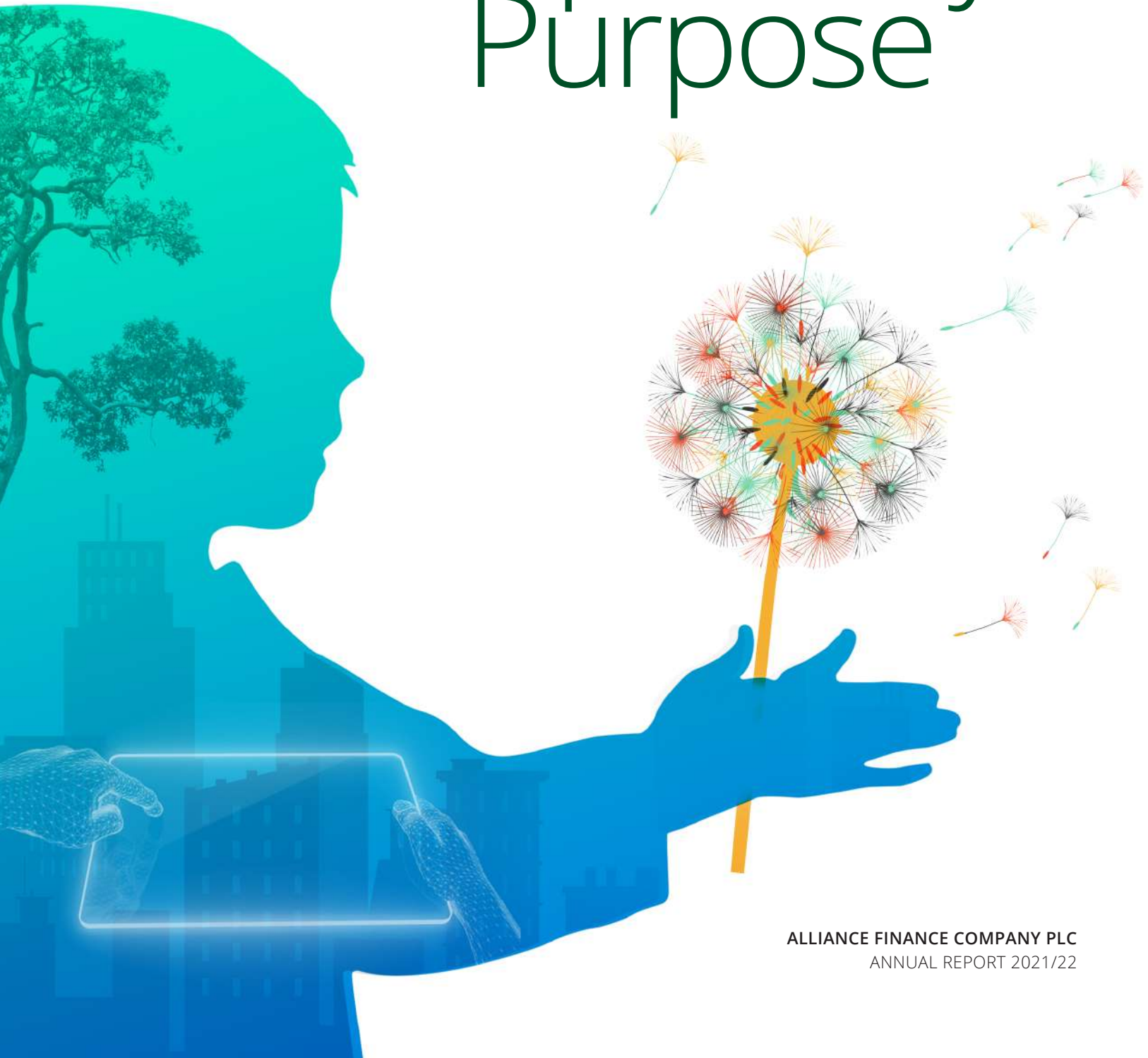


65 
Since 1956

Alliance Finance Co. PLC
Making the world a better place through sustainable finance

Inspired by Purpose





Alliance Finance Co. PFC
Making the world a better place through sustainable finance

Inspired by Purpose

Over the years Alliance Finance has been inspired by a higher purpose. We have been a trailblazer in sustainability in the financial services sphere. We were recognized as the First Company in South Asia to achieve the prestigious endorsement of “a holistic sustainability certified financial institution”. Anchored strongly to our mandate of sustainability encompassing Environment, Social and Governance, our value creation and the strategic path is aligned with principles of sustainability. Determined to make the world a better place through sustainable financing we reach far and wide across the country through our branch network. Our unique positioning has thus paved the way for us to create enduring sustainable value for all our stakeholders.

Content



Chairperson's Statement

AFC's performance outpaced the expectations, recording the highest portfolio growth in addition to the highest profits notwithstanding several one off revenue items.



Managing Director's Statement

The Company's admirable performance amidst this challenging business landscape validates the resilience of the triple bottom line focused business model and the results of the transformative initiatives that were spearheaded in 2019 with the technical assistance of the International Finance Corporation (IFC).

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Corporate Information - [Inner Back Cover](#)

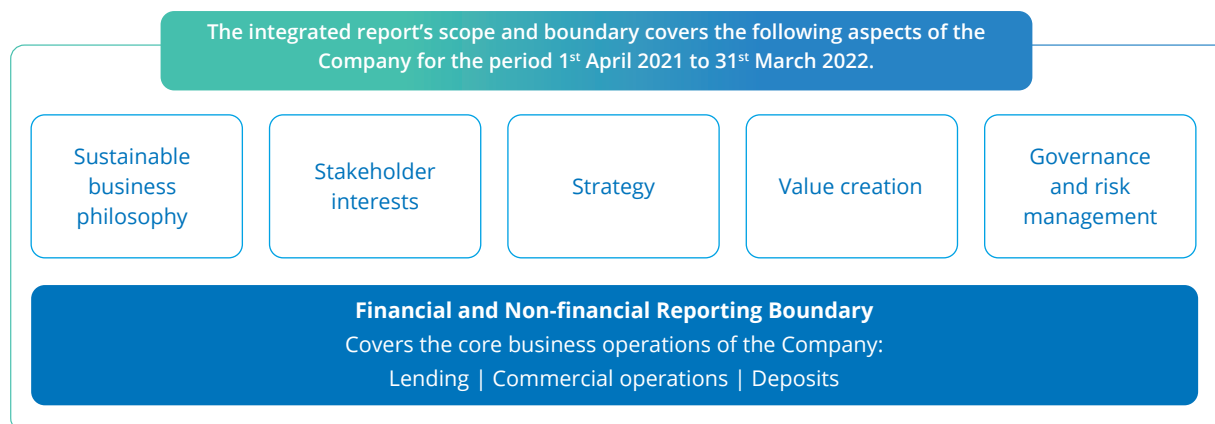


Welcome to AFC's Integrated Annual Report

GRI-102-11 | GRI 102-12 | GRI-102-45 | GRI-102-46 | GRI-102-48 | GRI-102-49 | GRI-102-50 | GRI-102-51 | GRI-102-52 | GRI-102-53 |
 GRI 102-54 | GRI 102-56

Our 66th Integrated Annual Report, under the theme “Inspired by Purpose” demonstrates a balanced view of our financial, social and environmental performance and value created for all our stakeholders. The report has been prepared in line with the Integrated Reporting Framework of the International Integrated Reporting Council and includes information on how the Company addressed the challenges and opportunities through its purpose, vision and strategy.

Scope and Boundary



Materiality and material matters

We have adopted the principle of materiality in determining the content to be included in this report. Accordingly, the aspects which are most material to the Company in the short, medium and long term have been filtered through a systematic process as showcased on pages 39 to 41 and disclosed within this report.

Frameworks applied

Financial Reporting	Corporate Governance	Sustainability Reporting
<ul style="list-style-type: none"> Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka Companies Act No. 07 of 2007 Listing Rules of the Colombo Stock Exchange (CSE) 	<ul style="list-style-type: none"> Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka Corporate Governance Direction No. 03 of 2008 (as amended) issued by the Monetary Board of Central Bank of Sri Lanka Finance Business Act No. 42 of 2011 and amendments thereto Finance Leasing Act No. 56 of 2000 Anti Money Laundering Laws and Regulations Inland Revenue Act No. 24 of 2017 and amendments thereto Shop and Office Employees Act No. 19 of 1954 and amendments thereto 	<ul style="list-style-type: none"> International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) Global Reporting Initiative (GRI) Standards - 'In Accordance Core', issued by Global Sustainability Standards Board United Nations Sustainable Development Goals (SDGs)

Reporting changes

We have enhanced the presentation and content of the report via the following improvements,

- Summarized presentation of the business line performance
- Clear demonstration of the Company's contribution to the UN SDGs

During the year under review there were no significant changes to the Company size, shareholding or supply chain. In addition, there were no significant re-statements of previously reported economic, social or environmental information.

Approval

AFC's external auditor, Messrs Bakertilly Edirisinghe & Co. has provided assurance on the annual financial statements of the Company and reviewed the accuracy of the financial information that appears in this report. The external auditor's report is available on page 158.

Forward looking statements

The report contains, where applicable forward-looking statements which reflect the Company's plans and beliefs at the time of preparing the report. 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.

Statement of responsibility

AFC's Board of Directors is ultimately responsible for ensuring the integrity of this report. The Board hereby confirms that the report addresses all relevant material matters and fairly represents the Company's integrated performance.



Financial Capital



Manufactured Capital



Human Capital



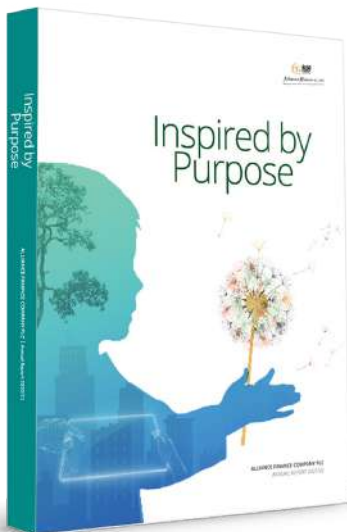
Natural Capital



Social Capital



Intellectual Capital



Navigating the Report

- 1 ABOUT US
- 2 APPROACH TO SUSTAINABILITY
- 3 STAKEHOLDER ENGAGEMENT
- 4 MATERIALITY
- 5 STRATEGY
- 6 VALUE CREATION
- 7 OUR CONTRIBUTION TO SGDS
- 8 COVID RESPONSE

FEEDBACK

We welcome your feedback and enquiries on this report which can be directed to:

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

 info@alliancefinance.lk



Scan the QR Code with your smart device to view this report online.



About Us

GRI 102-1 | GRI 102-2 | GRI 102-4 | GRI 102-5 | GRI 102-6 | GRI 102-7 | GRI 102-8 | GRI 102 -16

Alliance Finance Co. PLC

Alliance Finance Co. PLC is the oldest finance company in Sri Lanka with over 65 years of a legacy, serving its loyal customers, supporting financial inclusion and sustainability. It was incorporated in 1956 as a licensed finance company registered under the Central Bank of Sri Lanka. AFC has a shared vision to foster growth and prosperity of its customers whilst building trust and long-lasting relationships with the company. It operates with an island wide network of 94 points of presence and a dedicated, performance driven team of 1,552 employees. Environmental and sustainability initiatives are at the center of AFC's sustainability agenda, which embodies the company's drive towards supporting local and global sustainability priorities.

Alliance Finance is also the first company in South Asia to become a certified financial institution in holistic sustainability, under the pioneering Sustainability Standards and Certification Initiative (SSCI). SSCI is the first measurable and certifiable sustainability standard developed in Germany by the International Council of Sustainability Standards for Value-Driven Financial Institutions.

Our purpose

"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

RESPECT

We **RESPECT** each other and the environment we live in

Accountability

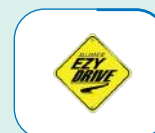
Every one of us is **ACCOUNTABLE** for our actions

INNOVATION

We are open, brave and willing to drive **INNOVATION** and change

What we Offer

- **Inclusive financial solutions for MSME and SME sectors**
Vehicle Leasing, Term Loans, Gold Loans
- **Climate-Smart, transport solutions**
Gas converted three-wheelers
- **Innovative, zero emission, clean-energy technology**
clean-energy equipment leasing
- **Investment solutions**
Fixed Deposits, Savings, Gold investments
- **Vehicle trade - in and hiring services**
Autosure, Ezydrive



What **We** support



SUSTAINABLE DEVELOPMENT



RESPONSIBLE AND INCLUSIVE FINANCE



BATTLE AGAINST CLIMATE CHANGE

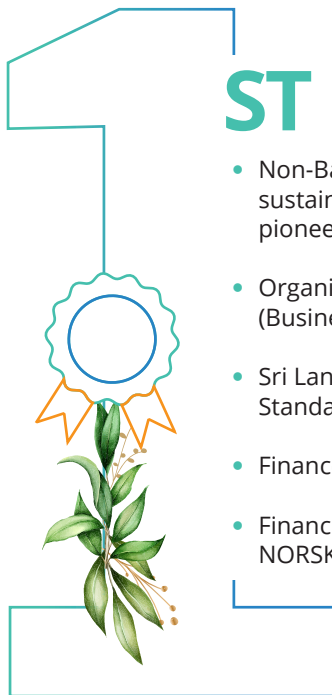


SOCIAL ENTREPRENEURSHIP DEVELOPMENT



BIO-DIVERSITY CONSERVATION AND ECO-SYSTEM RESTORATION

In Sri Lanka we are the



1ST

- Non-Bank Financial Institution (NBFI) in South Asia to become a holistic, sustainability-certified, value driven financial institution, under the pioneering Sustainability Standards and Certification Initiative (SSCI)
- Organization in Sri Lanka's NBFI Sector to receive Certification for BCMS (Business Continuity Management Systems) ISO 222301 : 2012
- Sri Lankan company in the Banking and NBFI Sector to receive the British Standard for BCMS Certification (Business Continuity Management System)
- Finance company to introduce Savings Accounts
- Financial institution to be awarded the ISO 9001 : 1994 status by DET NORSKE VERITAS (DNV)

LKR 2.4 Bn
Profit before Tax

LKR 40.3 Bn
NET Portfolio

96,534
Customer base

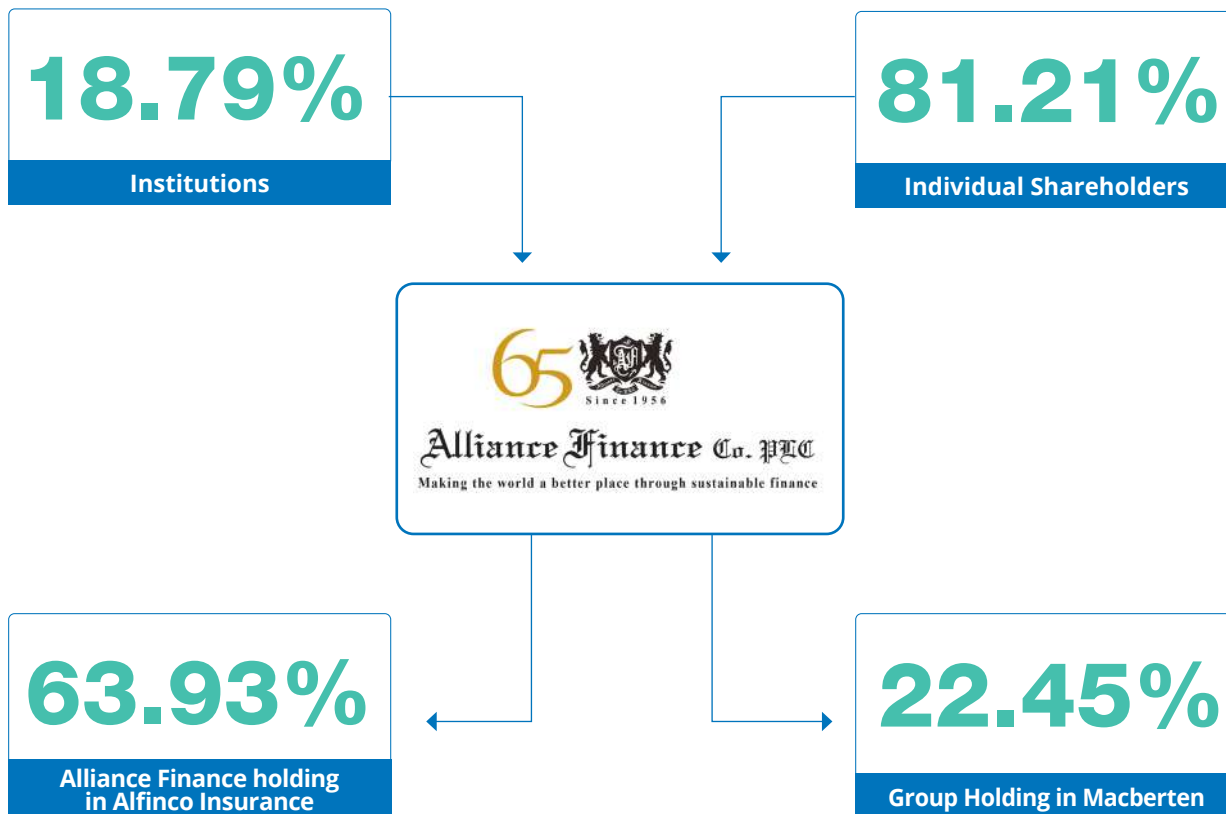
LKR 13.6 Mn
Investment in Sustainability

33,121
Female client base

1,552
Number of employees

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: LKR 35,605 Mn No of Customers: 57,608
Gold Loans	
Short term advances collateralized against gold Installment based gold investments	Portfolio: LKR 6,403 Mn No of Customers: 29,770
Savings and Deposits	
Fixed deposits Savings deposits with special products to senior citizens and minors	Deposit Base: LKR 14,681 Mn No of Investors: 9,156
Commercial Division	
Operating Lease Vehicle trade-in service Rental service Automotive service centre	Hiring Vehicle Fleet: 40

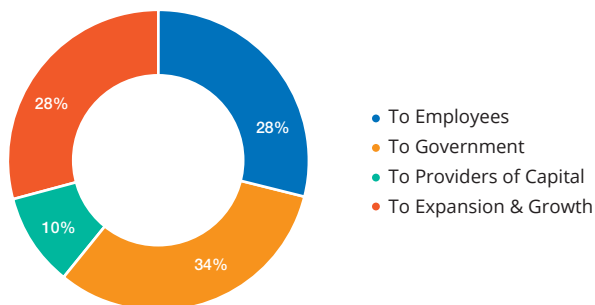
Value Added Statement

GRI 201-1

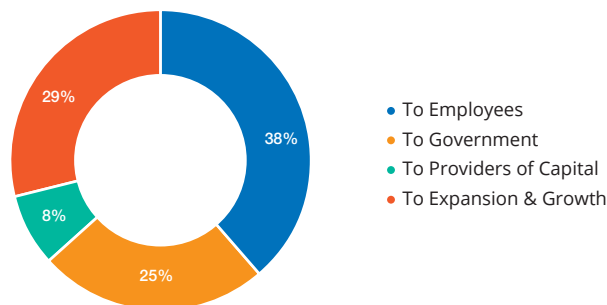
For the year ended 31 st March	2022	2021
	LKR	LKR
VALUE ADDED		
Income	8,442,305,403	7,527,116,042
Interest Expense	(2,651,181,039)	(2,912,756,756)
Cost of External Services	(1,594,475,453)	(2,227,265,648)
	4,196,648,911	2,387,093,638

For the year ended 31 st March	2022	%	2021	%
	LKR		LKR	
DISTRIBUTION OF VALUE ADDED				
To Employees				
Salaries & other benefits	1,193,004,228	28%	923,854,826	38%
To Government				
Taxes	1,413,081,000	34%	584,750,326	25%
To Providers of Capital				
Dividend declared	488,592,000	10%	185,328,000	8%
To Expansion & Growth				
Depreciation	127,463,057	3%	132,270,692	6%
Reserves	1,058,748,626	25%	560,889,794	24%
	1,186,211,683	28%	693,160,486	29%
	4,196,698,911	100%	2,387,093,638	100%

