITALIZATION

The float adjusted market capitalization as at 31st March 2021 - Rs. 894,856,248/- and the Company falls under the Option 5 Rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

Number of Public Shareholders as at 31st March 2021 was 1,235.

COMPOSITION OF SHAREHOLDING

Holdings	31st March 2021			31st March 2020		
	No. of Holders	No. of shares	%	No. of Holders	No. of shares	%
Institution	14	5,008,263	14.86	31	6,757,998	20.06
Individuals	1,235	28,687,737	85.14	1,260	26,938,002	79.94
	1,249	33,696,000	100.00	1,291	33,696,000	100.00

GRI Index

Section	GRI Standard No.	Disclosure	Page Reference	Remarks
Organizational Profile	GRI 102-1	Name of the organization	7, inner back cover	
	GRI 102-2	Activities, brands, products, and services	7,8, 50,52,54	
	GRI 102-3	Location of headquarters	Inner back cover	
	GRI 102-4	Location of operations	7, Inner back cover	
	GRI 102-5	Ownership and legal form	8, Inner back cover	
	GRI 102-6	Markets served	7	
	GRI 102-7	Scale of the organization	7	
	GRI 102-8	Information on employees and other workers	7,67,68	
	GRI 102-41	Collective bargaining agreements	-	The Company does not have any collective bargaining agreements
	GRI 102-10	Significant changes to the organization and its supply chain	-	There have been no significant changes to the organization and our supply chain
	GRI 102-11	Precautionary Principle or approach	5	
	GRI 102-12	External initiatives	5	
	GRI 102-13	Membership of associations	Inner back cover	
Strategy and Analysis	GRI 102-14	Statement from senior decision-maker	20-23	
	GRI 102-15	Key impacts, risks, and opportunities	42-43	
Material Aspects and Boundaries	GRI 102-45	Entities included in the consolidated Financial Statements	4	
	GRI 102-46	Defining report content and topic Boundaries	4	
	GRI 102-47	List of material topics	37-39	
	GRI 103-1	Explanation of the material topic and its Boundary	37-39	
	GRI 103-2	The management approach and its components	30-34, 40-88	
	GRI 103-3	Evaluation of the management approach	30-34, 40-88	
	GRI 102-48	Restatements of information	4	
	GRI 102-49	Changes in reporting	4	
Stakeholder Engagement	GRI 102-40	List of stakeholder groups	34	
	GRI 102-42	Identifying and selecting stakeholders	34	
	GRI 102-43	Approach to stakeholder engagement	35-36	
	GRI 102-44	Key topics and concerns raised	35-36	

GRI Index

Section	GRI Standard No.	Disclosure	Page Reference	Remarks
Report Profile	GRI 102-50	Reporting period	4	
	GRI 102-51	Date of most recent report	4	
	GRI 102-52	Reporting cycle	4	
	GRI 102-53	Contact point for questions regarding the report	5	
	GRI 102-54	Claims of reporting in accordance with the GRI Standards	5	
	GRI 102-55	GRI content index	253-258	
	GRI 102-56	External assurance		External assurance was not obtained for the report this time
Governance	GRI 102-18	Governance structure	90	
	GRI 102-19	Delegating authority	102	
	GRI 102-20	Executive-level responsibility for economic, environmental, and social topics	30-31	
	GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	30-31	
	GRI 102-22	Composition of the highest governance body and its committees	90	
	GRI 102-23	Chair of the highest governance body	91, Inner back cover	
	GRI 102-24	Nominating and selecting the highest governance body	113	
	GRI 102-25	Conflicts of interest	95	
	GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	91-92	
	GRI 102-27	Collective knowledge of highest governance body	90	
	GRI 102-28	Evaluating the highest governance body's performance	113-114	
	GRI 102-29	Identifying and managing economic, environmental, and social impacts	92	
	GRI 102-30	Effectiveness of risk management processes	94	
	GRI 102-31	Review of economic, environmental, and social topics	92	
	GRI 102-32	Highest governance body's role in sustainability reporting	94	
GRI 102-33	Communicating critical concerns	-	No significant critical concerns were reported or recorded during the financial year.	