Value Distribution - 2021/22



Value Distribution - 2020/21



Triple Bottom Line Value Creation

GRI 201-1

	Unit	2021/22	2020/21	Y-o-Y Change (%)
Human Capital				
Employees	No.	1,552	1,342	16%
Investment in Training & Development	LKR Mn	3.1	1.9	67%
Training Hours	Hours	8,187	5,780	42%
Social and Relationship Capital				
Customers	No.	96,534	102,223	-6%
Female Customer Base	%	34%	46%	-26%
Social Sustainability Initiatives	LKR Mn	13.6	2.5	444%
CSR Initiatives	LKR Mn	5.3	1.4	279%



Employees

1552



Customers

96,534

	Unit	2021/22	2020/21	Y-o-Y Change (%)
Natural Capital				
No. of trees planted	No.	366,254	311,610	18%
No. of gas-converted three-wheeler Units	No.	43	65	-34%
Electricity Consumption (H/Os)	kWh	288,333	290,330	-1%
Fuel Consumption(H/Os)	liters	26,132	32,449	-19%
Water Consumption(H/Os)	Cubic Meters	10,411	17,796	-41%
Paper Consumption	Tons	16.9	13.1	29%
Environmental Sustainability Initiatives	LKR Mn	6.2	4.7	32%



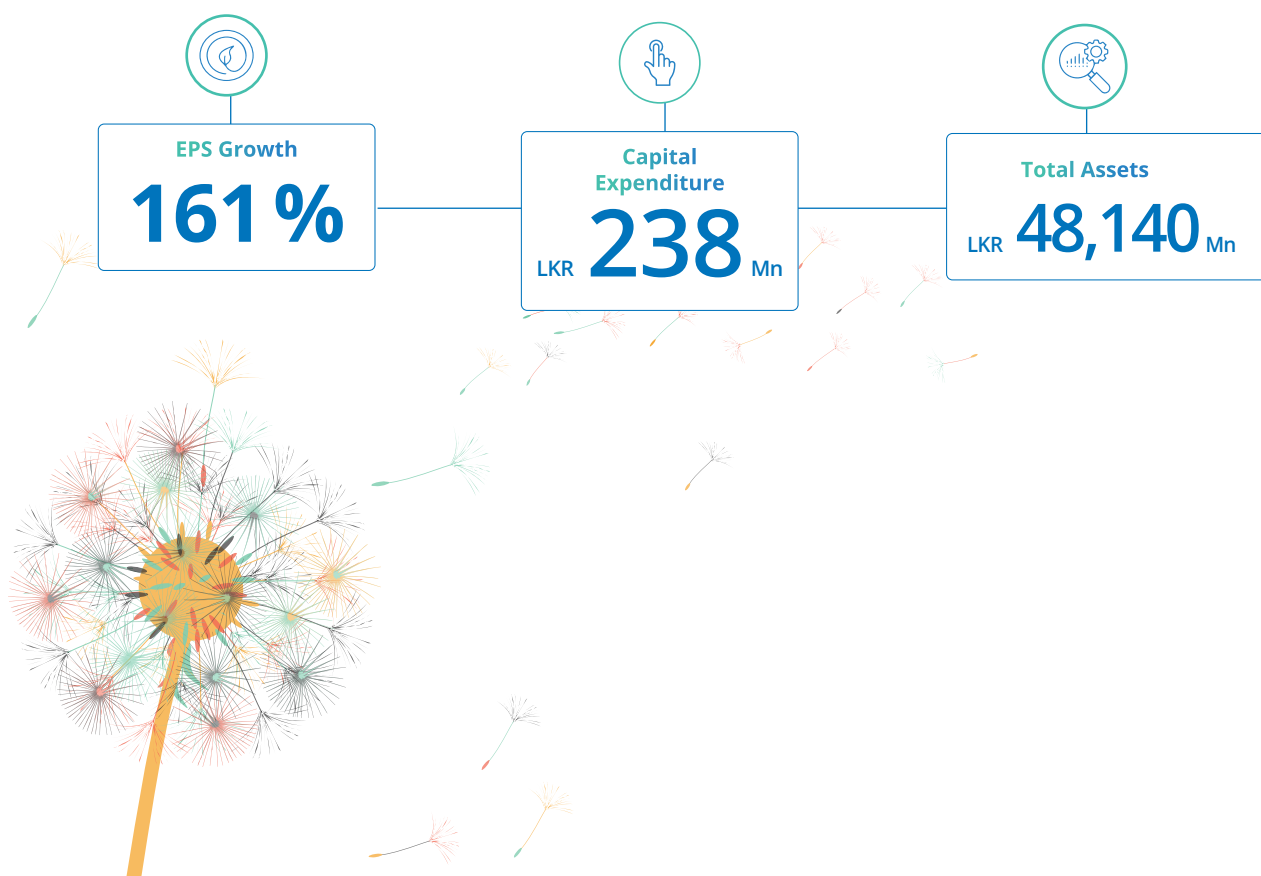
Environmental Sustainability Initiatives

LKR **6.2** Mn

Trees Planted

366,254

	Unit	2021/22	2020/21	Y-o-Y Change (%)
Financial Capital				
Net Interest income	LKR Mn	5,201	4,260	22%
PAT	LKR Mn	1,463	561	161%
Total assets	LKR Mn	48,140	34,122	41%
ROA after tax	%	3.56%	1.65%	2%
ROE after tax	%	23.41%	10.76%	13%
Cost to Income	%	47.93%	48.99%	-1%
Overall gross NPL ratio	%	3.64%	8.43%	-5%
EPS	LKR	43.42	16.65	161%
Net Asset Value Per Share	LKR	198.28	172.61	15%
Dividend per share	LKR	14.50	5.50	163%
Market price per share	LKR	70.40	49.50	42%
Manufactured Capital				
Points of presence	No.	94	91	8%
Capital Expenditure	LKR Mn	238	117	172%
Intellectual Capital				
Credit rating		BBB- (Negative)	BBB- (Negative)	
New products	No.	2	2	0%
Awards and accreditations	No.	8	2	300%
Investment in the core banking system and investment in CRM	LKR Mn	68	1.8	



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)



1995

Introduced the concept of Collaboration Finance for emerging entrepreneurs.



1998

Became a 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

Introduced Savings Accounts



2008

Entered in to the Gold Loan Market



2012



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



2013

Opened up the Microfinance Division



Won the best innovation in Sustainable Financial Services Merit award at the EOSD Global Sustainable Finance Awards, Germany



2014



Won the Green Leadership Award at the 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 an Environmental and Social Management System from Steward Red Queen - Netherlands



2017

AFC managed three issues respectively covering sub-division of shares, capitalization of reserves and rights issue of shares, for the first time in the CSE history.

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



Signed the Karlsruhe Resolution pledging the contribution to "Agenda 2030"



2018

Partnered IFC for a 5 Mn USD fund and technical assistance program





Planted 176,000+ trees on World Environment Day 2018, with 990 schools with over 371,000 school children

Launched "AFC Thuru Mithuru" tree planting programme

The Deputy Chairman/Managing Director won the "Sustainability leader of the year merit award", at Sustainable Finance Awards 2018, Germany.

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

2019

Adopted the new purpose statement "Making the world a better place through sustainable finance"



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

Launched the "One Million Trees for Unity" Project

Joined the "Ath Pavura" Social Business Development Platform

2020

Formed the AFC Digital Centre



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

Won three awards for the Excellence in Integrated Reporting

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 Expressway project" to be planted alongside the expressway and interchange islands under AFC "One Million Trees for Unity" tree planting initiative

Accepted into the cutting-edge Financing 4.0 Program; an initiative of the European Organisation for Sustainable Development, Germany

2022



Won 8 national and international awards recognizing our sustainability commitment and business excellence.

Recorded the highest ever profit growth over 150%

Recorded the highest net portfolio growth of over 50%



Surpassed 360,000 of plants under the 'One Million Trees for Unity' project.

Completed island wide 55 mini-community projects under AFC Branch Sustainability Projects.

Recognized for Business Excellence and Sustainability Commitment

2021/22

- 1 Merit award for Outstanding Development Project under the Corporate Social Responsibility category, for the 'One Million Trees for Unity' project - Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) Awards, Philippines
- 2 Special award for the Best Sustainability Report - Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) Awards, Philippines
- 3 Main award for the Outstanding Sustainable Project Finance - Karlsruhe Sustainable Finance Awards 2021, Germany
- 4 Appreciation Award for the most contributing Non-Government institute of Sri Lanka, awarded by the State Ministry of Rural Roads and Other Infrastructure Sri Lanka
- 5 Best presented annual report awards, Integrated reporting awards and SAARC Anniversary Award for Governance disclosure 2020; Joint second runner up - Finance Service Category
- 6 Winner, in Insurance and Finance Sector category - ACCA Sustainability Reporting Awards, Sri Lanka
- 7 Top ten Winner - Best Management Practices Company Awards 2022, awarded by the Institute of Chartered Professional Managers of Sri Lanka
- 8 Runner-up in the NBFi sector category at National Business Excellence Awards 2022 - National Chamber of Commerce, Sri Lanka



2020/2021

Certificate of Merit for Outstanding Sustainability Achievement for Integrating Sustainability into the Corporate Strategy, Karlsruhe Sustainable Finance awards, Germany

Winner, in Insurance and Finance sector category, ACCA Sustainability Reporting Awards, Sri Lanka

Certificate of Merit, in NBFi sector category, CMA Excellence in Integrated Reporting Awards Sri Lanka

Certificate of finalist, Asia Sustainability Reporting Awards, Singapore

2019/2020

Merit Award for Local Economic Development, Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) Awards, Philippines

Certificate of Merit at CMA Excellence in Integrated Reporting Awards, Sri Lanka

2018/2019

Sustainability Leader of the year, Merit Award, Karlsruhe Sustainable Finance Awards, Germany

Certificate of Merit, in NBFi sector category CMA Annual Report Awards, Sri Lanka

Certificate of Compliance, in NBFi sector category, CA Sri Lanka Annual Reports Awards, Sri Lanka

2017/2018

Certificate of Compliance, in NBFi Sector category, CA Sri Lanka Annual reports awards, Sri Lanka

2016/2017

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

Certificate of Recognition for Best employer with outstanding employee culture in Sri Lanka, Employer Brand Awards, organized by Employer Branding Institute, India

Certificate of Compliance, in NBFi sector category, CA Sri Lanka Annual reports awards, Sri Lanka

Marketing Campaign of the Year Award for AFC, Motorbike Show 2016, CMO Asia Awards for

Excellence in Branding and Marketing in Sri Lanka

2015/2016

Certificate of Recognition in NBFi sector category, CA Sri Lanka Annual report awards, Sri Lanka

2014/2015

Winner of Green Leadership Award, Asia Responsible Entrepreneurship awards, Singapore

2013/2014

Certificate of Recognition in NBFi sector category, CA Sri Lanka Annual Report Awards, Sri Lanka

Best Innovation in Sustainable Financial Services Merit award, EOSD Global Sustainable Finance Awards, Germany

2012/2013

Joint Gold award in NBFi sector category at National Business Excellence Awards 2011, National Chamber of Commerce, Sri Lanka

Silver award for Best Management Practices in the NBFi sector category, at National Business excellence Awards, National Chamber of Commerce in Sri Lanka

Chairperson's Message

AFC'S PERFORMANCE OUTPACED THE EXPECTATIONS, RECORDING THE HIGHEST PORTFOLIO GROWTH IN ADDITION TO THE HIGHEST PROFITS NOTWITHSTANDING SEVERAL ONE OFF REVENUE ITEMS.



Dear shareholder,

It is with great pleasure that I warmly welcome you to the 66th Annual General Meeting of Alliance Finance Company PLC, (AFC) and present to you the Integrated Annual Report and Audited Financial Statements for the year ended 31st March 2022. It has been an exceptional year for us with the achievement of the highest ever profits and portfolio growth in the history of the Company. This remarkable outcome is attributed to our ability to forge ahead despite the very challenging market conditions through effective leadership undertaking timely strategic initiatives executed by a team of committed professionals with unwavering commitment in serving its customers with understanding, dedication and care in an environment that posed many challenges and hazards.

Operating environment

Sri Lanka's GDP grew by 3.7% in 2021 despite the circumstances arising due to the disruptions caused by the pandemic. While progressing steadily with the vaccine rollouts, the Government together with the Central Bank of Sri Lanka (CBSL) simultaneously imposed a series of fiscal and monetary policy measures intended to shield the economy from the debilitating impact of the pandemic. However, despite these efforts taken to revive the economy, there was a downward trend resulting in a substantial negative impact with the collapse of tourism and the fall in foreign worker remittances. These factors coupled with the surmounting international debt gave rise to plummeting foreign exchange reserves, propelling the country to a dire financial crisis.

The latter half of 2021 saw policymakers tighten monetary policy via increasing the Policy rates and Statutory Reserves Ratio on rupee deposit liabilities. The country

is facing crippling inflation levels and economic instability. In April 2022, the country's headline inflation ascended to 29.8% with the rise in global commodity prices compounded by the currency depreciation, fuel price hikes, import bans and relaxed price controls.

Our performance

As enumerated, AFC's performance outpaced the expectations, recording the highest portfolio growth in addition to the highest profits notwithstanding several one off revenue items. Interest Income grew by 9% and Net Interest Income increased by 22% over the previous year. Profit Before Tax was LKR 2.4 Bn, an increase of 82% over the prior year. During the year we fortified our brand positioning as the oldest Non Bank Financial Institution in the country and continued to deliver on our promises to our shareholders by generating good returns on their investments. In times of uncertainty, the strength of the balance sheet is critical, thus we ensured that we had sufficient capital to support our

strategic growth, to meet stakeholder expectations while safely cushioning us against any potential future stresses.

On the operational front, we initiated prompt action to navigate across market changes while factoring in frequent, wide ranging regulatory developments. Our main objective was to support our clients with understanding in a personalised manner, offering them with the necessary assistance to surmount the negative effect of the economic slowdown, thereby facilitating their business continuity, without compromising the quality of our portfolio.

Sustainable growth

Sustainability continued to be our key driver for 2021/22. We firmly believe that our commitment to environmental, social and governance measures goes hand-in-hand with good financial performance. It is becoming increasingly apparent that these sustainability measures are an important lens which stakeholders use for their assessment. We focused on enhancing our business model on a tried and tested triple bottom line business concept.

Our strength lies in our close-knit family culture, and we place high emphasis on the welfare of our employees and their families. We have well looked after our staff during these difficult times with a range of initiatives to support them both mentally and financially.

In terms of our customers base, our main focus has been the MSME segment, predominantly in the transport sector. During these difficult times we continued to focus on maintaining adequate cash flows and closely monitored our collections. With the rise in vehicle prices, we witnessed a higher degree of settlements as customers did not wish to risk forfeiting their assets. This shift in

We firmly believe that our commitment to environmental, social and governance measures goes hand-in-hand with good financial performance. It is becoming increasingly apparent that these sustainability measures are an important lens which stakeholders use for their assessment.

customer behaviour as well as our strong recovery focus coupled with customized repayment plans and moratorium concessions helped to ensure better asset quality leading to an improvement in the Gross Non-Performing Loans (NPL) ratio.

Quality of business was a focal priority, and we made significant progress with the implementation of our new Core Banking system which will allow the company to transform itself into a superior, easily accessible, customer-experience driven entity.

The many awards being conferred upon us in recognition of our emphasis on sustainability is a great source of encouragement and helps us to further our mandate and journey of sustainable value creation. We are confident that our brand which has lived up to its values since inception and has a long history of value creation, will see us through the tough times ahead.

Sound leadership

We have a competent and skilled Board of Directors who bring in hands on expertise and experience from diverse fields. Four of our eight Directors are Executive who ensure that Board decisions are executed in a timely manner. Key areas the Board focused on, included strengthening of the sustainability agenda of the Company, reinforcing the credit risk management framework and closely monitoring the developments in the evolving operating landscape. Our mechanisms for good governance are reviewed and strengthened on a continuous basis to meet the evolving requirements and industry benchmarks.

Industry and regulatory environment

The financial services sector continued to be a key contributor to the overall growth in the services sector recording a real growth of 7.5% during 2021. The Non-Bank Financial Institutions (NBFI) remained resilient despite the challenging external conditions. Furthermore, with the implementation of CBSL's master plan to consolidate NBFI's, the sector witnessed a significant improvement in regulatory capital and compliance levels. The governance framework for the NBFI sector was further strengthened for the greater good of the industry. It is also noteworthy to mention that the Finance Houses Association has advocated the adoption of best practises in relation to business operations and established a mutual understanding in relation to a number of factors including the protection against volatile interest regime, with a view to establish a sustainable business environment for the sector.

Outlook

AFC has predominantly been involved in the business of leasing motor vehicles.

Chairperson's Message

Moving into other products is currently on the cards but given the macro-economic conditions we hope to tread this road with care and caution. Our aim is to focus on the bottom end of the market with the right systems and controls in place to manage the inherent risks of the targeted customer groups. The strategies to support the latter segment are of prime importance in view of the economic crisis and increasing poverty and unemployment levels faced by our nation at present.

Accelerated growth in information technology has enabled companies to leverage on technology to transform the financial services industry through customer experience management. It is evident that the adoption of new technology is critical now more than ever, for financial service organizations to thrive. Thus, we will pursue our efforts to do business in a more efficient manner by harnessing the power of technology into our systems, processes, reporting and control.

Wastage will also be looked at very carefully, not only for the Company but in terms of the environment as well. Resource efficiency is not only valuable but it is essential for sustained economic growth, increase the competitiveness, stimulate innovation and help sustain the supply of its resources.

The year ahead is going to be very challenging. While restrictions on vehicle imports may somewhat dampen our prospects of growth, we will ensure that the needs of our existing customer base will be met. The rising cost of fuel will also pose a challenge and we will be considering strategies to mitigate these pressures and assist our customers during their time of need, with structured repayment plans aligned to meet their suppressed cash flows.

Humanity and empathy at this point in time will be key to sustaining harmonious relationships and we will continue to encourage our staff to be sensitive and understanding towards our customers.

In a rising interest rate environment, the susceptibility to interest rate risk will be high as most fixed-rate loans will reprice in a medium term as opposed to the repricing of the liability products which are mainly of a shorter term. Thus, the industry will have to be very dynamic and responsive in terms of matching its assets against the liabilities.

Socio-economic stress is likely to remain in the short to medium term given the challenges faced by the country due to stressed external finances and escalating inflation. Proper management of these pressures by the government is critical at this juncture. We remain hopeful that our resource-rich country will rise from this crisis stronger and as a more united nation.

Humanity and empathy at this point in time will be key to sustaining harmonious relationships and we will continue to encourage our staff to be sensitive and understanding towards our customers. Even though the road ahead appears to be long and rough, I can say with a strong degree of certainty - your Company has the team, the commitment, the capability and the financial strength to weather this storm and achieve the best possible outcome.

Appreciations

To navigate through very difficult times and emerge on a winning note requires exceptional strength and commitment. I would like to convey my sincere appreciation to my colleagues on the Board, whose contribution during these challenging times has been outstanding. I am grateful to the outstanding dedication of our Managing Director who is very passionate about the Company's sustainability agenda, ensuring that the staff is geared to live up to our purpose of 'Make the world a Better Place through Sustainable Finance'. Your Company's success during the year was driven by our highly capable team whose tremendous efforts have made us what we are today and will shape what we become tomorrow. I am also thankful to our customers who continued to trust us, and I assure them that we will continue to focus on providing a superlative service in the future as well.

I would also like to take this opportunity to extend my gratitude and appreciation to the officials of the CBSL for their co operation extended as well as the members of Finance Houses Association of Sri Lanka who rallied together to recommend policy changes for the benefit of the industry and the Company Secretary and the Auditors for their professional service.



Mrs. Tamara Dharmakirti-Herath
Chairperson

08th June 2022

Deputy Chairman/Managing Director's Message

THE COMPANY'S ADMIRABLE PERFORMANCE AMIDST THIS CHALLENGING BUSINESS LANDSCAPE VALIDATES THE RESILIENCE OF THE TRIPLE BOTTOM LINE FOCUSED BUSINESS MODEL AND THE RESULTS OF THE TRANSFORMATIVE INITIATIVES THAT WERE SPEARHEADED IN 2019 WITH THE TECHNICAL ASSISTANCE OF THE INTERNATIONAL FINANCE CORPORATION (IFC).



The events over the last one year have in many ways placed extraordinary pressure across many spheres of business in this challenging landscape. AFC moved progressively ahead with resilience demonstrating exceptional dexterity in defining a remarkable growth trajectory. Our 5th integrated Annual Report themed 'Inspired by Purpose' provides an insightful discourse of our economic, environmental, and social performance along with our ability to create long term value for multiple stakeholders.

Driving Exceptional Results

Despite the external headwinds, the Company was successful in recording its best ever financial performance in its history spanning six decades. We recorded a profit after tax of LKR 1.5 Bn which reflects an increase of 161% over the last financial year.

A significant growth momentum in profitability and other performance matrices were driven by stronger net operating income, diligent cost management and lower impairment. It is important to note that the low interest environment that prevailed for the better part of the year had a favourable and significant impact to the Company's bottom line with the improvement in the net interest margins. Further the disposal of its Investment property held in Rajagiriya also benefitted the Company during the financial year. Post Tax Impact to the Income Statement through exceptional gains mentioned above is around LKR 325 Mn

During the year under review, we witnessed an exponential growth in disbursements of the core products of leasing, gold loans and term loans which contributed significantly towards these results. Our gross portfolio grew to LKR 42 Bn demonstrating a growth of 51%. This compares very favourably with the industry growth level of 14%. Leasing,

the Company's core product recorded a significant growth of 26% while Term loans and Gold Loans increased by 104% and 107%, respectively.

In the year under review, the Company promoted its Gold Loans aggressively, considering the flexibility and short term nature of the product which resulted in the doubling of the portfolio to LKR 6 Bn. The Company opened 17 Gold Loan centres and the product offering was expanded through 10 new fully fledged branches.

In view of the prevailing economic uncertainty, the Company focused on strengthening and improving its credit recoveries and collection processes. As a result, the Company was able to manage its NPLs well below the industry average of 9.11% with the Gross and Net NPLs recording 3.64% and 1.26% respectively. This is a decline of 56.82% and 12.50% over the previous year. These improvements reflect positively on the quality of our portfolio and the

Deputy Chairman/Managing Director's Message

effectiveness of our collection and recoveries activities.

The above factors contributed significantly towards the improved performance of the Company with ROE improving from 10.76% to 23.41% and the Earnings Per Share growing by 161% from LKR 16.65 to LKR 43.42.

Strategy in Action

The first two quarters of the FY 2021/22 were dominated by an increase in COVID-19 infections which led to intermittent lockdowns. Deepening of macro-economic vulnerabilities followed by the sharp depreciation of the Sri Lankan Rupee plunged the country into an economic crisis. In this backdrop we as a Company adapted and responded swiftly to the multiple challenges by strengthening our resolve and sharpening our focus on several critical areas of the business.

The Company's admirable performance amidst this challenging business landscape validates the resilience of the triple bottom line focused business model and the results of the transformative initiatives that were spearheaded in 2019 with the technical assistance of the International Finance Corporation (IFC). These initiatives designed to reengineer our core business processes have fortified our operational framework.

One of our critical success factors is the strength of our sustainable triple bottom line business model. As a purpose and value driven organization, we are committed to make the world a better place with sustainable finance through our high impact goals. Therein, we strive to facilitate grass root level economic progress in a sustainable manner. With a consistent focus to proactively address social and environmental issues by translating our values defined in

our purpose statement into goals and objectives, we have delivered sustainable value through our products and services to multiple stakeholders. As an ethically responsible Financial Institution with a strong social focus we reached above and beyond to help our customers who were affected by the pandemic by offering customised moratoria extending beyond CBSL requirements. Almost one third of our leasing customers opted to obtain the moratoria that were offered. During this period the Company reached out to affected segments of our customer base by offering attractive solutions in order to provide much needed relief in keeping with the people value of our triple bottom line business ethos. We believe that our holistically sustainable business philosophy has contributed significantly to yield strong and sustainable results even during a difficult period.

In line with the National Financial Inclusion Strategy of Sri Lanka designed by CBSL with the assistance of World Bank IFC Group, we as a Company strongly believe that there is significant opportunity to drive financial inclusion by actively pursuing the livelihood development of the MSME sector of Sri Lanka. With almost 48% of Sri Lankans still borrowing from informal and unregulated sources at high rates of interest, we hope to penetrate this under-served segment to facilitate the development of livelihoods and also develop the MSME sector which is considered to be one of the most critical stakeholder segments of the post crisis economy.

As the oldest and one of the most trusted NBFIs in Sri Lanka, AFC has been deeply conscious of the needs of our depositors especially during the lockdowns. As such, we adopted meaningful measures successfully to offer an uninterrupted service although there were many constraints placed on operations. Our dedicated and committed Deposit team worked long hours and ensured that all our depositors financial needs were met.

Given the macro-economic uncertainty, we focused on consolidating our geographical presence over branch expansion by converting 10 of our collection centres to fully fledged branches and rebranding and upgrading 24 branches. Some of our branches were relocated to provide greater accessibility and convenience to our customers. During the year under review, we focused on expanding our product portfolio with innovative products to introduce tangible benefits to our clients. Given the inflationary conditions present, we introduced an innovative Gold based structured savings product which enables customers to purchase gold at fixed prices coupled with the ease of repayment in monthly installments. This is a unique product which provides a hedge against inflation in this recessionary economic climate.

'One Team-One AFC'

We are a people-oriented organisation where our work revolves around creating value for people and is simultaneously driven by people. Our business

We are a people-oriented organization where our work revolves around creating value for people and is simultaneously driven by people.

objectives rely on the capability and well-being of our team.

We have over the years, focused on strengthening our team with high caliber professionals who possess the necessary experience and expertise to support the Company's evolutionary journey of growth into the next few decades. The initiatives that we commenced in 2019 have enabled us to further enhance the competencies of our team. Our performance management systems have been aligned to facilitate the achievement of the desired high impact across multiple stakeholder groups under the compelling SSCI sustainability framework and certification of the Company that ensures the type of multiple stakeholder value creation that is needed in financial institutions today.

Governance & Risk Management

With greater investments being directed towards strengthening the Company's IT infrastructure, we have implemented a comprehensive IT governance framework with clear policies and well defined segregation of responsibilities. Accordingly, the role of the Chief Information Officer (CIO) was introduced in 2021 to oversee the execution of the overall IT function of the organization.

In an environment of rising interest rates, we have placed considerable emphasis on minimising asset and liability mismatches. We have broad based our funding channels with loans obtained from DFI's. The confidence and trust placed by DFI's and other impact investors on the Company and its ability to add value to rural development despite the downgrade of the country's credit rating is to be applauded and needs to be placed on record. This exemplifies the credibility and trust that we have garnered over time and validates our purpose of existence.

We have over the years invested significantly in social enterprises with credible and tangible success.

Awards and Accolades

The Company's unflinching resolve to sustainability and the leadership teams' efforts in maintaining the highest standards of transparency, responsibility and good governance, culminated in the Company being in the limelight, being the recipient of many prestigious awards at local and international forums. This is an independent endorsement and gives credence to our purpose driven culture.

Our unique initiative 'One Million Trees for Unity' was recognised with a Merit award as an 'Outstanding Development Project' under the Corporate Social Responsibility category by the Association of Development Finance Institution in Asia and the Pacific (ADFIAP), Philippines and this initiative was the recipient of the main award at the Karlsruhe Global Sustainable Finance Awards 2021 held in Germany in the category of 'Outstanding Sustainable Project Finance'.

Our award winning integrated Annual Report for the financial year 2020/21, was adjudged Best presented annual report on 'Integrated reporting' and also bagged the SAARC Anniversary Award for Governance disclosure 2020; and became the joint second runner up in the Finance Service Category. At the ACCA Sustainability Reporting Awards, AFC emerged as the winner in the Insurance and Finance Category. The Company was also adjudged as the Runner Up in the NBF Sector category

at the National Business Excellence Awards 2022 conducted by the National Chamber of Commerce, Sri Lanka.

Mainstreaming Sustainability

The pandemic has focused attention on the inherent interconnectedness and interdependencies that exist between communities, the environment and economic activity. Since 2012 we have been committed to embedding the principles of sustainability into our strategy, processes and decision making thereby driving the creation of responsible and shared value.

These factors which form the bedrock of our business act as key differentiators for our Company within the financial services sector consolidating our position as a leader in triple bottomline value creation. We have over the years invested significantly in social enterprises with credible and tangible success. Our participation in the 'Ath Pavura' reality programme enabled us to support and develop social enterprises with many success stories. By enabling and supporting circular value addition we have been able to develop many local entrepreneurs with much success. We envisage this concept taking on a new dimension and a greater visibility in the near future with the launch of several pioneering initiatives involving the MSME sector.

Our flagship project 'One Million Trees for Unity' where we plant 50 trees for every motor lease granted to offset the carbon footprint has thus far been a resounding success carving out a niche position as a significant contributor to carbon sequestration in the country. With 366,254 trees planted thus far, AFC is now the undisputed leader in this sphere in the country. I take this opportunity to place on record my appreciation for the logistical support

Deputy Chairman/Managing Director's Message

rendered by the tri-forces and the RDA to plant trees in places of religious worship, schools and alongside expressways and highways.

Way Forward

At the time of writing this message, as a nation we are facing challenges arising from the socio-economic crisis which has placed us at a critical cross road. As we brace ourselves to manoeuvre ahead during these difficult times, we are confident that the solid foundation we have built to safeguard our people and resources will stand us in good stead. We anticipate the economy to move towards gradual recovery over the medium-term which will enable a conducive environment to pursue our growth aspirations. The uncertainty which pervades at present has prompted us to be cautious with regard to our growth plans and instead focus on consolidation. Notwithstanding the above, we will implement our more aggressive growth strategy no sooner we note a positive change in the present situation. We have always been a firm believer in the strength of our rural economy which has always had a reliable track record and we expect these stakeholders to bounce back with vigour as they are less impacted when compared to the larger and mid-sized corporates in the larger cities. In this current scenario we still see many opportunities to fulfil our business mandate and thus achieve our high impact goals. We hope to pursue reasonable growth levels in the medium term. We are also cognizant of the repayment capacity of our customers in the present economic landscape and will adjust our business model as and when required and keep pace with the fast changing policy environment.

In this context we stand resolute in our quest to drive financial inclusion. We hope to harness the power of

information technology by implementing and operating the core banking platform which was initiated last year. This will enable us to serve our customers through digital platforms without reliance on a brick-and-mortar business model thereby driving greater penetration levels across rural Sri Lanka in a cost effective manner.

Creating environmental and ecological harmony through biodiversity is one of our key priorities through the environmental sustainability initiatives that we have embarked on. We aim to cohesively explore ways to nurture and protect the ecosystems which have been adversely affected.

As an organization which has always committed itself towards holistic sustainability; transcending our commitment beyond simple rhetoric, we have pledged to set aside 8% of our profits to sustainability related initiatives in the years ahead. This validates our commitment as the highest contributor towards sustainability in the entire financial services sector in Sri Lanka.

A Note of Gratitude

Together with my colleagues on the Board and encouraged by the support of all our stakeholders we will continue to forge ahead and contribute in building a financially inclusive nation. I thank the Central Bank for their guidance and support which has been invaluable. I thank the Board led by the Chairperson for their insightful guidance and wisdom in charting the success of the Company and steering it through the troubled times in our nation. I express my profound gratitude to our shareholders for their continued faith in our abilities and for their unwavering support. Behind the impressive performance delivered in the year under review stand a loyal and committed team of employees that

I am privileged to lead. I dedicate this incredible performance to them and take this opportunity to place on record my heartfelt gratitude to every member of the Alliance family for standing by the Company and for going the 'extra mile' during the most challenging period experienced in history.

As we move ahead with confidence, we remain committed to embracing best practices in the environmental, social and governance domains, as this will unequivocally create holistic and sustainable value for all our stakeholders.



Romani De Silva

Deputy Chairman/Managing Director

08th June 2022

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 NBFIs and as a consultant providing technical skill and knowledge to NBFIs 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.



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

(Member of Board Integrated Risk Management Committee)

Mr. Romani de Silva a fellow of the institute of credit management 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 is a Non Executive Director in Alfinco Insurance Brokers (Pvt) Ltd., and Macbertan (Pvt) Ltd., and also 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 in the Chairman of the FHASL sub-committee on sustainability related matters.

He 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 and also represented the NBFI industry as a working committee member of the National Financial Inclusion Strategy Project initiated 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)- an EU initiative 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

Board of Directors

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 Finance 4.0 another 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 also represented the company as the first 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 pioneering social enterprise program the AFC foundation was able to invest in five social enterprises, many of which are now nurtured and supported by AFC.



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
Deputy Managing Director

[\(Member of Board Integrated Risk Management Committee\)](#)

Mr. W.P.K. Jayawardana was appointed to the AFC Board of Directors on 4th April 2017 and currently serves as Deputy Managing Director. He brings over 25 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 securitization 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 was 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, Panasia Power PLC, Lanka Communication Services Limited and NDB Capital Limited.



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 Practicing 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 Avend Pty Ltd, and as an Accountant at GE Money and Coles Express.

Board of Directors



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. He is a 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 27 years' experience in management and administration. Since 2002 he owns and manages a private civil law practice and has over 33 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 a 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 a Doctor of Civil Laws degree from McGill University in Montreal, Canada.

The Management Team

Name	Designation
Romani De Silva	Deputy Chairman / Managing Director
Kusal Jayawardana	Deputy Managing Director
Mahinda Gunasekara	Executive Director - Sustainability
Ravindra Rambukwella	Executive Director - Credit Operations & Marketing
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
Ajit Subasinghe	Chief People Officer
Gayan Wickramasinghe	Chief Information 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
Dimuthu Tillakaratne	Assistant General Manager - Finance
Roshan Carrim	Assistant General Manager - Recoveries
Sampath Wickramarachchi	Assistant General Manager - Internal Audit
Roshan Rathnayaka	AGM / Regional Head
Sujan Cooray	AGM / Regional Head
Wasantha Maldeniya	AGM / Regional Head
Udaya Suranjith	AGM / Regional Head
Mallika Baddage Jayathilaka	AGM / Regional Head
Saman Medagoda	Regional Head
Isanka Gayan	Regional Head
Nishanth Selvaratnam	Regional Head
Nalin Kodagoda	Regional Head
Surendra Rodrigo	Head of Gold Loan Operations
Chrishanthi Delisheya	Senior Manager - Deposits
Mathieswarann Ganeshalingam	Senior Manager - MIS
Achala Wanniarachchi	Senior Manager - Legal
Asanka Atapattu	Senior Manager - Treasury
Thanubaalasingam Kumarathas	Regional Supervisor - Gold Loan

The Management Team

Name	Designation
Manoj Siriwardana	Senior Manager - Business Channel Developments
Harsha Wijesinghe	Senior Manager - Credit and Credit Operations
Lushan Perera	Senior Manager Marketing Communications & Branding
Duminda Niranjana	Deputy Regional Head
Poorna Pothuduwage	Deputy Regional Head
Pradeep Kumara	Senior Branch Manager
Hirosh Ramanayake	Senior Branch Manager
Chanaka De Silva	Senior Branch Manager
Priyantha Guruge	Senior Branch Manager
Thusitha Karunarathna	Senior Branch Manager
Upul Pathirana	Senior Branch Manager
Sithumina Jayasundara	Senior Branch Manager
Selvaratnam Ratnarasa	Senior Branch Manager
Meganathan Thayaparan	Senior Branch Manager
Ranil Palansuriya	Senior Branch Manager
Lalith Kumara Pieris	Manager Branch Operation Finance
Chatura Senarathne	Manager - Procurement
Anupa Jayasekara	Manager - Premises Management
Sampath Wijesuriya	Manager - Administration
Dharshana De Silva	Senior Operations Manager
Rohana Dissanayake	Manager - Auto Trade
Athula Bandara	Manager - Motor Division
Amal Somarathne	Manager - Strategic Planning & Sustainability
Senani Kaluarachchi	Assistant Manager - Customer Care & Relationship Management



PEOPLE | We provide real solutions that enrich the lives of our customers, employees, suppliers, business partners and communities.

Corporate Strategy



Our approach to sustainability

GRI 102-13 | GRI 102-20 | GRI 102-26 | GRI 103-2 | GRI 103-3 | GRI 305-1 | GRI 305-5

Sustainability embedded business model

We contribute to national and global sustainability priorities through our holistic sustainability embedded business. Our purpose, goals, objectives as well as roles and responsibilities of the staff has been realigned to ensure this commitment. Accordingly, we contribute towards achieving 11 of the 17 United Nations Sustainable Development Goals (UN SDGs).

We contribute
to **11**
UN Sustainable Development Goals



sustainability is a requisite for all the employees of AFC. The governance structure is designed to ensure that the contribution of all employees collectively helps drive the sustainability agenda of the company.

Accordingly, the roles of the departments, teams and individuals are linked to the strategies and sustainability goals of the company.

Sustainable business practices

We do not engage in businesses that cause any harmful impact to the society or the environment. We ensure that our approach is in line with this concept by complying with the IFC exclusion list, that aims to prevent lending to activities that have a potential negative impact on the society and the environment. (More details are available on pages 77 to 89)

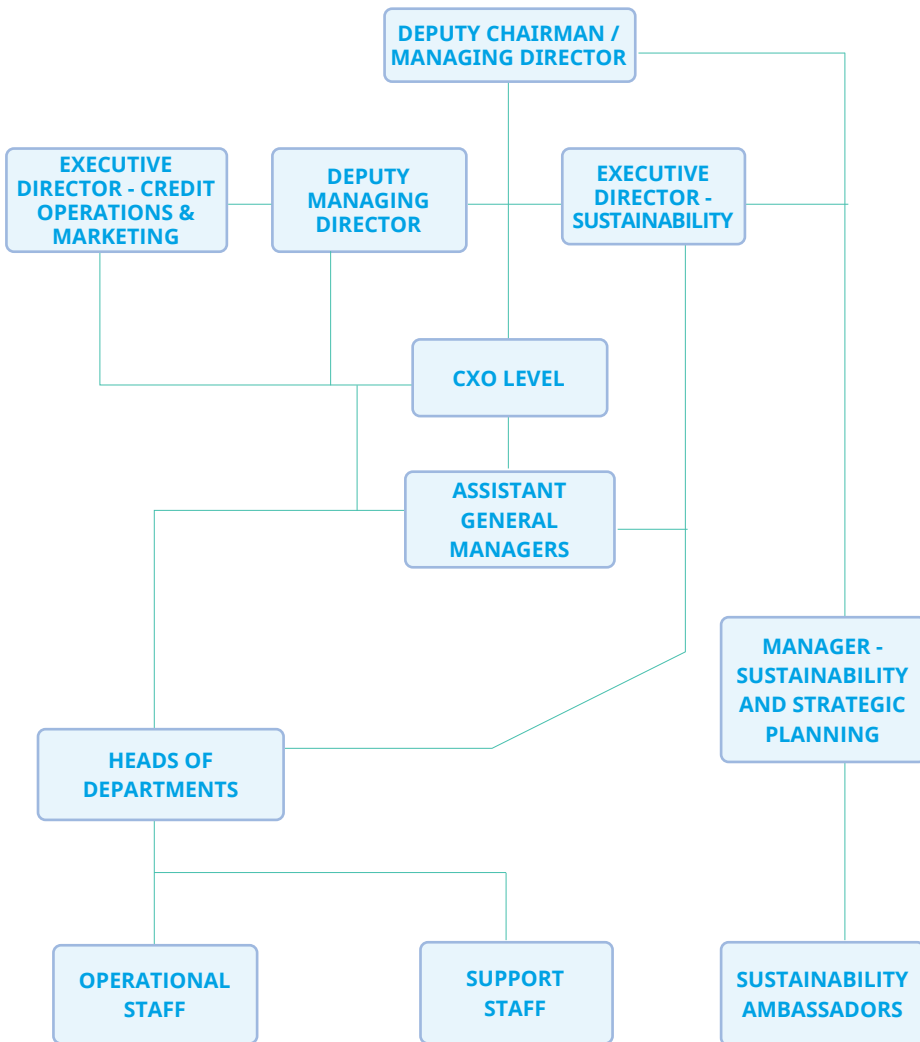
We have a sustainability screening process integrated into the lending model as well as the procurement process to ensure sustainable value creation end to end. (More details are available on pages 77 to 83)

AFC is compliant with all regulatory frameworks applicable to the NBFIs sector and we ensure that all our communications are in line with the relevant regulations as well as the ethical standards laid out in the Code of Ethics.