Section	GRI Standard No.	Disclosure	Page Reference	Remarks
Governance	GRI 102-34	Nature and total number of critical concerns	-	No significant critical concerns were reported or recorded during the financial year.
	GRI 102-35	Remuneration policies	130	
	GRI 102-36	Process for determining remuneration	114, 115, 130	
	GRI 102-37	Stakeholders' involvement in remuneration	114-115	
Ethics and Integrity	GRI 102-16	Values, principles, standards, and norms of behavior	6,64-65	
	GRI 102-17	Mechanisms for advice and concerns about ethics	65, 77	
Management Approach	GRI 103-1	Explanation of the material topic and its Boundary	4, 37-39	
	GRI 103-2	The management approach and its components	8,9,32,34-36, 40-88	
	GRI 103-3	Evaluation of the management approach	8,9,32,34-36, 40-88	
Economic Performance	GRI 201-1	Direct economic value generated and distributed	9	
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	43	
	GRI 201-3	Defined benefit plan obligations and other retirement plans	218	
	GRI 201-4	Financial assistance received from government	-	The company has not received any direct or indirect assistance from the Government during the year under review.
Materials	GRI 301-1	Materials used by weight or volume	86	
	GRI 301-2	Recycled input materials used	-	The Company has not used any recycled materials during the financial year.
Energy	GRI 302-1	Energy consumption within the organization	85-86	
	GRI 302-2	Energy consumption outside of the organization	-	The company does not use energy outside the organization.
	GRI 302-3	Energy intensity	85-86	
	GRI 302-5	Reductions in energy requirements of products and services		
	GRI 302-4	Reduction of energy consumption	85-86	

GRI Index

Section	GRI Standard No.	Disclosure	Page Reference	Remarks
Water	GRI 303-1	Interactions with water as a shared resource	-	The company does not use water from a shared source.
	GRI 303-2	Management of water discharge-related impacts	-	Considering the nature of the business this is not significantly related to the Company.
	GRI 303-3	Water withdrawal	86	
	GRI 303-4	Water discharge	-	Considering the nature of the business this is not significantly material to the Company.
	GRI 303-5	Water consumption	86	
Emissions	GRI 305-1	Direct (Scope 1) GHG emissions	85	Measured and reported for CO2 emissions only
	GRI 305-2	Energy indirect (Scope 2) GHG emissions		This was not measured or quantified
	GRI 305-3	Other indirect (Scope 3) GHG emissions		This was not measured or quantified
	GRI 305-4	GHG emissions intensity	34	Measured and reported for CO2 emissions only
	GRI 305-5	Reduction of GHG emissions	34,85	Measured and reported for CO2 emissions only
	GRI 305-6	Emissions of ozone-depleting substances (ODS)	-	Not measured or quantified since the business functions have no significant direct impact on the same.
	GRI 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	-	Not measured or quantified since the business functions have no significant direct impact on the same.
Biodiversity	GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	There are no such operational sites owned by the Company.
	GRI 304-2	Significant impacts of activities, products, and services on biodiversity	88	
	GRI 304-3	Habitats protected or restored	88	
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	88	
Compliance	GRI 307-1	Non-compliance with environmental laws and regulations	-	There were no incidents of non compliance with environmental laws and regulations were recorded during the year under review.

Section	GRI Standard No.	Disclosure	Page Reference	Remarks
Supplier Environmental Assessment	GRI 308-1	New suppliers that were screened using environmental criteria	-	All new suppliers were screened using E&S declaration from for environmental criteria.
	GRI 308-2	Negative environmental impacts in the supply chain and actions taken	-	There were none during the reporting year.
Employment	GRI 401-1	New employee hires and employee turnover	69,72	
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	73-75	
	GRI 401-3	Parental leave	75	
Training and Education	GRI 404-1	Average hours of training per year per employee	70	
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	71	
	GRI 404-3	Percentage of employees receiving regular performance and career development reviews	73	
Diversity and Equal Opportunity	GRI 405-1	Diversity of governance bodies and employees	67-68	
	GRI 405-2	Equal remuneration for men and women - Ratio of basic salary and remuneration of women to men	75	
Supplier Assessment for Labor Practices	GRI 414-1	New suppliers that were screened using social criteria	-	All new suppliers were screened using E&S declaration from for social criteria.
	GRI 414-2	Negative social impacts in the supply chain and actions taken	-	There were no negative social impacts resulted due to the activities of the company during the year under purview.
Non-discrimination	GRI 406-1	Incidents of discrimination and corrective actions taken	-	There were no such incidents reported
Child Labor	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	-	There are no operations or suppliers at significant risk for incidents of child labor.
Forced or Compulsory Labor	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	There are no operations and suppliers at significant risk for incidents of forced or compulsory labor.

GRI Index

Section	GRI Standard No.	Disclosure	Page Reference	Remarks
Supplier Human Rights Assessment	GRI 414-1	New suppliers that were screened using social criteria	-	All new suppliers were screened using our E&S declaration from for social creiteria.
	GRI 414-2	Negative social impacts in the supply chain and actions taken	-	There were no negative social impacts in the supply chain identified or reported as resulted during the year under purview.
Local Communities	GRI 413-1	Operations with local community engagement, impact assessments, and development programs	83	
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	-	There were no operations with significant actual and potential negative impacts on local communities
Anti - Competitive behavior	GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	None reported during the year under review
Customer Health and Safety	GRI 416-1	Assessment of the health and safety impacts of product and service categories	81	
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	None reported during the year under review
Marketing Communications	GRI 102-2	Activities, brands, products, and services	8, 50,52,54	
	GRI 417-3	Incidents of non-compliance concerning marketing communications	-	There were no indicents of non-compliance concerning marketing communications, Substantiated complaints concerning breaches of customer privacy and losses of customer data
Customer Privacy	GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	
Compliance	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	-	There were no non-compliance with laws and regulations in the social and economic area during the year under review.

CA Sri Lanka Gender Parity Reporting

Main section	Strategies and Goals for Gender Parity	Page number	Remarks
Enablers	Gender Parity Policies	74	
	Diversity & inclusion policies	74	
	Gender pay equity policy	74	
	Specific policies on sexual harassment in the workplace	74	
	Systems and Processes		
	Process to handle grievance mechanisms for sexual harassment at workplace	74	
	Workplace practices to promote gender parity	74	
Composition	Board of Directors/ Governing Body	26-27, 90	
	Senior Leadership	28	
	Middle Management	28	
	The Major Employment Categories	68	
	Composition of Male/Female under		
	Recruitment	69	
	Promotions		There were no promotions given during the financial year 2019/20, due to the COVID-19 impact on the business and its processes.
	Key departments	68	
	Major geographic locations	75	
	Exists	72	
Gender Gap Indicators	Gender Analysis in Each Pay Quartile	75	
	Raw Mean Gender Pay Gap	75	
	Raw Median Gender Pay Gap	75	
	Proportion of Women Who Received Training	70	38% of the female employees have received training during the year.
	Training Hours Analyzed by Gender	70	
	Retention of Women at Work 12 Months After Maternity Leave	72	
	Proportion of Females who Received a Performance Bonus	-	76% of females have received a performance bonus.
	Proportion of Women in IT, Engineering and Production Related Activities	-	We have one female employee in the IT department. Engineering and production related activities are not applicable to our company.
Responsible Brand	Evaluation of gender bias in advertising and communications	-	We do not undertake gender bias advertising.
	Activities that Support Gender Parity in the Supply Chain	-	There are no specific activities carried out during the year addressing gender parity. However, at the screening, selection or in any part of the engagement process, we do not discriminate based on gender.