Sustainability ownership

AFC has a clearly defined sustainability governance structure in place with responsibilities cascading down from the Board to all levels of the organization. The commitment to





Accordingly, the roles of the departments, teams and individuals are linked to the strategies and sustainability goals of the company.

Sustainability initiatives

Our dedicated sustainability arm “AFC Dalu” spearheads a host of social and environmental sustainability programs dedicated to support valuable causes, that ensure social and environmental well-being. The company annually allocates 4% of its profits to undertake specific sustainability initiatives. (More details are available on pages 77 to 83) This allocation has been increased to 8% for the financial year 2022/23.

Sustainability performance measurement

AFC has a comprehensive, documented monitoring and evaluation process for sustainability performance. The assessments are conducted monthly, quarterly and annually, to be tabled at the performance meetings and Board meetings. The relevant information is also disclosed in a transparent manner in the annual report and company website in a periodic manner. These measurements help the company to journey on steadily towards achieving the sustainability goals and purpose.

We also ensure that our product offering is in line with the applicable laws and regulations and meets the relevant ethical standards. (More details are available on pages 66 to 83)

We ensure that our customers are well looked after and their needs are catered to, through the branch network as well as the dedicated customer care unit




set up to help the customers with their grievances and information needs. (More details are available on pages 69 to 76)

During the year under review, there has been no breach of any social or environmental compliances that are applicable to our business and its operations.

Our approach to sustainability

AFC's contribution to the UN SDGs

AFC has pledged its commitment to contribute towards the sustainable development goals by becoming a signatory to the Karlsruhe Resolution in 2017, in Germany. Furthering this commitment in 2019, we have linked our value creation model and the high impact goals to UN SDGs, to intensify and focus our efforts.

High Impact Goals		Achievement in 2021/22
<p>GOAL 1</p> <p>Reduce the national carbon footprint of Sri Lanka by 120,000 tCO₂e by 2030</p>		<p>Planted 366,254 trees</p> <p>Achievement Yearly target - 92% Overall target - 37%</p> <p>Average CO₂ amount absorbed - 8,438 tCO₂e</p> <p>Achievement - 7%</p>
<p>GOAL 2</p> <p>Improve the living standards of 5% of the households in the Northern Province and other rural and marginalized areas through inclusive financial products and by 2025/26 financial year</p>		<p>AFC outreach during the year 29,058 customers</p> <p>Achievement Yearly target - 56% Overall target - 33%</p>
<p>GOAL 3</p> <p>Develop 100,000 MSME entrepreneurs and self-employment opportunities by 2025/26 FY</p>		<p>MSME entrepreneurs reached during the year 34,400</p> <p>Achievement Yearly target - 108% Overall target - 46%</p>

We have reported the impact of our operations on the UN SDGs based on the 5P classification of the goals- People, Planet, Prosperity, Peace and Partnerships as demonstrated below.

PEOPLE

Ensure social well-being through inclusive and responsible financial services

SDGs



SDG targets

- 1.4
- 2a
- 4.4, 4.7
- 5.1, 5.2, 5.5, 5.a, 5.c

NON-FINANCIAL

76%
Income generation portfolio

34%
female customer base

27.6%
Lending to female customers

50 training programmes relating to;

- Business continuity management
- Business Operations
- Business strategy
- IT/Software
- Soft skills development
- Customer care
- Sustainability
- Other

No. of social sustainability initiatives **72**

FINANCIAL

Portfolio in rural and marginalized areas
LKR 14.3 Bn

Portfolio - female customers
LKR 7.8 Bn

Investment in social sustainability initiatives
LKR 7.4 Mn

Investment in Training & Development
LKR 3.0 Mn

Value created for employees
1,193 mn
Salaries and other benefits
LKR 1.2 Bn

PLANET

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

SDGs



SDG targets

- 13.2, 13.3
- 15.1, 15.2, 15.4, 15.5

NON-FINANCIAL

5.27 hrs
Average training hours

43 Units
No. of Gas Converted Three-wheeler

12 initiatives
No. of environmental sustainability

Energy consumption **288,333 kWh**
Y-o-Y saving **0.7%**

Water consumption **10,411 litres**
Y-o-Y saving **41.5%**

Paper consumption **Value - 16.9t**
Y-o-Y Increase **29.6%**

Carbon footprint **2,700tCO2e**
Reduction of carbon footprint Y-o-Y **4%**

Flora and fauna species identified for conservation **36**

FINANCIAL

Investment in Environmental Sustainability Initiatives
LKR 5.6 Mn

Gas three-wheeler portfolio
LKR 25.2 Mn

Our approach to sustainability

PROSPERITY

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

SDGs



SDG targets

1.4
2a
4.4, 4.7
5.1, 5.2, 5.5, 5.a, 5.c

NON-FINANCIAL

66%

Geographical Presence outside Western Province

66%

Portfolio outside Western Province

34%

Presence in rural and marginalised areas

Customer touch points **94**

District presence **100 %**

Credit rating **BBB - (Negative)**

Number of new products **02**

FINANCIAL

Net Interest Income

LKR 5.2 Bn

Total lending portfolio

LKR 40.3 Bn

Profit after tax

LKR 1.5 Bn

Total Assets **LKR 48 Bn**

ROA (Pre Tax) **5.75%**

ROA (Post Tax) **3.56%**

ROE (Post Tax) **23.41%**

EPS LKR **43.42**

Net Asset Value per Share **LKR 198**

Market Price per Share **LKR 70.40**

PEACE

Inclusivity and accountability to promote peace and inclusivity in communities

SDGs



SDG targets

16.2, 16.5, 16.6, 16.7

NON-FINANCIAL

Portfolio in Northern, Eastern and plantation regions

24%

No. of tree planting initiatives conducted in collaboration with multicultural collaboration/ Multicultural areas

05

FINANCIAL

CSR expenses- **LKR 5.3 Mn**

PARTNERSHIPS

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

SDGs



SDG targets

17.3, 17.16, 17.17

NON-FINANCIAL

No. of Network partners/Associations

08

No. of Impact Investors engaged

04

Total supplier base

203

FINANCIAL

Investment in partnerships and networks -

LKR 738,653

Engagement with stakeholders

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

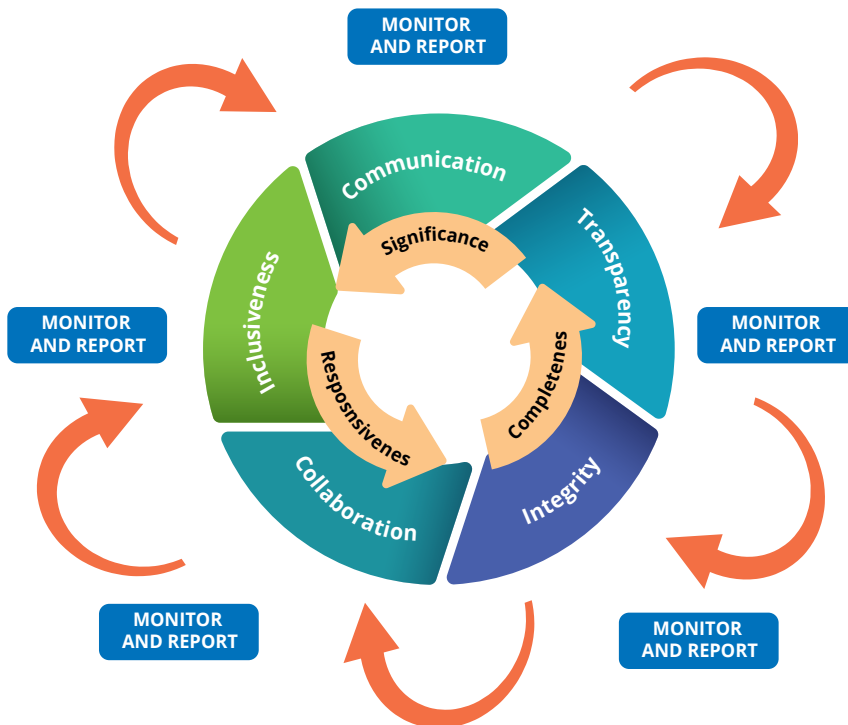
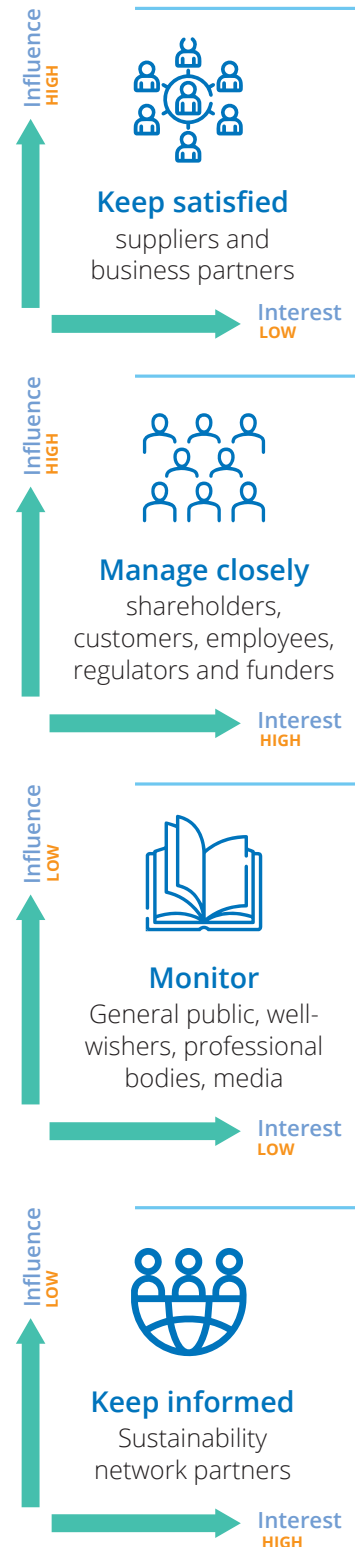
As underpinned by our purpose and our resulting sustainability approach, we see our business as inherently valuable to society and people's lives. Thus, we strive to create long-term value for a broad range of stakeholders, including customers, employees, business partners, shareholders, as well as society at large. To meet the expectations of our stakeholders, we commit to being a good corporate citizen with a strong Environmental, Social and Governance (ESG) foundation. We define our key stakeholders as any individual or organization currently or potentially affected by our activities or with the potential to influence the environment in which we operate. We engage with our stakeholders via multiple channels on a periodic basis and have formulated a Stakeholder Management Plan (SMP) for stakeholder engagement monitoring and evaluation purposes. The customer care unit holds responsibility towards

monitoring and producing an annual report based on the Board approved SMP report format.

Stakeholder engagement process

Stakeholder engagement entails five phases including identification, assessment & planning, engagement, evaluation, prioritization and reporting. Upon identifying our main stakeholders and based on the respective stakeholder group's importance and impact on AFC, we carry out our assessment and planning to determine the scope and objectives as well as the resources to be allocated to address their needs. The mode of engagement is a vital factor which enables us to effectively evaluate their concerns and formulate our strategies. Monitoring and review is continuously carried out and findings are duly reported.

Our stakeholder matrix



Engagement with stakeholders



SHAREHOLDERS

Engagement channels	Expectations	Our response
<ul style="list-style-type: none"> AGM and Annual Report Interim Financial Statements Corporate website Announcements to the CSE Press releases 	<ul style="list-style-type: none"> Sustainable growth Adequate risk-return balance Corporate governance and risk management framework Corporate reputation, 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
<p>Strength of relationship: Strong</p>	<p>Capitals impacted:</p>	<p>Key metrics:</p> <ul style="list-style-type: none"> -NAV per share -Dividends paid and dividend cover -ROE




EMPLOYEES

Engagement channels	Expectations	Our response
<ul style="list-style-type: none"> Employee feedback survey Performance appraisal Multi-level staff meetings Open door policy Training needs assessment Social media platforms 	<ul style="list-style-type: none"> Competitive remuneration Equal opportunity Opportunities for skill development and career progression 	<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 opportunities
<p>Strength of relationship: Strong</p>	<p>Capitals impacted:</p>	<p>Key metrics:</p> <ul style="list-style-type: none"> - Turnover - Employee satisfaction





CUSTOMERS

Engagement channels	Expectations	Our response
<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 media platforms 	<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 94 customer touch points in convenient locations to provide all products and services under one roof
Strength of relationship: Strong	Capitals impacted: 	Key metrics: <ul style="list-style-type: none"> - Customer satisfaction rating - Customer complaints - Brand value





BUSINESS PARTNERS AND SUPPLIERS

Engagement channels	Expectations	Our response
<ul style="list-style-type: none"> • Direct dialogue • Service quality survey • Stakeholder feedback survey 	<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 like-minded partners in line with our sustainable business agenda • Ensure timely payments and required support • Dedicated team to engage with, to exchange an effective service
Strength of relationship: Moderate	Capitals impacted:  	Key metrics: <ul style="list-style-type: none"> - Service quality ratings

Engagement with stakeholders



FUNDING AND NETWORK PARTNERS

Engagement channels	Expectations	Our response
<ul style="list-style-type: none"> Annual Report Interim Financial Statements Monitoring reports Progress presentations Corporate website 	<ul style="list-style-type: none"> Favorable business performance Submission of timely and credible progress information Transparency Sustainable 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
Strength of relationship: Strong	Capitals impacted:  	Key metrics: - Triple bottom line value creation target achievements



REGULATORS

Engagement channels	Expectations	Our response
<ul style="list-style-type: none"> Regulatory reporting CBSL audits Special meetings for regulatory clarifications Press releases and CSE publications 	<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 examinations Sustainability embedded corporate plan
Strength of relationship: Moderate	Capital impacted: 	Key metrics: - Taxes paid - Compliance - Capital adequacy and liquidity

Materiality Assessment

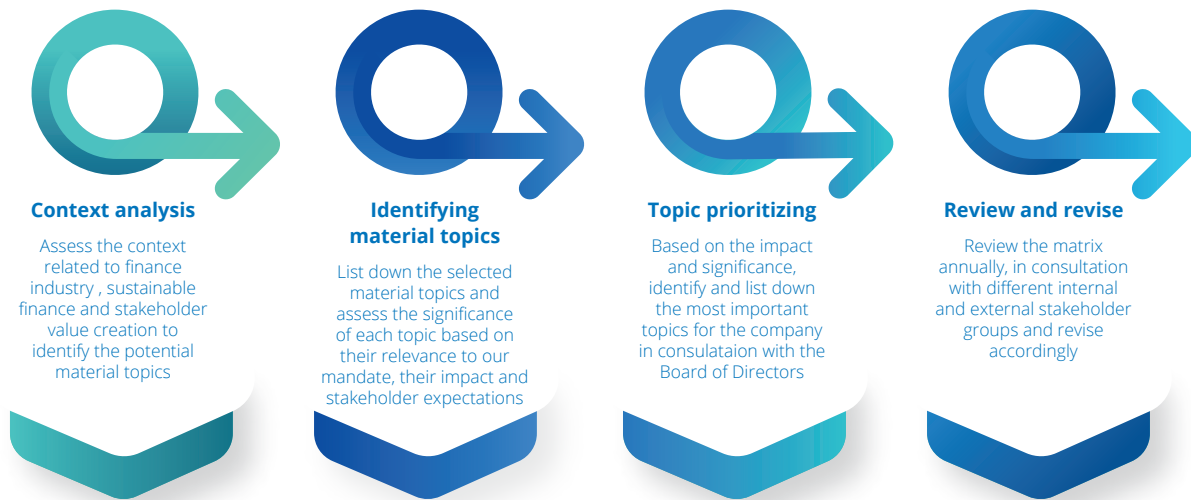
GRI 102-45 | GRI 102-46 | GRI 102-47 | GRI 103-1

Materiality

Creating sustainable value and being geared for the future requires shaping the Company's strategy in a manner in which stakeholder aspirations are met and material topics relevant to the organization and stakeholders are addressed effectively. Material topics are those which have a significant impact and relevance to the organization's

operations and value creation process. With continuous changes in the business environment and technological, social and environmental advances, new trends emerge, and it is important that the risks and opportunities associated with such new trends are effectively identified. The identified material topics are reassessed on an annual

basis to ensure that we stay abreast of issues that could substantially affect the Company's strategy, business model and ability to create value for stakeholders. The process of recognizing the key topics and assessment of materiality based on their relative importance to the organization and stakeholders is depicted below.






Material Topic	Stakeholders	Impact	SDGs	Management approach
<p>Sustainable development</p> <p>We aim to strike a balance between economic, environmental and social sustainability across all facets of our business in order to provide sustainable value to our stakeholders</p>	<ul style="list-style-type: none"> Shareholders Funding and Network Partners 	<p>Improving profitability</p> <p>Social and environmental best practices</p>		<p>Our business philosophy</p> <p>pages 30 to 34</p>
<p>Innovation and digitization</p> <p>With markets, consumption patterns and ways of working all being drastically transformed, continued innovation is crucial to AFC's future competitiveness. We actively encourage our teams to contribute ideas for new products and services and to enhance our delivery. We are also driving a digital transformation strategy to improve our productivity and efficiency</p>	<ul style="list-style-type: none"> Shareholders Customers Employees 	<p>Business growth through digitization</p> <p>Increase Employee Productivity</p>		<p>Manufactured capital</p> <p>pages 62 to 65</p>
<p>Supply chain development</p> <p>AFC nurtures relationships with responsible suppliers whose practices align with the sustainability mandate</p>	<ul style="list-style-type: none"> Business Partners and Suppliers 	<p>Social and environmental best practices</p>		<p>Social capital</p> <p>pages 77 to 83</p>

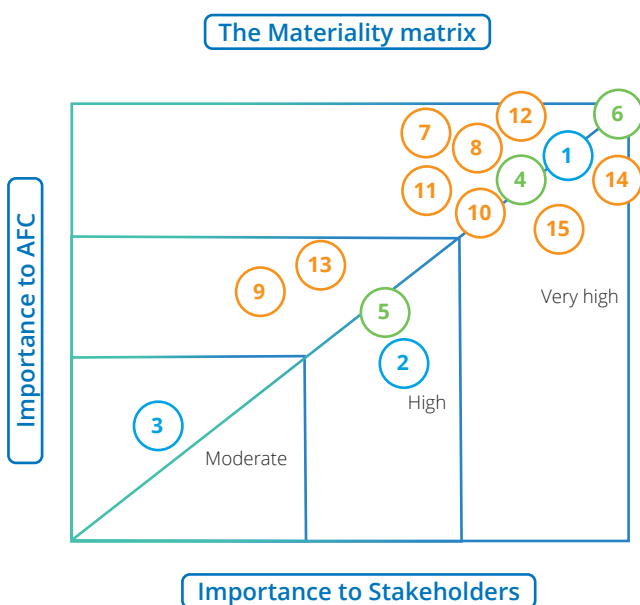
Materiality Assessment

GRI 102-47 | GRI 103-1

Material Topic	Stakeholders	Impact	SDGs	Management approach
<p>Energy efficiency</p> <p>We place high emphasis on reducing the carbon footprint and energy costs of the Company thereby ensuring resource efficiency and sustainability</p>	<ul style="list-style-type: none"> • Employees • General public 	<p>Social and environmental best practices</p>	   	<p>Natural capital</p> <p>pages 84 to 89</p>
<p>Battling climate change and environmental protection</p> <p>Eco-systems around the world are coming under increasing pressure from human activity. At AFC, we recognize the need to balance our growth with the well-being of our environment and of future generations</p>	<ul style="list-style-type: none"> • General public 	<p>Social and environmental best practices</p> <p>Corporate stewardship</p>	   	<p>Natural capital</p> <p>pages 84 to 89</p>
<p>Sustainable business practices</p> <p>We aim to establish and adhere to sustainable business practices in accordance with our mandate and encourage these practices across all spheres of the Company</p>	<ul style="list-style-type: none"> • Shareholders 	<p>Social and environmental best practices</p>	  	<p>Our business philosophy</p> <p>pages 30 to 34</p>
<p>Business ethics</p> <p>Good governance, legal and regulatory compliance and ethics provide the foundation for all business activities of AFC, determining and shaping the organizational culture</p>	<ul style="list-style-type: none"> • Employees 	<p>Social and environmental best practices</p>	   	<p>Intellectual capital</p> <p>pages 66 to 68</p>
<p>Talent attraction and retention</p> <p>AFC aims to attract the right talent and provide meaningful and competitively remunerated work while promoting an inclusive corporate culture and a diverse workforce</p>	<ul style="list-style-type: none"> • Employees 	<p>Increase Employee Productivity</p>	  	<p>Human capital</p> <p>pages 69 to 76</p>
<p>People development</p> <p>Our competitive advantage is underpinned by a highly skilled committed workforce. Therefore, we aim to nurture a culture of continuous learning to develop the technical and soft skills of our staff</p>	<ul style="list-style-type: none"> • Employees 	<p>Increase Employee Productivity</p>	 	<p>Human capital</p> <p>pages 69 to 76</p>
<p>Non-discrimination</p> <p>AFC advocates diversity and equality and upholds the highest level of best practices related to non-discrimination and providing equal opportunities</p>	<ul style="list-style-type: none"> • Employees 	<p>Social and environmental best practices</p>	  	<p>Human capital</p> <p>page 69 to 76</p>