Abbreviations

AADFI	Association of African Development Finance Institutions	GDP	Gross Domestic Product
ACCA	Association of Chartered Certified Accountants	GRI	Global Reporting Initiative
ADFIAP	Association of Development Finance Institutions in Asian and the Pacific	H/Os	Head Office
AFC	Alliance Finance Company	HP	Hire Purchase
AGM	Assistant General Manager	HR	Human Resource
BCMS	Business Continuity Management System	HRIS	Human Resource Information System
CA	Chartered Accountants	ICASL	Institute of Chartered Accountants of Sri Lanka
CBSL	Central Bank of Sri Lanka	IFC	International Finance Corporation
CCA	Customer Care Agents	IIRC	International Integrated Reporting council
CCPI	Colombo Consumer Price Index	IUCN	International Union for Conservation of Nature
CMA	Chartered Management Accountants	KMP	Key Management Personnel
CRM	Customer Relationship Management	KPI	Key Performance Indicator
CSE	Colombo Stock Exchange	LINN	Lanka Impact Investing Network
CSR	Corporate Social Responsibility	MSME	Micro, Small and Medium Enterprises
CXO	Chief Executive Officer	NBFI	Non Banking Financial Institutions
DF	Development Finance	NPL	Non Performing Loan
DR	Disaster Recovery Site	PCB	Polychlorinated biphenyl
DWM	Developing World Markets	RAC	Risk-Acceptance-Criteria
EA	Enterprise Asia	RFS	Regional Financial Services
EDS	Entrepreneur Development Services	SDG	Sustainable Development Goals
EOSD	European Organisation for Sustainable Development	SLICM	Sri Lanka Institute of Credit Management
EPS	Earnings Per Share	SME	Small and Medium Enterprises
ESMS	Environmental and Social Management System	SSCI	Sustainability Standards and certification Initiative
ESG	Environmental, Social, and Governance	RDA	Road Development Authority
EVP	Employee Value Proposition	ROE	Return on Investment
FHASL	Finance Houses Association of Sri Lanka	USP	Unique Selling Proposition
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.	COVID-19	Corona Virus Disease 2019

Glossary

A

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by a company in preparing and presenting Financial Statements

ACCOUNTING

The profit or loss for a period before deducting tax expense

ACCRAUAL BASIS OF ACCOUNTING

The effects of transactions and other events are recognised when they are occurred (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the Financial Statements of the periods to which they relate.

AMORTISATION (DEPRECIATION)

The systematic allocation of the depreciable amount of an asset over its useful life

ALLOWANCE FOR IMPAIRMENT

A provision held on the Statement of Financial Position as a result of a raising of a charge against profit for the incurred loss.

C

CARRYING AMOUNT

The amount at which an asset is recognized in balance sheet after deducting any accumulated depreciation (amortisation) and accumulated impairment losses

CASH EQUIVALENTS

Short-term, highly-liquid investments that is readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

CONTINGENCIES

Conditions or situation at the balance sheet date and the financial effects of which are to be determined by the future events that may or may not occur

COLLECTIVE IMPAIRMENT

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant and to cover losses that have been incurred but has not yet been identified at a reporting date.

CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability of owners and others.

COST TO INCOME RATIO

Personal and Other Non-Interest Expenses divided by the sum of Net Interest Income & Non-Interest Income

CURRENT TAX

The amount of tax payable in respect of taxable income for the period

D

DEALING SECURITIES

Marketable securities that are acquired and held with the intention of reselling them in the short-term

DEFERRED TAX LIABILITIES

The amounts of income tax payable in future periods in respect of taxable temporary differences

DEFINED BENEFIT PLANS

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula

usually based on employees' remuneration and completed years of service

DISBURSEMENTS

Another term for investments

DISCRETIONARY PROVISION

This includes provision for bonuses and incentives

DIVIDENDS

Distribution of profits to holders of equity investments, in proportion to their holdings of a particular class of capital

DIVIDEND COVER

Profit after tax divided by gross dividend. The ratio measures the number of times dividend is covered by current years' distributable profits

DIVIDEND PER SHARE (DPS)

Gross dividend divided by the number of shares in issues

E

EARNINGS PER SHARE (EPS)

Profit for the period attributable to ordinary shareholders (the numerator) divided by the weighted average number of ordinary shares in issue during the period (the denominator)

G

GENERAL RESERVES

Reserves set aside for future

GROSS NPA (NPL) RATIO

Total non-performing accommodations (loans) after deducting for initial rentals received and unearned income, divided by gross accommodations (loans) after deducting for initial rentals received and unearned income.

Glossary

GROSS DIVIDEND

The portion of profits distributed to the shareholders including the tax withheld

I

IMPAIRMENT

This occurs when recoverable amount of asset declines below its carrying amount

INDIVIDUAL IMPAIRMENT

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

INVESTMENTS

Value of facilities granted during a specific period

INVESTMENTS SECURITIES

Securities acquired and held for yield or capital growth purposes; usually held to maturity

L

LIQUIDITY

The availability of sufficient funds to meet deposit withdrawals and other financial commitments as they fall due

LIQUID ASSETS

Cash and cash equivalents, repurchase agreements, placements in banks and other financial institutions and treasury bills

LIQUID ASSETS RATIO

Liquid assets as a percentage of total deposits

M

MATERIALITY

Information is material if its non-disclosure could influence the economic decisions of users taken on the Financial Statements

MARKET VALUE PER SHARE

Market capitalization divided by the number of ordinary shares in issue

N

NON - BANKING FINANCIAL INSTITUTIONS (NBFI)

An institution that does not have the full banking license and undertakes banking services permitted by the license.

NON - PERFORMING LOANS (NPL)

Loans and advances which are 180 days or more in arrears of due principal and/or interest payments

NET ASSETS VALUE PER SHARE

Shareholders' funds excluding preference shares if any, divided by the weighted average number of ordinary shares in issue

NET NPA RATIO

Total non-performing accommodations excluding initial rentals received, unearned income and provision for loan losses, divided by gross loans after deducting for initial rentals received, unearned income and provision for loan losses

NET INTEREST INCOME

The difference between income earned from interest bearing assets and cost incurred on financial instrument/ facilities used for funding the interest bearing assets

NET INTEREST MARGIN

Net interest income divided by total average assets

O

OFF BALANCE SHEET TRANSACTIONS

Transactions that are not recognized as assets or liabilities in the balance sheet but which may give rise to contingencies and commitments

P

PORTFOLIO

Total rentals and other receivables on loans and advances after deducting for unearned interest in suspense and initial rentals paid

PRICE EARNING (P/E) RATIO

The market price of an ordinary share divided by the Earnings per Share

PROVISION FOR LOAN LOSSES

Amounts set aside against possible losses on net receivable of facilities granted to customer as a result of them becoming party or wholly uncollectible

R

RETURN ON ASSETS (ROA)

Profit before tax expressed as a percentage of average total assets; used along with ROE as a measure of profitability and as a basis of intra-industry performance comparison

RETURN ON SHAREHOLDERS' FUND/EQUITY (ROE)

Profit before tax expressed as a percentage of average total assets; used as a measure of profitability and as a basis of intra- industry performance comparison

REVALUATION

Restatement of assets and liabilities

RATE OF DIVIDEND

Gross dividend as a percentage of total par value of shares

S**SBU**

Strategic Business Unit

SEGMENT REVENUE

Revenue reported in the Company's income statement that is directly attributable to a segment and the relevant portion of the Company's revenue that can be allocated on a reasonable basis to a segment

SHAREHOLDERS' FUNDS

Shareholders' Funds consist of issued and fully-paid ordinary share capital plus capital and revenue reserves

SOCIAL PERFORMANCE MANAGEMENT SYSTEM (SPMS)

SPMS is a set of policies, procedures, tools and internal capacity to identify and manage the institution's exposure to the environmental and social risks of its clients/ investees and the impact of the institution on society and environment.

SUSTAINABILITY DEVELOPMENT GOALS

A collection of 17 global goals set by the United Nations that covers a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanization, environment and social justice.

T**TAXABLE PROFIT/ (TAX LOSS)**

The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which the income tax is payable/ (recoverable)

'TIER 1' CAPITAL

Core capital representing permanent shareholders' equity and reserves created or increased by appropriation of retained earnings or other surplus

'TIER 2' CAPITAL

Supplementary capital representing revaluation reserve, general provisions and other capital instruments which combine certain characteristics of equity debt such as hybrid capital instruments and subordinated term debts

V**VALUE ADDED**

Value Added is the wealth created by providing services less cost of providing such services. The value added is allocated amongst the employees, the providers of capital and to the Government by way of taxes and retained for expansion and growth