Material Topic	Stakeholders	Impact	SDGs	Management approach
Reputation and brand value Our brand reputation built over 66 years sets us apart from our competitors and highlights our unique offering which in turn builds brand loyalty and respect	<ul style="list-style-type: none"> Customers Employees 	Improve brand visibility		Intellectual capital pages 66 to 68
Stakeholder satisfaction and transparency Meeting the needs of stakeholders is crucial towards establishing business sustainability and growth. AFC maintains efficient engagement channels with all its stakeholders to identify their changing requirements in order to pro-actively cater to their needs and expectations	<ul style="list-style-type: none"> All 	Social and environmental best practices Improving profitability		Stakeholder engagement pages 35 to 38
Customer attraction and retention AFC embraces responsible and inclusive lending practices in order to support and uplift customer lives and livelihoods. We aim to provide best-in-class service to our customers in order to maintain strong and long-standing relationships	<ul style="list-style-type: none"> Customers 	Improve brand visibility Social and environmental best practices		Social capital pages 77 to 83

Materiality matrix

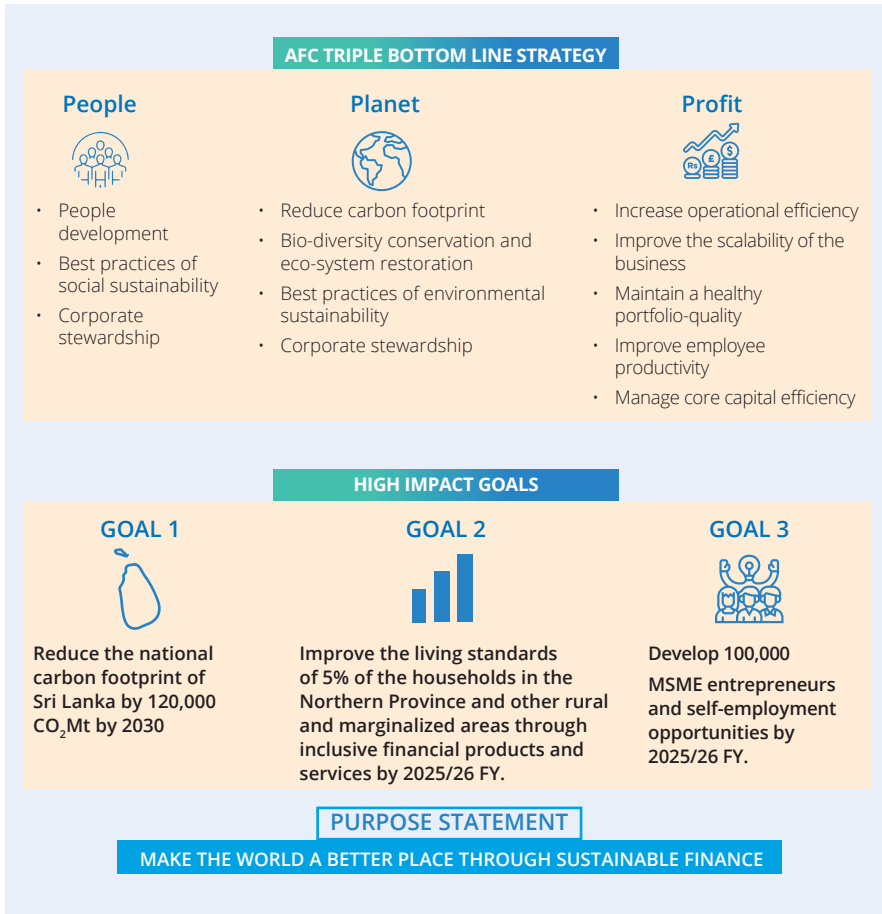


 Economic	1	Sustainable development- Economic growth
	2	Innovation and digitization
	3	Supply chain development
 Environmental	4	Sustainable development- environmental well-being
	5	Energy efficiency
	6	Battling climate change and environmental protection
 Social	7	Sustainable business practices
	8	Business ethics
	9	Talent attraction and retention
	10	People development
	12	Non-determination
	13	Sustainable development- Community empowerment
	14	Reputation and brand value
	15	Stakeholder satisfaction and transparency
	16	Customer attraction and retention

Our strategy

GRI 102 -15

As we work towards our purpose of “making the world a better place through sustainable finance” we strive to create a resilient, future-fit organization that delivers value to our customers, shareholders and all other stakeholders. Our strategy is not just about strengthening our operational and financial performance, but also seeks to create a positive impact on society by balancing the financial objectives of our operations and investment activities with our sustainability ambitions.



Strategy







Planned targets for 2021/22

Achievements

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 by the 2025/26 financial year:</p> <p>Special focus to include potential women customers/ women-headed households.</p> <p>Develop 100,000 MSME entrepreneurs and self-employment opportunities by 2026:</p> <p>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;</p> <p>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 seek self-employment</p>

Our high impact goals were revised in line with the changing business landscape. Six key strategies continued to drive AFC's triple bottom line strategy and given below is the progress made during 2021/22 towards achieving the set targets.

					
Improving profitability	Business growth through digitization	Increase Employee Productivity	Improve brand visibility	Social and environmental best practices	Corporate stewardship
<ul style="list-style-type: none"> Expand the Gold Loan branches Strengthen organizational structure Create new business lines 	<ul style="list-style-type: none"> Commencing the new core banking system implementation Develop a new IT and digitization strategy 	<ul style="list-style-type: none"> Training and development 	<ul style="list-style-type: none"> Strengthen the credit marketing team Improve the digital and social media marketing drive 	<ul style="list-style-type: none"> Increase the social sustainability footprint Become a holistic sustainability certified financial institution 	<ul style="list-style-type: none"> Combat climate change Bio-diversity conservation and ecosystem restoration Social Development
<ul style="list-style-type: none"> Expansion of Gold Loan services to all 86 fully fledged branches Growth in the Gold Loan portfolio by 107% compared to 2020/21 Converted all branches to fully fledged status reaching 86 fully fledged branches across the island Re-location of 16 branches to more accessible locations Appointment of a Chief People's Officer and a Chief Information Officer Established the Impact Finance Unit to facilitate designing and implementing of impact finance products Initiated branch savings mobilization Started the development of one new gold loan product and mobile gold loan unit service 	<ul style="list-style-type: none"> System integration process has begun and expected to go live towards the end of year 2022 A new strategy has been developed and documented 	<ul style="list-style-type: none"> 50 training programs provided to the employees during the financial year Investment in training and development LKR 3.1Mn 	<ul style="list-style-type: none"> 228 new recruits added to the credit marketing team Appointed a new Assistant Manager Digital Marketing Visibility and brand awareness of the Company has increased by; <ul style="list-style-type: none"> - 182% fan growth - 15,218,516 impressions - 276,604 engagements 	<ul style="list-style-type: none"> Conducted 55 branch sustainability projects under the "AFC Helping Hand" program, with the collaboration of 63 branches Signed up for obtaining the SSCI certification Version 2 	<ul style="list-style-type: none"> Contributed 98,172 plants during the year surpassing the 360,000 mark of total trees provided for planting. Provided 200 native forest trees for the eco-system restoration efforts of the Hill Country Leopard Conservation project Invested LKR 5.4 Mn on social development and wellbeing initiatives (LKR 2.5 Mn in 2020/21)

Future strategies

- Develop a diversified and impact-oriented business
- Improve credibility and profitability whilst minimizing risks
- Reduce the over-reliance on vehicle financing
- Reinforce the funding base to support anticipated growth
- Embrace digitization to transform the Company to better position itself in the digitized economy
- Strengthen brand visibility and image as a value driven, sustainable financial institution
- Develop a sound Human Resource base to drive the AFC strategic mandate
- Reinforce the sustainability drive of the Company to support organizational, national and global sustainability priorities

Our value creation model

GRI 103-2

CAPITAL

Financial capital

Our capital and retained profits that supports sustainable operations and help us meet client expectations



Intellectual capital

Our intangible assets, including brand reputation, innovation, knowledge and expertise



Human capital

Our team of skilled, committed individuals who execute their roles in a highly professional manner creating value for all stakeholders



Manufactured capital

Our physical and digital assets that provide the framework to carry out our core business functions



Social and relationship capital

Key stakeholder relationships, including the communities in which we operate, that enable us to create value.



Natural capital

The direct use and impact on natural resources within our operations and our influence through our business activities.



PROCESS

Our Purpose Statement

Make the world a better place through sustainable finance

Triple Bottom Line Strategy

People



Planet



Profit



GOAL

GOAL 1



Reduce the carbon footprint

GOAL 2



Eradicate poverty

GOAL 3



Develop MSMEs/SMEs

Our strategic priorities



BUSINESS LINES

*LENDING

*DEPOSITS

*GOLD LOAN

*VEHICLE TRADE-IN AND HIRING

Key enablers

Administration, IT, HR, Finance, Legal

Governance

Risk Management

INPUTS

Equity
LKR 6.7 Bn

Debt
LKR 23.4 Bn

Deposits
LKR 14.7 Bn

Brand strength

Expertise in SME and MSME financing

Diverse team
1,552 employees

Remuneration and performance-based rewards

Learning and development

94 points of presence

IT capabilities and digital channels

Improved accessibility

203 suppliers

Social sustainability initiatives

Environmental and Social Management System

Responsible Lending

Environmental conservation efforts

OUTPUTS

Financial capital

PAT: **LKR 1.5 Bn**

ROE: **23.41%**

EPS: **LKR 43.42**

Intellectual capital

Brand Value: **LKR 1,347 Mn**

ICRA rating: **BBB** - (Negative outlook)

Awards won during the year: **08**

Human capital

Benefits paid: **LKR 1.19 Bn**

Training hours: **8,186.5**

Staff promotions: **137**

Manufactured capital

Touchpoints:
Locations - 94

Social and relationship capital

Customer base : **102,223**

Investment in social sustainability:

LKR 7.4 Mn

Natural capital

Green lending portfolio: **4%**

Trees planted: **366,254**

Carbon footprint: **2.6 tCO2e**

OUTPUTS

Shareholders

- Sustainable growth
- NAV per share
- Gross dividend



Customers

- Operational efficiency
- Customer satisfaction
- Financial security
- Debt moratorium and other concessions for COVID-19 affected segments



Employees

- Diverse and inclusive organizational culture
- Safe working environment
- Career progression
- Empowerment
- Equal opportunity



Regulators

- Taxes paid LKR 1,186 Mn
- Compliance with regulatory requirements



Business partners and suppliers

- Long-term relationships
- Transparency



Funding and network partners

- Long-term relationships



Communities

- Building sustainable livelihoods
- Greater community reach and inclusive financing
- Contribution to SDGs
- Resource stewardship
- Mitigating global warming



Operating landscape

GRI 201-2 | GRI 207-3

The global economy recovered strongly in 2021 on the back of continued fiscal and monetary stimulus. The steady roll-out of vaccination programs allowed the world's major economies to pull back COVID-19 restrictions during most parts of the year. The economic revival, which appeared to be the strongest during the initial months of 2021 before slowing in the second half of the year improved consumer confidence, which in turn supported demand for financial services.

Interest rates remained at relatively low levels, rising nonetheless from the historical lows witnessed in 2020. Elevated inflation has become a growing concern for financial services providers, as consumer prices increased at a historically high pace during the final months of 2021. Increasing demand, in combination with supply chain disruptions, led to surges in the price of energy, raw materials, and other goods. Higher inflation and volatile economic growth later in 2021 created uncertainties that influence consumer

behavior, including the risk of reduced purchasing power of households.

Depicted below are the key topics of discussion that we believe are significant for our short to medium-term planning horizon. Through a Political Economic Social Technological Environmental Legal (PESTLE) analysis we look at the risks and opportunities they present for our business and our stakeholders, and the actions we are taking to leverage or mitigate these developments.



POLITICAL ARENA

From the second half of 2021 Sri Lanka began to face growing political unrest which has largely undermined investor and consumer confidence. Growing apprehensions of the general public in relation to the deteriorating economic and social conditions of the country and shortages of essential items, led to peaceful protests being held and the situation peaked in May 2022.

Risks and Opportunities

- Changes in the fiscal and monetary policies, mainly the volatile interest rate has increased the re-pricing risk leading to asset liability mismatches

Our response

- Greater emphasis placed on minimizing asset liability mismatches
- Strengthening our funding portfolio with dollar denominated loans obtained from DFI's despite the challenging external position of the country
- Enhanced focus to improve the asset quality
- Drive the portfolio growth in anticipation of tougher economic conditions
- Lending rates were increased to be in line with the market rates
- Pursued an aggressive growth to minimize the anticipated challenges including margin compression
- Started pursuing an aggressive deposit drive to raise capital
- Strengthened the top management with the recruitment of a Chief Commercial Officer, Chief People Officer and a Chief Information Officer



ECONOMIC ENVIRONMENT

As per the IMF forecasts, the global economy indicated a 6.1% growth in 2021, before moderating to 3.6% in 2022 reflecting worsening pandemic undercurrents in emerging markets and supply disruptions in advanced economies.

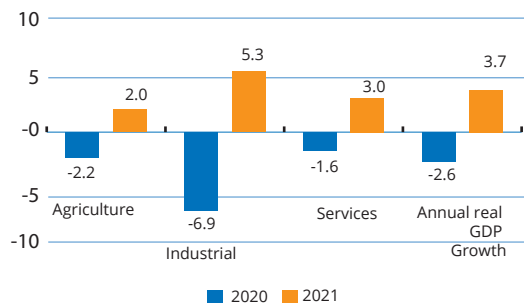
The Sri Lankan economy indicated a GDP growth of 3.7% for the year 2021, compared to the 3.6% contraction reported in 2020. All three major economic activities- Services, Industry and Agriculture recorded moderate positive growth rates of 3%, 5.3% and 2% respectively.

The Sri Lankan Rupee remained broadly stable throughout 2021 and in the early part of 2022, supported by the CBSL intervention to stabilise the USD/LKR within the range of 200-203. However, with the adoption of the flexible exchange rate regime by the CBSL in mid-March 2022, the currency witnessed a steep depreciation by 31 March 2022. Consequently, the Sri Lankan Rupee, which depreciated by a mere 7% in 2021, plummeted 32% to hit a record low of LKR 299 against the USD by end-March 2022. In addition to the depreciation of the currency, there were significant challenges in the foreign currency market on the back of a marked reduction in liquidity amidst declining confidence and a depletion of foreign currency reserves in the country.

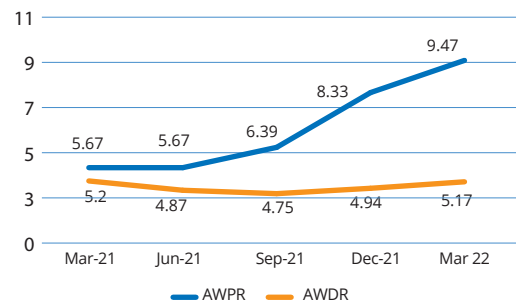
The country's debt burden continued to rise and posed serious repercussions on the foreign reserves. Resultantly, international rating agencies (Moody's, S&P Global Ratings and Fitch Ratings) downgraded the country's sovereign rating during the year. As of March 2022, Sri Lanka's foreign reserves were at USD 1.9 Bn.

Headline inflation measured by the year-on-year change in the Colombo Consumer Price Index (CCPI), moved upward during 2021 from 4.1% in March 2021 to 18.7% in March 2022 with an annual average of 9.1% for 2021. Core inflation also showed the same upward trend increasing to 13.0% in March 2022 from 3.1% in March 2021, with an annual average of 6.5%.

Economic growth



Interest rates



Risks and Opportunities

- Emerging opportunities in the MSME and SME segments
- Greater scope for green lending
- Potential adverse impact on credit quality

Our response

- Consolidating our geographical presence by converting 10 of our collection centers to fully fledged branches and re-branding and upgrading 24 branches
- Drove portfolio growth taking advantage of the credit demand amongst MSME sector and self-employed individuals
- Introduced a Gold Loan which enables customers to purchase and own gold at today's price to be paid in installments, hedging against inflationary pressures

Operating landscape

Risks and Opportunities	Our response
	<ul style="list-style-type: none"> Established the EXCO to build up an empowered management structure to drive the daily business effectively in a focused manner Rolled out the Speed Cash drive to take the advantage of our available liquidity whilst strengthening dealer relationships Increased the four-wheeler business drive

SOCIAL SETTING

In the post pandemic backdrop, we witnessed significant changes in consumer behaviour, preferences and demands. Customers are demanding greater convenience and accessibility, which has transformed the way in which most financial service organisations interact with them.

The onset of the pandemic also brought on a transformation in terms of re-defining the workplace and ways of working. Coming back to busy work spaces has been met with a certain level of resistance and accordingly, organizations have increasingly adopted hybrid work models to ensure the safety and well-being of their employees.

With a successful vaccination drive Sri Lanka embraced an approach of learning to live with the virus. However, the long-term economic costs of the pandemic are expected to be severe, resulting in widening inequalities, income disparities and reduced purchasing power, which in turn has led to severe ramifications in the form of social unrest and geopolitical tensions.

Risks and Opportunities	Our response
<ul style="list-style-type: none"> Adopt new and more productive ways of work Keeping staff engaged and maintaining high spirits while working remotely Heightened competition in terms of digital solutions for customers 	<ul style="list-style-type: none"> Re-location of branches to more accessible locations to facilitate financial inclusion Increasing the number of fully fledged branches Opened 14 new branches to create financial inclusion in marginalized areas Greater focus on expanding our product portfolio with innovative products to introduce tangible benefits to our clients Friendship Loan to support the education needs of customers and their loved ones Adoption of a hybrid working model to ensure smooth business functionality Carried out 55 branch sustainability projects that made positive contribution to the local community Provided moratoriums for customers with genuine needs. As a result, majority of the customers regained their repayment capacity by the end of the moratorium period

TECHNOLOGICAL DISRUPTION

One of the outcomes of the pandemic was the increasing adoption of digital technology across the globe. Competition intensified in the financial services sector as well with most corporates investing heavily in digital capabilities to enhance customer experience. Ranging from customer service chatbots to software robot bankers, disruptive digital technologies like artificial intelligence, robotics and blockchain are transforming the financial services industry.

Risks and Opportunities	Our response
<ul style="list-style-type: none"> Facilitate cost efficiencies and greater productivity Better market reach Greater financial and reputational risk due to cyber-security threats 	<ul style="list-style-type: none"> Revamped our IT and Digitalization Strategy Significant progress made towards implementation of the new Core Banking system Strengthened the data security systems Automation of certain internal processes to facilitate better customer service

ENVIRONMENTAL CONCERNS

Climate change risks have emerged as one of the most serious risks organizations and communities face at present. Organizations are becoming more environmentally responsible, focusing more on socially equitable consumption of natural resources across the entire value chain, to conserve natural resources for ecological balance and save them for future generations.

Risks and Opportunities	Our response
<ul style="list-style-type: none"> Negative impacts of adverse weather patterns on social and economic well-being Opening avenues for more sustainable, environment friendly products, services and businesses; Increase in lending opportunities in renewable energy/ climate smart agriculture Increasing environmental consciousness in communities 	<ul style="list-style-type: none"> Allocating a separate budget for sustainability initiatives Passed the 360,000 mark of planting trees Engaging interest parties in our tree planting initiatives through our 'AFC Dalu' platform Continued our partnership with the Wilderness and Wildlife Conservation Trust to strengthen biodiversity conservation efforts

LEGAL DEVELOPMENTS

The CBSL introduced several policy measures and prudential regulations during 2021 to strengthen the supervisory and regulatory framework of non-bank financial institutions aiming at stability and soundness of the sector. CBSL encouraged its policy of industry consolidation to ensure stronger industry players that would support industry sustainability in the long run.

The CBSL also extended the debt moratoriums and concessions to COVID-19 affected businesses and deferred recovery action against borrowers of these hard-hit sectors.

Risks and Opportunities	Our response
<ul style="list-style-type: none"> Support our customer-base during their time of need and further strengthen the relationships 	<ul style="list-style-type: none"> Complied with all stipulated regulations and directions of the CBSL Took pro-active measures to maintain adequate liquidity reserves Gave the required moratorium and other concessions to adversely impacted customers to facilitate the revival of their livelihoods

Operating landscape

Non-Bank Financial Institutions Sector

The NBFIs sector performed considerably well during 2021/22, especially in terms of credit growth and profitability, despite the challenging operating landscape. The sector recorded a PAT of LKR 59.8 Bn during 2021/22, marking a 101% increase compared to the PAT of LKR 29.67 Bn recorded during the prior year. The increase in net interest income by LKR 13.3 Bn and non-interest income of LKR 3.4 Bn compared to the preceding year, coupled with the decreased loan loss provisions made against NPLs of LKR 20.5 Bn, contributed towards the increased profitability.

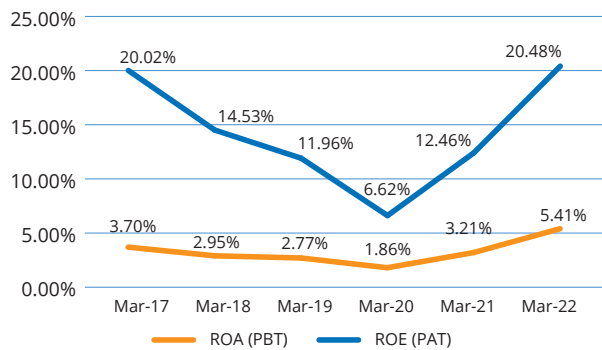
Asset quality of the sector displayed an improvement with the Gross NPL ratio dropping to 9.11% as at March 2022 compared to 11.29% recorded as at the prior year end, indicative of more efficient recovery strategies and the improved quality of new lending.

Total asset base of the sector increased by LKR 198.6 Bn (14.28%) during FY 2021/22 and stood at LKR 1,590 Bn as at end March 2022. The loans and advances portfolio, which represents a major part of total assets, contributed largely towards this growth, with an increase of LKR 151.9 Bn (14.32%).

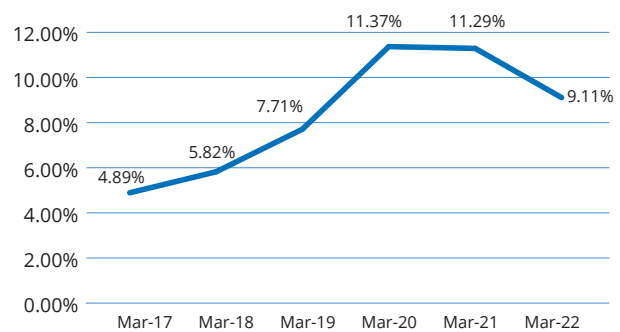
The overall capital position improved notably reaching LKR 333.6 Bn as at end of the FY 2021/22 due to enhanced minimum capital requirements and profits recorded by several large LFCs. The sector's core capital and total capital ratios increased to 16.15% and 17.68% respectively, by end of the FY 2021/22 from the reported levels of 14.17% and 15.44% at end of the FY 2020/21. Liquidity position of the sector remained satisfactory.

NBFIs continue to play an integral role in the financial service sector as well as in the economy through increasing financial inclusion and economic stimulation. A

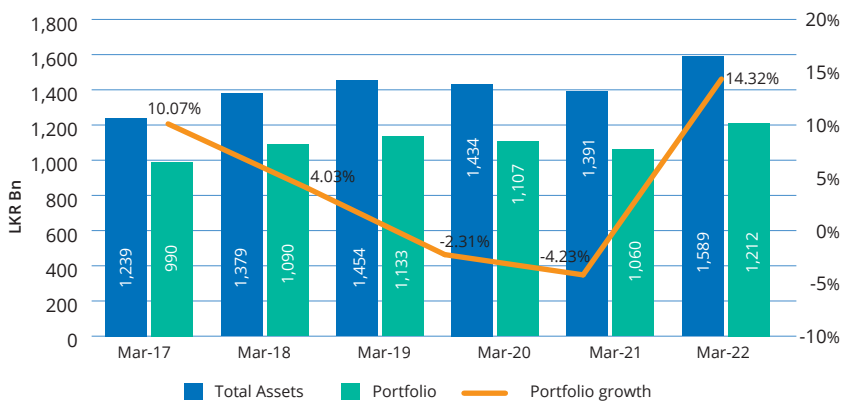
ROA and ROE



NPL % - Gross



Assets, Portfolio and Growth

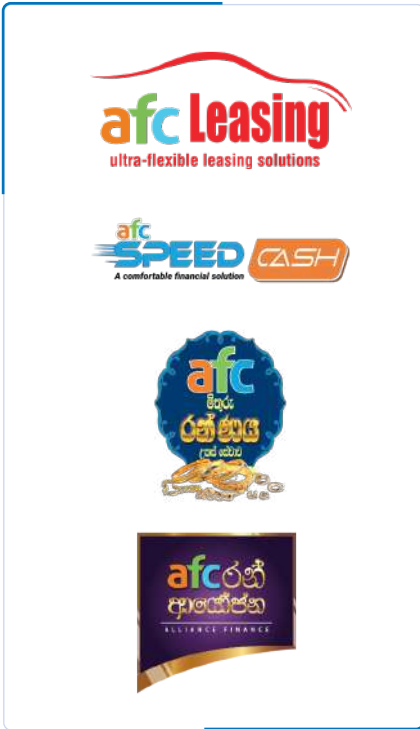


series of acquisitions and amalgamations are expected within the sector under the Masterplan for Consolidation of Non-Bank Financial Institutions implemented by the CBSL in 2020. Furthermore, the Central Bank continued to monitor the key prudential indicators and initiated various other regulatory actions with the objective of avoiding further deterioration of the financial positions, maintaining the stability of such institutions, and safeguarding the interests of depositors.

Segment Reviews

Lending

Our products



Highlights of 2021/22

Leasing and Loans

- Centralization of the credit approval process
- Maintained the NPL ratio below 5% which is far better than the industry standards
- Reviewed the product portfolio on a continuous basis to understand which products to grow, restrict and discontinue
- Greater focus on training and development to ensure our staff is aptly skilled

Gold Loans

- Introduction of a **regional structure with 4 regions**
- Opened **17 new gold loan units**
- Strengthened, upskilled and groomed our **staff to increase productivity**
- **200%** portfolio target achievement

Ran Ayojana

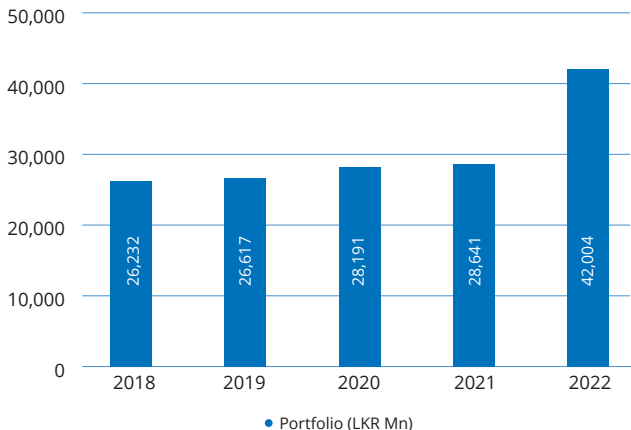
237%
portfolio growth reaching
LKR 322 Mn

3+ ratio of 1.83% and 6+ volume of LKR 5.8 Mn as at Year end

Performance

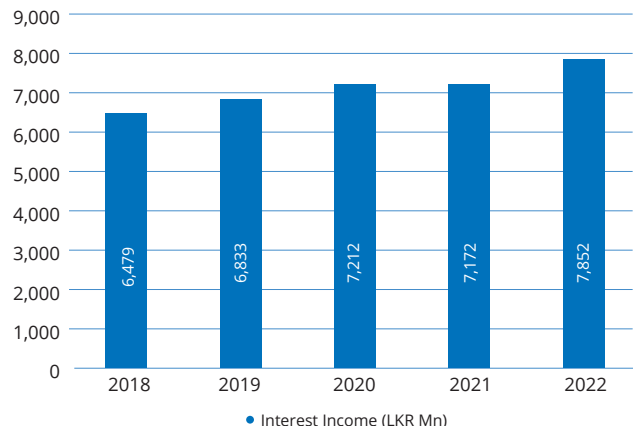
LKR Mn	2021/22	2020/21
Interest income	7,852	7,172
Fee and commission income	267	191
Impairment charge	(103)	(752)
Net operating income	5,688	3,862

Gross Portfolio



• Portfolio (LKR Mn)

Earnings



• Interest Income (LKR Mn)

Segment Reviews

STRENGTHS

A legacy of over 65 years, with a market edge as a responsible, reliable and stable financial institution

Responsible lending culture and team strength

S

WEAKNESSES

We have identified the necessity of an integrated digital solution and we are currently working on this. Target implementation towards end 2022.

W

Outlook

Given the fact that we are going through challenging times, we hope to focus more on managing the quality of our existing portfolio. Once we are able to see some stability in the market, we will direct our efforts towards business growth. Our focus is mainly on the MSME and SME sectors which are largely underserved, and we hope to continue to drive financial inclusion from the grassroot level.

OPPORTUNITIES

Expanding customer reach through our island-wide fully fledged branch network

Increasing scope in agriculture finance

O

T

THREATS

Increased competition
Political instability
Adverse economic outlook

The gold loan segment will play a major role in meeting the growth expectations of the upcoming year. We hope to further develop the structure to 5 regions and establish an Inspection Unit to maintain proper portfolio quality.

We hope to expand our 'Ran Ayojana' portfolio via branch level sales with the support of regional suppliers. Work is also underway to launch a mobile platform to display and sell jewellery. Customers would be able to select jewellery on display and easily pay their rentals via this platform.

Deposits

Our products

afc Fixed Deposit
AND SAVINGS ACCOUNTS

afc CASH ADVANCE

afc Hapannu
Children's Savings Account
ශ්‍රී ලංකාවේ පිළිවෙලින් සියලුම ශිෂ්‍යයන් සඳහා වෛයෝගික

Highlights of 2021/22

- 13.64% increase in deposit base
- Increased emphasis on deposit mobilization at branch level

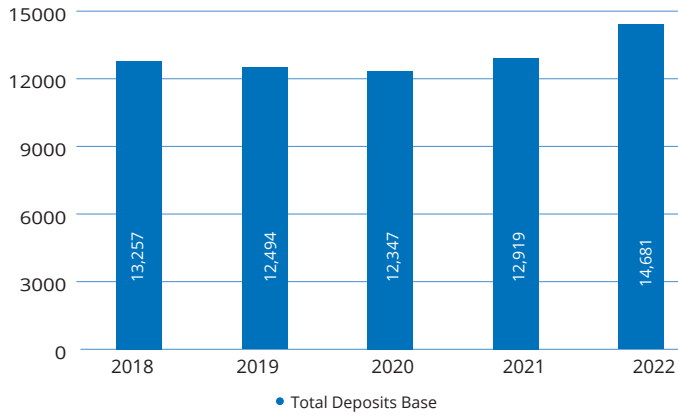
Performance

	2021/22	2020/21
Annual effective rate	9.4%	9.8%
Renewal ratio	86.95%	86.68%
Net intake (LKR Mn)	1,763	572

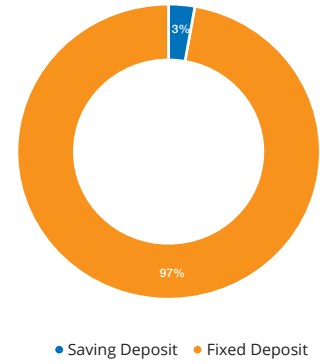
The key features of our products are as follows.

- Ability to obtain a loan against a fixed deposit of up to 90% of the total deposit
- One-month deposits to sixty-months deposits.
- Flexible interest payment terms.
- Eligible senior citizens are given a higher interest rate on fixed deposits.
- Eligible deposits are insured with the Sri Lanka deposit insurance scheme.

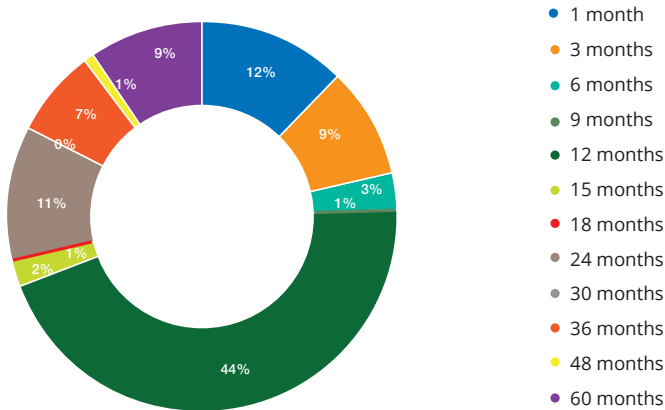
Deposit base



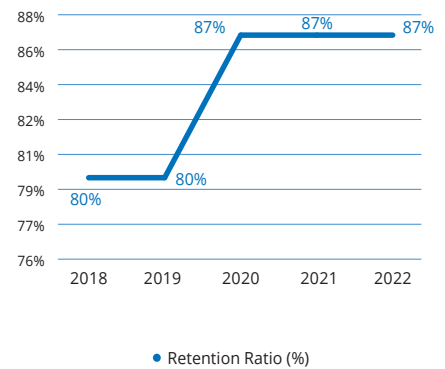
Deposit mix



Tenure-wise FD



Customer retention ratio



STRENGTHS

- Brand recognition as a longstanding, responsible and stable financial institution
- Range of products to suit customer needs and high levels of service standards
- Guaranteed, secured and high return on investment
- Easy access through an extensive island-wide branch network

WEAKNESSES

- Until last year our deposit portfolio was largely concentrated at our main branches limiting our potential for expansion
- Lower customer accessibility via digital means

THREATS

- Volatility of market interest rates

Outlook

We hope to mobilize deposits in branches in a broader way during the upcoming year. Furthermore, with the new system implementation, we hope to provide more facilities to the deposit holders including ATM facilities to enable greater convenience and accessibility. In addition, we plan to introduce one new deposit product per annum and also re-introduce our children's savings product to enhance inclusivity and market reach.

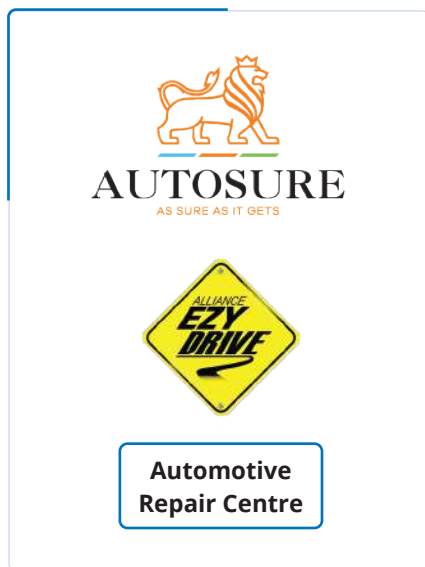
OPPORTUNITIES

- Offering our deposit products via an increasing number of branches provides an opportunity to expand our deposit base

Segment Reviews

Commercial

Our products



Highlights of 2021/22

- Expansion of operations out of the Colombo district with 4 dealers and 4 branches, reaching 9 customer touch points in total including the head office.
- Strengthened our focus on hand-picking vehicles from the market to be reconditioned and repaired for sale, inclusive of a 1-year AFC warranty on the engine and gear box.
- Strategic focus on lower volumes and healthy margins
- Profit of **LKR 9 Mn** for 2021/22

Performance

LKR Mn	2021/22	2020/21
Net operating income	68	34
Profit after tax	9	(2)
Segment assets	278	148

S

STRENGTHS

Brand value built over our journey of 66 years

Customer convenience via the provision of a one stop shop for customers through a total value chain enhancement

O

OPPORTUNITIES

Greater customer reach with the expansion of the business via the AFC branch network as well as the franchised dealer network

T

THREATS

Lower disposable consumer income leading to reduction in demand

Outlook

Building on the success of the current year, we hope to further grow our existing 9 outlets and expand the divisions operations to provide a better and more efficient service to our customers. We have set ourselves an ambitious profit target and will look to further strengthen the segments capabilities to cater to the evolving market demands.

Capital Management Review

Financial Capital

GRI 103-2 | GRI 103-3

Holding a legacy of over 65 years in the financial services industry, it is our duty and responsibility to provide financial security and stability to our stakeholders, while ensuring attractive returns to our shareholders. Our financial capital including shareholders equity, debt and deposits from the public plays a crucial role in this regard, as it enables us to deliver value to our shareholders while ensuring the sustainability of the business.



Link to material issues

- Sustainable Development

Value delivered

LKR **1.5** Bn
PAT

23.41%
ROE

LKR **48** Bn
TOTAL ASSETS

3.64%
NPL (GROSS)

Key priorities



DELIVERING CONSISTENT RETURNS TO THE SHAREHOLDER

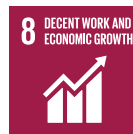


SUSTAINABLE BUSINESS GROWTH



PRESERVING PORTFOLIO QUALITY

SDG Focus



Key takeaways for 2022

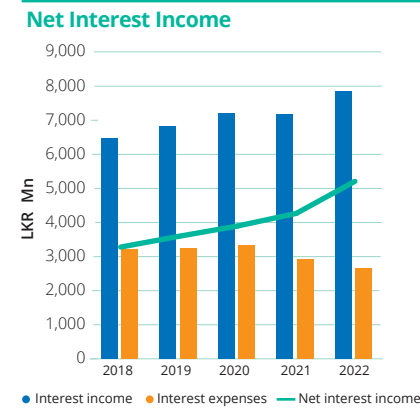
The upcoming year is going to be a challenging year for the industry as a whole, exerting pressure on net interest margins and profitability. We expect a certain level of stress on our non-performing loans given the difficult economic circumstances, with high levels of inflation and shortages of certain essential items adversely impacting the disposable income of customers. This will eventually reflect on their re-payments and thus, we expect an increase in NPLs and impairment provisions. To better manage our financial capital we plan to;

- Optimize costs with greater focus on better utilization of existing resources,
- Digitise existing operations and reduce the level of manual work currently in practice,
- Optimize our human resources and re-deploy staff to more productive roles and
- Pro-actively manage the impact of fluctuating economic variables.

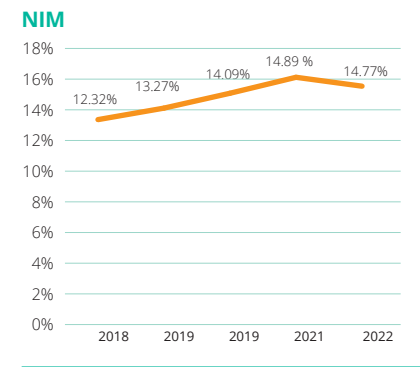
Capital Management Review

Navigating its way through the challenging business environment underpinned by the pandemic, AFC recorded the best performance in the entirety of its history, delivering strong financial results across all key indicators.