Notice of Meeting

Notice is hereby given that the Sixty Fifth Annual General Meeting of Alliance Finance Company PLC, will be held on Friday, 2nd July 2021 at 9.30 a.m., Virtual Meeting. The business to be brought before the Meeting will be:-

1. To receive and consider the Report of the Directors and the Statement of Accounts for the Financial Year ended 31st March 2021, with the Report of the Auditors thereon.
2. To declare a Dividend.
3. To re-elect a Director
Mrs.Priyanthi de Silva retires under Articles numbered 130 and 131
4. To re-elect a Director
Mrs.Gopa Sarojini Dharmakirti-Herath retires under Article Numbered 135
5. To re-elect a Director
Mr.Don Lasantha Ivers Hettiarachchi retires under Article Numbered 135
6. To re-appoint Auditors to hold office until the next Annual General Meeting and to fix their remuneration.
7. To authorize the Directors to determine and make donations.

By order of the Board

ALLIANCE FINANCE COMPANY PLC

(Sgd.)

ALLIANCE MANAGEMENT SERVICES (PRIVATE) LIMITED

Secretaries

9th June 2021

Note:

- (i) A member is entitled to appoint a proxy to attend and vote in his/her place.
- (ii) A proxy need not be a member of the Company.
- (iii) A member wishing to vote by proxy at the meeting may use the Form of Proxy enclosed.
- (iv) To be valid, the completed Form of Proxy must be lodged at Alliance Management Services (Pvt) Ltd, No.84, Ward Place, Colombo 7, or emailed to alservice@slt.net.lk not less than 48 hours before the meeting
- (v) Shareholders/Proxy holders are requested when attending the Annual General Meeting vide Zoom will have to register not less than 48 hours before the meeting
- (vi) Shareholders appointing proxies (other than Directors) to attend the meeting are requested to indicate the number of the National Identity Card of the Proxy holder on the Form of Proxy. Only registered proxy holders will be permitted to attend the Annual General Meeting.

Form of Proxy

ALLIANCE FINANCE COMPANY PLC

I/We

of

being a member/members of the above-named Company hereby appoint Gopa Sarojini Tamara Dharmakirti-Herath or failing her, Romani Kumar Eardley Patrick de Silva or failing him, Jalathge Mahinda Gunasekera or failing him, Wickramasinghe Pathiranage Kusal Jayawardana or failing him, Ravindra Erle Rambukwelle or failing him, Priyanthi de Silva or failing her Lloyd John Hiran de Silva or failing him Don Lasantha Ivers Hettiarachchi or failing him

.....of.....

.....NIC No. as my/our

proxy to represent me/us and to *vote for me/us on my/our behalf at the Sixty Fifth Annual General Meeting of the Company to be held on Friday, 2nd July 2021 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	Resolution No.1 The Ordinary Resolution No.1 set out in the Notice convening the aforesaid Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
2.	Resolution No.2 The Ordinary Resolution No.2 set out in the Notice convening the aforesaid Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3.	Resolution No.3 The Ordinary Resolution No.3 set out in the Notice convening the aforesaid Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
4.	Resolution No.4 The Ordinary Resolution No.4 set out in the Notice convening the aforesaid Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
5.	Resolution No.5 The Ordinary Resolution No.5 set out in the Notice convening the aforesaid Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
6.	Resolution No.6 The Ordinary Resolution No.6 set out in the Notice convening the aforesaid Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
7.	Resolution No.7 The Ordinary Resolution No.6 set out in the Notice convening the aforesaid Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of2021

.....
Signature

Form of Proxy

Instructions as to completion of the Form of Proxy

1. A proxy holder need not be a member of the Company.
2. The full name and address of the proxy and of the shareholder appointing the proxy should be entered legibly in the Form of Proxy.
3. The completed Form of Proxy should be deposited at the office of the Secretaries, Alliance Management Services (Pvt) Ltd., 84, Ward Place, Colombo 7, or emailed to alservice@slt.net.lk, 48 hours before the time appointed for the holding of the Meeting.
4. In the case of a Company or a Corporate Body, the Form of Proxy should be executed under its Common Seal in accordance with its Articles of Association.
5. If the Proxy Holder is to attend the meeting please forward the duly filled Registration Form along with the Proxy 48 hours before the time appointed for the holding of the Meeting

Corporate Information

Name of the Company

Alliance Finance Company PLC

Statutory Status

Quoted Public Limited Liability Company, incorporated under the Companies Ordinance No.51 of 1938
Reregistered under the Companies Act No.7 of 2007

Approved and registered under the

- Finance Business Act No. 42 of 2011
- Finance Leasing Act No. 56 of 2000
- An approved Credit Agency under the Mortgage Act No.6 of 1949
- Trust Receipt Ordinance No.12 of 1947

Date of Incorporation

18th July 1956

Company Registration Number

PQ 93

Principal Activities

Providing finance lease, gold loans, Vehicle Trade-In, acceptance of fixed deposits, savings mobilization, other credit facilities and services.

Registered Office

Alliance House

No.84, Ward Place, Colombo 07,
Sri Lanka.

Tel: (+94) 11 2673673

Fax: (+94) 11 2697205

E-mail: info@alliancefinance.lk

Website

www.alliancefinance.lk

Credit Rating

[SL]BBB- with a NEGATIVE outlook rating, assigned by ICRA Lanka Limited.

Board of Directors

Mrs. G. S. Tamara Dharmakirti-Herath -
Chairperson

Mr. Romani de Silva - Deputy Chairman &
Managing Director

Mr. J.M. Gunasekera – Executive Director
Sustainability

Mr. W. P. K. Jayawardana – Executive
Director Finance and Operations
Mr. R. E. Rambukwelle – Executive Director
Credit Marketing and Operations
Mrs. Priyanthi de Silva - Independent Non
Executive Director
Mr. L. J. H de Silva - Independent Non
Executive Director
Mr. D. L. I. Hettiarachchi - Independent
Non-Executive Director

Board Audit Committee

Mrs. Priyanthi de Silva - Chairperson
Mrs. G. S.Tamara Dharmakirti-Herath -
Member
Mr. L. J. H. de Silva - Member

Board Integrated Risk Management Committee

Mrs. G. S. Tamara Dharmakirti-Herath –
Chairperson
Mrs. Priyanthi de Silva - Member
Mr. Romani de Silva - Member
Mr. J. M. Gunasekera - Member
Mr. W. P. K. Jayawardana - Member
Mr. R. E. Rambukwelle - Member

Related Party Transactions Review Committee

Mrs. G. S. Tamara Dharmakirti-Herath –
Chairperson
Mr. L. J. H. de Silva – Member
Mr. D. L. I. Hettiarachchi – Member

Remuneration Committee

Mr. L. J. H. de Silva – Chairman
Mrs. G. S. Tamara Dharmakirti-Herath -
Member
Mr. D. L. I. Hettiarachchi – Member

Subsidiaries

Alfinco Insurance Brokers (Pvt) Ltd.

Auditors

M/s. Baker Tilly Edirisinghe & Co.
Chartered Accountants
No.45, 2nd Floor, Braybrooke Street,
Colombo 02.

Advisory Council

Mr. B. Ponnambalam
Mrs. K. S. K. de Silva
Mr. K. Kanag Isvaran LLB (London)
Inn Barrister - (President's Counsel)

Legal Consultants

Gunawardena & Ranasinghe Associates

Secretaries

Alliance Management Services (Pvt) Ltd
No. 84 Ward Place, Colombo 07.

Bankers

Sampath Bank PLC
Seylan Bank PLC
Public Bank Berhad
People's Bank
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Bank of Ceylon
Nations Trust Bank PLC
NDB Bank PLC
Cargills Bank
DFCC Bank PLC
National Savings Bank

Corporate memberships and associations

- The Finance Houses Association of Sri Lanka
- Leasing Association of Sri Lanka
- Credit Information Bureau of Sri Lanka
- Financial Ombudsman-Sri Lanka
- Biodiversity Sri Lanka (Patron Member) {Business and Bio diversity platform}
- CSR Sri Lanka
- Association for Development Finance Institutions in Asia and the Pacific (ADFIAP), The Philippines

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