Income Statement Analysis Net Interest Income (NII)



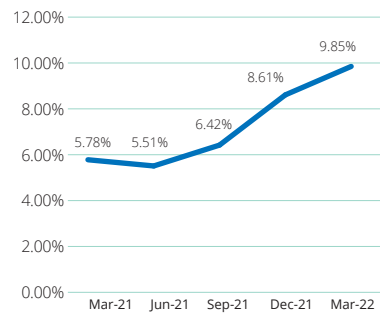
AFC's NII increased from LKR 4,260 Mn to LKR 5,201Mn during the year denoting a growth of 22%. This increase is corresponding to the 9.5 % increase in interest income driven by the 51% portfolio growth coupled with the 8.9% decrease in interest expenses resulting from the relatively low interest rate environment which prevailed during the year although an increasing trend was observed towards the end of the financial year.



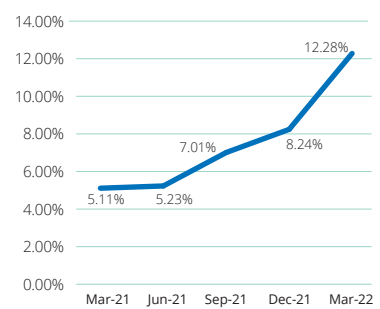
A slight compression on NIM was observed during the year due to the changes in

product mix as increased focus was placed on low NIM four-wheeler products to reduce the reliance on three-wheeler financing as a risk mitigation measure.

AWPLR



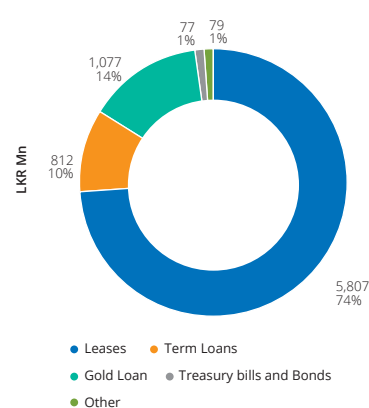
Treasury Bill Rate (364 days)



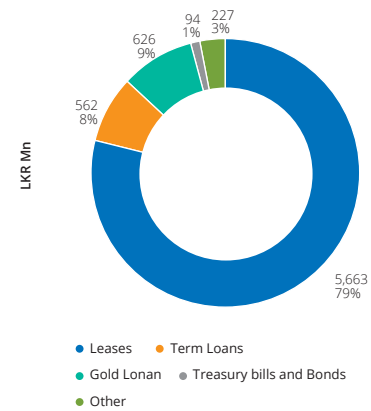
Interest Income

74% of the Company's interest income consists of interest income from leases whilst 24% consists of the interest income from loans.

2022



2021

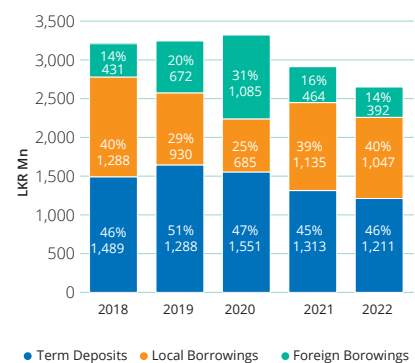


During the year, interest income from leases increased by 3% compared to the previous year corresponding to the 27.6% increase of the lease portfolio. Interest income from loans increased by 44% compared to the previous year corresponding to the increase in loan book by 123% during the year. Interest income on gold loans denoting a 66% increase over the prior year was the key contributor to the overall increase in interest income on loans.

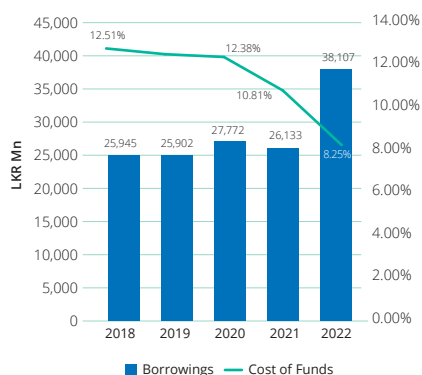
Interest Expense

Despite the 45.8% increase in the funding base, cost of funds favorably dropped to 8.25% in 2021/22 compared to 10.81% in 2020/21 reflecting the reduction in market rates.

Interest Expense Composition



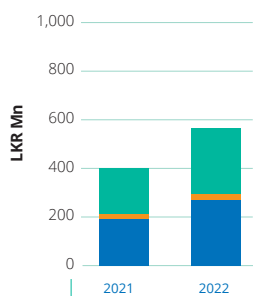
Borrowings vs Cost of Funds



Non-Interest Income

Non-interest income of the Company increased from LKR 627 Mn in the previous year to LKR 846 Mn during the year under review. The main contributory factor towards this increase was the recovery of charges in-built in future rentals at the time of lease /loan closures and sale of vehicles.

Net Interest Income



	2021	2022
Other operating income (net)	418	550
Net gain/(loss) from trading	17	28
Free and commission income	192	268
Total Non-Interest Income	627	846

Impairment Charges

Impairment charges during the year decreased by LKR 649 Mn, denoting a reduction of 86% over the previous year. This decrease is attributable to the commendable efforts displayed by our collection teams as well as to our robust credit granting approach.

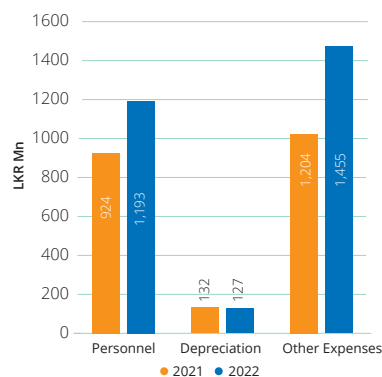
The Company's estimated Expected Credit Loss (ECL) was based on the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA) after applying the forecasts and projections published by the Central Bank of Sri Lanka and International Monetary Fund with an assumption leading to adversity of the economy by increasing the worst-case and projected growth rates.

Further given the high degree of uncertainty and unprecedented circumstances in the macro-economic outlook, a significant amount of additional ECL provisions were also made using management overlays along with the modelled ECL provisions to ensure that the overall ECL provisions are adequate to cover unseen risk factors within the uncertain and highly volatile environment.

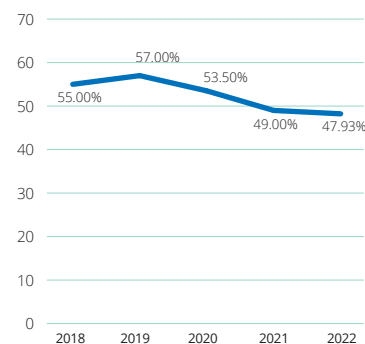
Cost Management

The Company's operating expenses increased by 23% compared to the previous year. This increase mainly resulted from personnel expenses which grew by 29% due to the bonus provisions made during the year in appreciation of the staff who performed exceptionally well under very challenging circumstances and the increase in other operating expenses in line with business growth.

Operating Expenses



Cost to Income



Nonetheless, the Company managed to bring down its cost to income ratio (Operating Expenses (Excl. FSVAT) / Operating Income) to 47.93 % during the financial year.

Taxation

During the financial year the Company contributed LKR 1,186 Mn to government revenue by way of taxes. This consists of LKR 456 Mn paid on value added tax on financial services and LKR 730 Mn paid on income taxation.

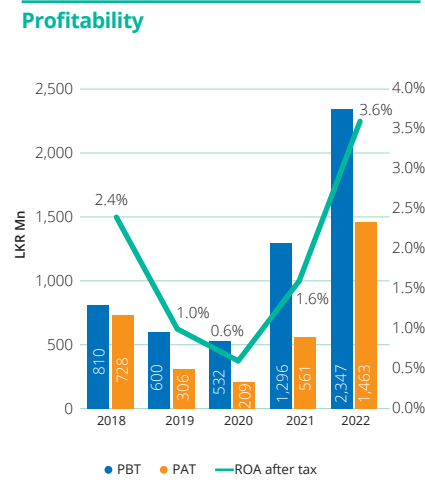
The effective income tax rate reduced to 38.11 % in 2021/22 from 56.72 % in 2020/21.

The Company's approach towards taxation is to safeguard itself against unfavorable tax outcomes resulting from a tax determined on prior years tax liabilities.

Capital Management Review

The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Profitability



AFC reached a milestone in growth of profit after tax surpassing LKR 1.4 Bn during the financial year. The rise in profit primarily reflects the impact of the increase in net interest income, effective credit cost management resulting in reduced impairment charges and effective management of other cost structures.

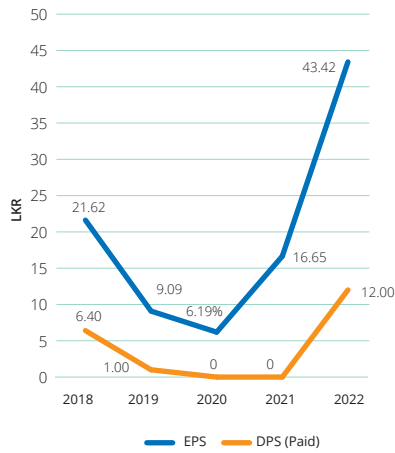
Shareholder Value

Earnings Per Share (EPS) increased to LKR 43.42 in 2021/22 from LKR 16.65 in 2020/21 and dividend per share paid during the year 2021/22 is LKR 12.

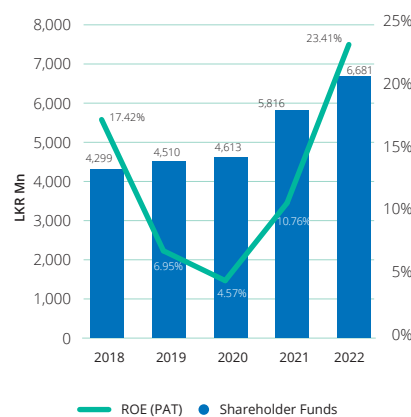
As of the last trading date of March 2022, AFC's share price stood at LKR 70.40.

Accordingly, increased investor confidence on AFC's sustainability driven business mandate that showed superior returns to its investors was portrayed through this appreciation of the share price during the financial year.

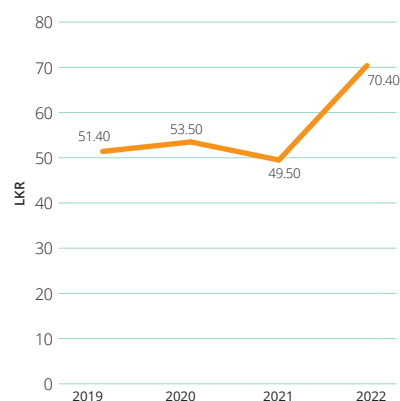
EPS & DPS (Paid)



Shareholder Funds and ROE (PAT)



Share Price



Financial Position

Total Assets

Total asset base of the Company grew by 41% compared to the previous year. Total asset growth has been predominantly driven by the portfolio growth of 51% during the year in comparison to the previous year. 84% of total assets of the Company represents the lending portfolio followed by fixed assets, investment property and intangibles representing 5.7% and other investment assets representing 4%.

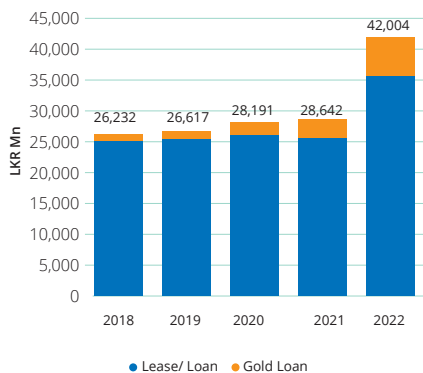
Portfolio Growth and Assets Quality

The loans and advances of the Company grew by 51% during 2021/22 compared to the last year. This substantial growth resulted from the swift identification of financial needs of our customers when they needed it the most during the challenging times and was partly driven by the credit demand due to the low interest rates which prevailed in the country for affordable financing. Capitalizing on high demand for loans secured by gold, the Company's gold loan portfolio showed a significant increase of 107% during the year. Micro finance loans and pledge loans reflected a gradual decrease as a result of the Company's strategic decision to scale back on high-risk lending.

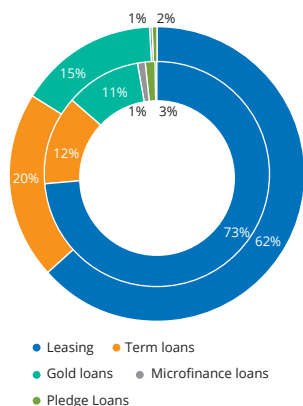
Company's Gold Loan portfolio showed a significant increase of

107%
DURING THE YEAR

Gross Portfolio



Portfolio composition



Gross NPL and net NPL ratios of the Company decreased to 3.64% and 1.26% respectively from 8.4% and 1.4% reported as of 31st March 2021. Further, the absolute non-performing loans witnessed a praiseworthy reduction of 58% compared with that of the last year. Non-performing loans at the end of financial year amounted to LKR 1.52 Bn compared to LKR 2.41 Bn last year .

Despite the increased quality witnessed in the portfolio, conservative provisioning policy was followed by the Company to cover up the shocks that would arise from the potential weakening of the

macro- economic conditions and the value of collaterals due to the inflated vehicle prices in the market. The Company recorded a strong provision coverage ratio of 111% in 2021/22 against 84% in 2020/21 on its 180-day NPLs.

Expected credit loss provision is carried out by the Company using the model developed in line with the Company's Impairment Policy which includes provisions for individual impairment and collective impairment based on groups of assets that have similar characteristics. The Company has used the rebuttable presumption allowed by SLFRS 9 using the historical data in determining the portfolio. Stage 1 represents the facilities in arrears 0-90 days , Stage 2 represents facilities in arrears 91-179 days and Stage 3 represents facilities in arrears above 180 days.

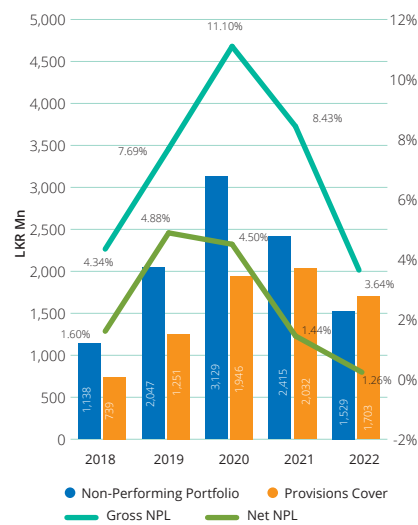
At the end of financial year 88.37% of total portfolio remained in Stage 1 while 6.68% and 4.95% remained in Stage 2 and 3 respectively. Total impairment provision representing LKR 1.7 bn includes LKR 888 Mn built on individually identified impaired loans.

Corresponding to the significant improvement in collections, modelled impairment recorded a considerable amount of reversal for the current financial year. However, having considering the economic outlook which doesn't seem to be conducive , the Company recorded an additional impairment provision by way of Management overlays. Further, certain customers who have obtained moratoria were also considered for individual evaluation although the moratorium period was over. In deciding the value of collaterals on individually identified loans, the Company also followed a conservative approach.

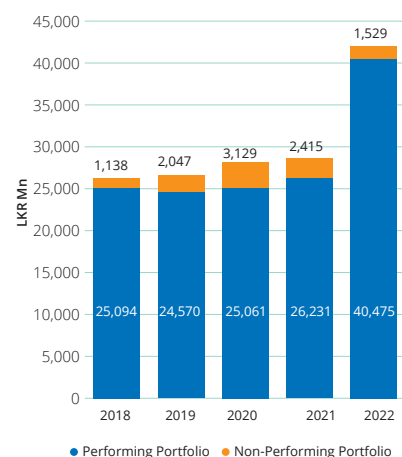
In line with the Finance Business Act Direction No 01 of 2020, the Company has taken necessary steps to classify its customers with more than 90 days arrears to Stage 3 and more than 30 days in arrears customers to Stage 2 w.e.f the next financial year.

During the year, written-off-loans amounted to LKR 236 Mn.

Portfolio Quality



Portfolio Quality



Capital Management Review

IMPAIRMENT AS AT 31.03.2022

LKR Mn	Gross Portfolio		Impairment			
	Value	%	Individual	Collective	Total Impairment	%
STAGE 1	37,119	88.4%	-	442	442	25.9%
STAGE 2	2,804	6.6%	-	133	133	7.8%
STAGE 3	2,082	5.0%	888	240	1,128	66.2%
	42,005	100%	888	815	1,703	100%

IMPAIRMENT EXPENSES

LKR Mn	Gross Portfolio		Impairment			
	Value	%	Individual	Collective	Total Impairment	%
STAGE 1	37,119	88.4%	-	199	199	194%
STAGE 2	2,804	6.6%	-	(16)	(16)	-15%
STAGE 3	2,082	5.0%	(22)	(294)	(316)	-309%
	42,005	100%	(22)	(111)	(133)	
WRITE OFFs					236	230%
Impairment Expense					103	100%

Property, Plant and Equipment ,Investment Property and Intangible Assets

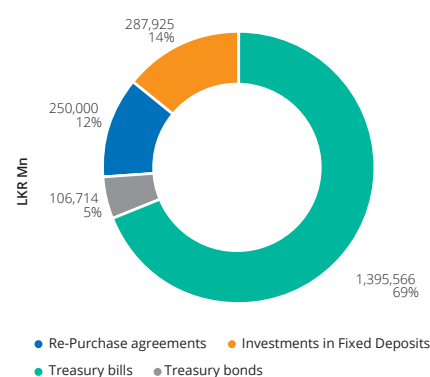
82% of the Company's property, plant and equipment consists of freehold land and buildings. During the financial year AFC sold a part of its investment property (held at fair value) located at Rajagiriya at a disposal value of LKR 524.5 Mn. The total gain on this transaction was of LKR 463 Mn out of which LKR 67 Mn was accounted for under other operating income in the current year's Income Statement and LKR 396 Mn had already been accounted through reserves that reflects gains on price appreciations. The favorable impact to the core capital ratios with this transaction is 1.2%.

In 2022, the Company signed up with LinearSix (Pvt) Ltd. and ZILLIONE Technologies to implement its core banking system. The Company considers this to be a significant milestone in its digitalization journey and this system transformation is expected to

significantly bring down non value adding operating expenses while allowing AFC customers to experience an unmatched customer service with a varied product mix. Total project completion as of the end of the financial year is 30% and total expenditure incurred during the financial year on this is LKR 68 Mn.

Investments in Other Financial Assets

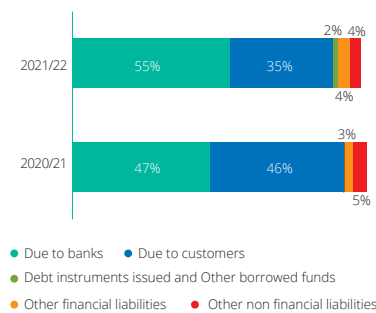
Investments in Other Financial Assets



Investments in other financial assets include LKR 2,642 Mn, which form a part of the liquid assets requirement by CBSL. In addition, the Company's treasury division has taken steps to maximize returns on temporary positions of cash and bank balances.

Liabilities

Liability Composition



Out of the total liabilities, 55% represents local and foreign borrowings while 35% represents deposits from customers. Debt instruments represent outstanding

value of subordinated debt. Other financial liabilities include accruals, financial debts and creditors and non-financial liabilities include income tax, deferred tax and retirement benefit liabilities.

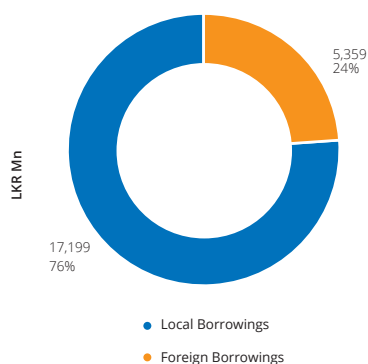
Borrowings

Bank borrowings represents 59% of the total external funding base of the Company. 24% out of total borrowings represented foreign borrowings, amounting to LKR 5,359 Mn.

During the financial year the Company's treasury managed to raise LKR 27 Bn by way of new borrowings to support business growth.

This includes LKR 1Bn subordinated debt in Tier II Capital raised with the aim of strengthening the regulatory capital of the Company to financially empower and facilitate the development of the micro, small and medium enterprise sector in Sri Lanka. The Tier II subordinated debt has a tenure of 5 years with bullet re-payment at maturity.

Bank Borrowings Composition

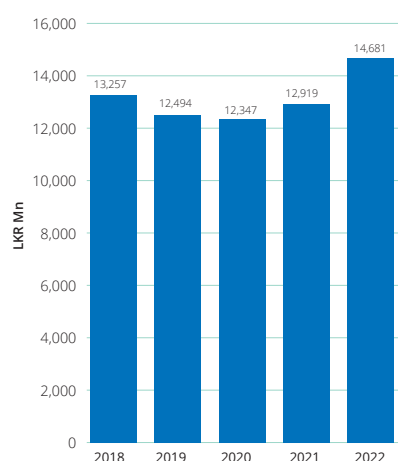


The Company also received USD 10 Mn from the Dutch Entrepreneurial Development Bank (FMO) as part of a long-term financing facility to expand its growing portfolio of MSME business and

secured another USD 5 Mn medium term loan facility from the Enabling Microfinance Fund (EMF), being EMF's first ever credit disbursement to the country. The lender was advised by Swiss based Enabling Capital S.A. The funding is earmarked for onward lending to MSMEs.

Time Deposits

Time Deposits



Time deposits play an important role for the business and represents 38.53% of total external funding base of the Company.

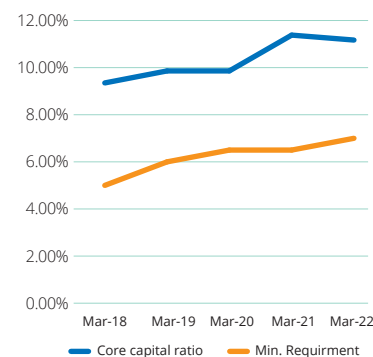
The Company maintained a strong deposit renewal ratio of 87% showcasing deposit customers confidence and loyalty towards the AFC franchise and AFC was able to record a 13.6% time deposits growth in 2021/22.

With a diversified mix of local, foreign funding and deposit liabilities, the Company successfully reduced its maturity mismatch which is inherent in the industry.

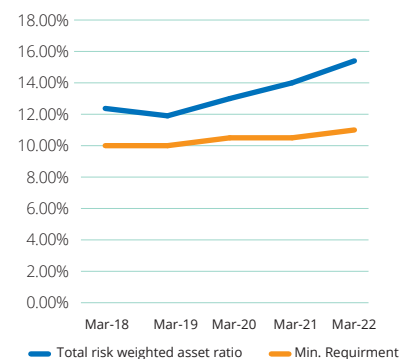
Capital Position

The Company remained capitalized with Tier 1 and overall risk weighted capital adequacy ratios well above the regulatory limits, at 11.67% and 15.07% respectively as of 31st March 2022.

Tier 1 Capital Ratio



Total Capital Ratio



Manufactured Capital

GRI 102-4	GRI 102-6	GRI 102-7
GRI 103-2	GRI 103-3	

Our manufactured capital comprises of the infrastructure developed by the Company which includes investment property, freehold land and buildings, equipment, furniture and fittings, motor vehicles and IT infrastructure. During the year we focused on developing our physical and digital infrastructure to support current business activities, meet future challenges and deliver a superior service to our customers.



Link to material issues

- Sustainable Development
- Sustainable business practices
- Innovation and digitization
- Customer attraction and retention

Value delivered

16

BRANCH RE-LOCATIONS

24

BRANCHES WERE NEWLY BRANDED

LKR **36** Mn

branch refurbishments

40

Collection centres converted to Fully fledged branches

LKR **238** Mn

INVESTMENT IN PPE

Key priorities



INCREASE FINANCIAL ACCESS



DIGITIZATION



CUSTOMER CONVENIENCE



DATA SECURITY



INCREASE FINANCIAL INCLUSION

Key takeaways for 2022

- Increase outreach to rural and marginalized areas; one location per branch to increase finance access and inclusion
- Introduce the virtual branch concept to rural marginalized locations
- Increase the outreach to 86 fully fledged branches
- Complete the implementation of the Core IT system and go live, full scale
- Strengthen data security and governance protocols to accommodate the requirements of the new Core Banking solution

SDG Focus

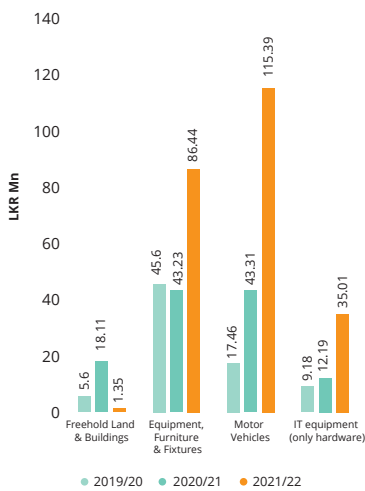


Physical infrastructure

As at 31st March 2022, AFC's manufactured capital amounted to LKR 2,502 Mn (2021: LKR 2,378Mn) Investments to the value of LKR 238 Mn were made during the year on property, plant and equipment (PPE) posting a 104% year-on-year growth.

In terms of ensuring the safety of our physical infrastructure the Company has in place a comprehensive policy for safeguarding assets as well as robust system downtime resolution procedures.

Investment in Manufactured Capital



Our branch network

AFC operates with a network of 94 branches and a marketing force of 536 people, spanning across every district of the country. This extensive branch network plays a major role in driving business growth by strengthening our brand visibility and enhancing our accessibility to deliver products and services.

Our branch network remained fully operational during the year under

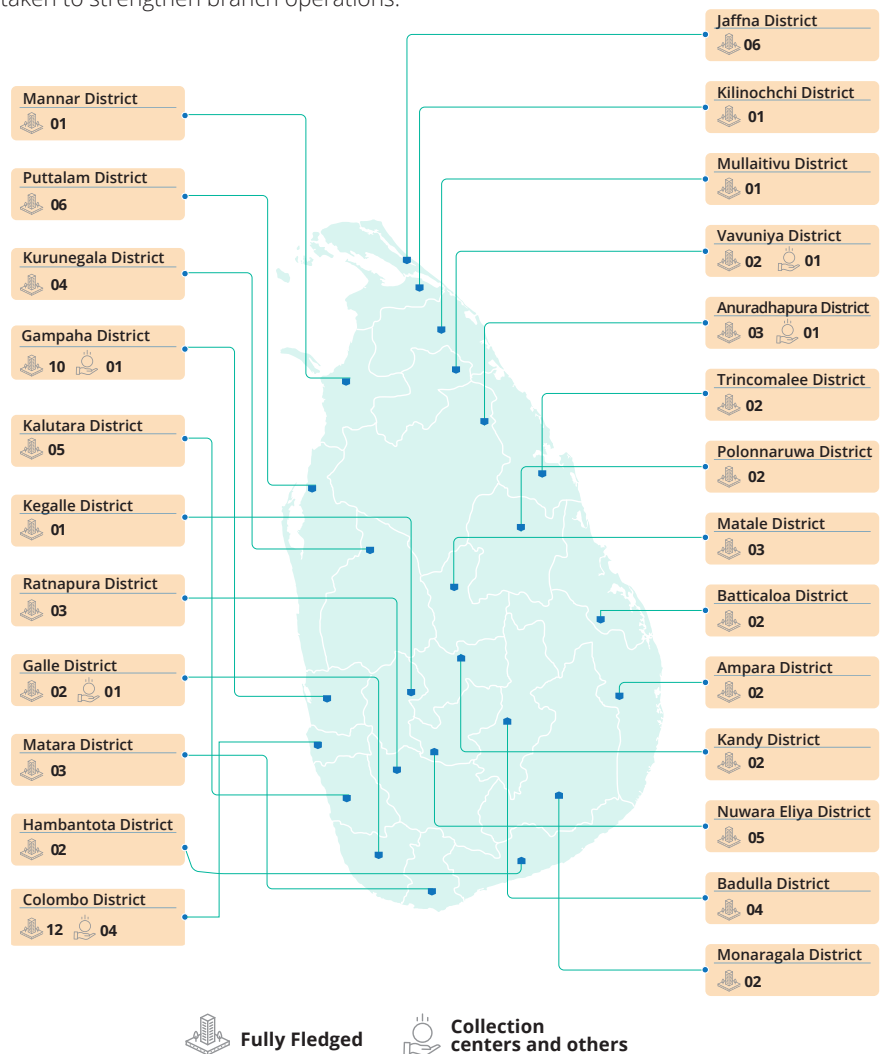
review, ensuring uninterrupted services to customers even during the periods of lockdown. Given the macro-economic uncertainty, we did not expand our geographical footprint during the year as planned but instead focused more on converting 40 of our collection centers to fully fledged branches and newly branded 24 branches. 6 branches were relocated to more viable locations to provide greater accessibility and convenience to our customers. Additionally, 17 gold loan centers were newly opened and the product was expanded to the 40 new fully fledged branches. Apart from the above physical developments the following actions were taken to strengthen branch operations.

86
Fully fledged branches

01
Gold loan center

07
Collection centers and others

- Expanded our regional network
- Improved cross selling activities through fully fledged branches
- Revamped the dealer management process and operations
- Expanded Auto Sure vehicle trading operations to branches

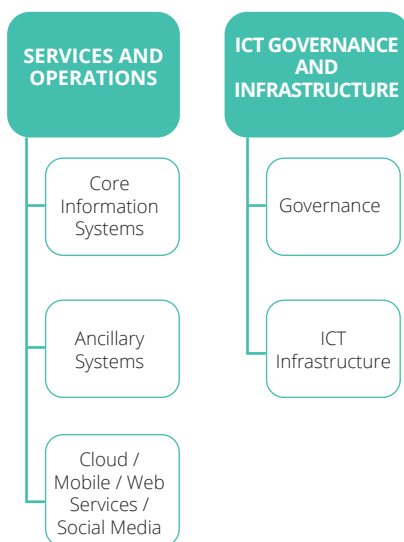


Capital Management Review

Digital infrastructure



Operating amidst the pandemic for the second consecutive year, uplifting digital channels became increasingly crucial with greater demands arising through work-from-home, systems security and digital finance solutions. We identified the criticality of system resilience in order to function efficiently and effectively, and established robust IT protocols to better manage our resources.



Our digital strategy

AFC established a two-fold strategy focusing on 'services and operations' as well as 'ICT governance and infrastructure' to leverage its digital capabilities with the view to enhance value creation while strengthening the Company's competitive position, agility and resilience.

IT governance

With greater investments being directed towards strengthening the Company's IT infrastructure, AFC has recognized the importance of having a comprehensive IT governance framework in place with clear policies and proper segregation of responsibilities. Accordingly, the role of the Chief Information Officer (CIO) was introduced in 2021 to oversee the execution of the overall IT strategy, with primary focus on the implementation of the core banking system and other digital infrastructure projects. We also have a skilled IT team that monitors and controls IT risks and supports the digital aspirations of the Company.

The policies and processes listed below were upgraded during the year in line with our renewed digital strategy.

- Information Classification Policy
- Email, Internet and End-User Policy
- Network Management
- Change Management Policy
- Change Management Process
- Obsolescence Policy for ICT Equipment
- IT Department Asset Disposal Policy and Procedure
- Log Management
- Supplier Relationship Management
- Improvements in the DR Policy
- Improvements in the User Access Policy

- Improvement to formatting and Syntaxes

Key IT developments

The IT projects that have already been launched and those proposed are expected to facilitate up-to-date processing of reliable information, user friendliness, convenience, data accessibility & control, data protection & security and meet our stakeholders' information and service expectations.

Short term to medium term projects

- ♥ Implementation of the Core Banking Solution for Fixed Deposits and Savings, Leasing and Loans, Legal, General Ledger, Gold Loans, Advanced Collection and Call Centre operations
- ♥ Branch network to be upgraded to SDWAN
- ♥ Migrating the entire AFC data Center to Dialog Cloud
- ♥ Launch of a Customer Relationship Management System (CRM)
- ♥ Implementing digital marketing channels for customers and employees

Medium term to long term projects

- ♥ Document Management System to facilitate work-flow based approvals, digital signatures and a paperless office
- ♥ Robotic Process Automation
- ♥ Data Analytics Solution for Data Warehousing incorporating Predictive Analysis, Business Intelligence and Data Visualisation tools
- ♥ Customer Credit Scoring (Automated Credit Scoring for Lending using AI / ML)

- ♥ Promoting Branchless Operations
 - Mobile App based Customer Onboarding including eKYC, Mobile App based Collections, Electronic Purchase Orders
- ♥ Digital Wallet -POS based Merchant Payments, NFC based Merchant Payments, QR based Merchant Payments
- ♥ Digital Banking front-end
- ♥ Peer to Peer Lending -Online Digital Lending Platform that matches lenders with borrowers

Continuous projects

- ♥ Cyber Security and GRC related enhancements
- ♥ Wireless networking
- ♥ Virtual desktop integration for better security and mobility
- ♥ Standardizing hardware and software procurements
- ♥ Improved IT Help Desk
- ♥ Continuous training and development of IT and other staff
- ♥ Improved IT asset management process

Data security

With the increasing thrust towards digitalization the Company directed greater focus towards enhancing and strengthening its IT and cyber-security risk protocols. Accordingly, the Company implemented a comprehensive solution to monitor and analyze firewall traffic for suspicious activities and signed non-disclosure agreements (NDAs) with around 11 System Vendors in line with the CBSL Guidelines. A phased out plan was established to strengthen the data security and stability of the IT systems which includes the following features.

- Multi-layered Security Design
- Multi-factor Authentication Services, for better security for user access
- Jump Server -for remote access and manage devices in separate security zones
- System Change Tracking and Incident Logging – to track changes done to the System Architecture and Configuration and to log security Incidents.
- Privileged Access Management, allows the Company to control and monitor the activity of privileged users through monitoring their digital footprints
- Log Management Server – for collecting, aggregating, centralizing, and analyzing log data from network servers and generating alerts



- Web Access Firewall – to screen Internet Traffic
- Security Operating Center– for 24/7 monitoring and prevention of suspicious network activity
- Security Information and Event Management (SIEM) solution – to provide real-time analysis of security alerts generated by applications and network hardware.

Intellectual Capital

GRI 102-2 | GRI 102-16 | GRI 103-2
GRI 103-3

Intangible components such as brand value, tacit knowledge and skills, systems, structures & processes, innovation & digitalization, corporate culture, values & ethics are the key elements of our intellectual capital. Our intellectual capital is a driving force behind our value creation, competitive edge, commercial and social viability which supports us to keep abreast of global and local developments.

Link to material issues

- Sustainable Development
- Innovation and digitization
- Business Ethics
- Reputation and brand value

Value delivered

LKR 70 Mn

spent on system upgrades

LKR 81.1 Mn

spent on marketing campaigns to increase brand awareness

Key takeaways for 2022

- Improve the brand architecture to reinforce the brand identity and visibility
- Enhance the technology and data capabilities of our team



Key priorities



PROCESS INNOVATION



BRAND IDENTITY



ETHICS AND INTEGRITY



REGULATORY COMPLIANCE



GOODWILL AND TRUST

Our brand

As the country's oldest financial institution we are proud of the legacy we have created as a strong, responsible and reliable brand in the financial service market in Sri Lanka. During our journey of 66 years we have served a diverse clientele, both businesses (including SME & MSME's) and individuals to enhance their lives and aspirations through trust, stability and strength. We have had the privilege of serving over four generations of loyal customers which bears testimony to our service excellence and brand image. Despite the challenging conditions of the year, AFC's ability to promptly respond to evolving dynamics enabled it to strengthen and fortify its brand position.

SDG Focus



Brand achievements

Top 100 Most Valuable Consumer Brands in Sri Lanka by LMD. AFC improved their brand ranking from 60th place (2021) to 55th Place in 2022.

Year	Ranking	Brand Value LKR Mn.	Change	Brand Rating
2021	60	1,184		A-
2022	55	1,347	14%	AA-

Brand value LKR 1,347 Mn (Brands Annual 2022)

Credit Rating reaffirmed as BBB- (SL)-negative outlook ICRA Lanka

Accredited with ISO 22301:2012 (Quality Management Systems) and BSI 25999

Brand strengthening

Systematic dissemination of press releases as a part of corporate communications, increased the corporate awareness in terms of product, sustainability and corporate social responsibility initiatives.

Physical promotion campaigns

- 2 leasing campaigns were conducted for 3 wheelers and 4 wheel vehicles.




- 2 gold loan campaigns including the new product "COVID AFC Ran sahana malla".

- ATL Campaign for fixed deposits.

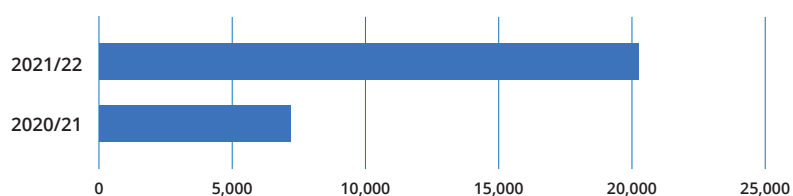
Digital marketing drive increased with campaigns conducted via the social media platforms.

Dealer relationship management strategy was initiated to increase business relationships with dealers and increase brand visibility in order to promote the leasing business.

Social media footprint

	2020/21	2021/22	Growth %
	7,184	20,239	182
	2,913		
		527	

Facebook



Tacit knowledge

Tacit knowledge is built and passed down through years of experience. For AFC with its 66+ year tradition of nurturing and mentoring people, tacit knowledge is a significant part of its intellectual capital that is immeasurable. We firmly believe that a skillful workforce who are experienced and well-trained is critical for sustainable value creation. Over the years, we have retained many of our employees who have warmly welcomed the new recruits, passing on the culture of AFC and its tacit knowledge. We encourage a culture of continuous learning and development and knowledge sharing to nurture the tacit knowledge of the Company and focus on continually upgrading the skills of our employees.

Systems, structures and processes

Amidst challenging and uncertain times, minimizing operational disruptions and maintaining reliable information systems for up-to-date reporting and coordination is critical. Having the right information, in the right form at the right time facilitates better decision making and better management of the Company. AFC has a comprehensive suite of processes, systems and procedures which clearly set out responsibilities and outline the principles to guide decision making, achieve our business strategy and deliver business promises. During the year, the Company took necessary initiatives to upgrade its systems and strengthen the compliance processes and internal control structures.

Driving innovation

The COVID-19 pandemic has focused attention on the critical importance of innovation in differentiating our offering and remaining competitive. In support of this we concentrated on our digital marketing efforts and tied up with reputed IT service providers on Digital Lead Generation platforms, where loans and lease facilities can be obtained via digital platforms. Currently, we have

Capital Management Review

Capitalized on 'mybank wealth' and 'bankmyfare' digital platforms for this purpose.

The Company's social media drive synchronized with AFC's advertising thrust which was not limited to a specific time, place or physical campaigns. A continuous rise is depicted in touchpoints as evident by the number of posts, customer engagement with likes and product promotions via Facebook, Instagram, Youtube and LinkedIn.

Improvements were made to our Digitizing our cash handling process was a game changer as it provided an opportunity for remote working employees to carry out their day-to-day business operations smoothly and effectively without delays during lockdowns.

Corporate culture, values and ethics

The purpose of AFC is to 'Make the world a better place through sustainable finance'. Our corporate culture enriched by our core values of trust, teamwork, ethics, accountability, respect and innovation advocates our purpose. We have operated this way and lived by these values over the six decades the Company has grown and prospered. Our corporate values are inculcated amongst our staff through various means such as training programs, policies and procedures, control mechanisms, performance management, management, and other events that foster fellowship, team spirit and camaraderie.

AFC's governance structures and processes confirm that our business operations comply with mandatory rules and regulations stipulated by regulatory authorities and governing bodies. The

Company assures that appropriate reporting lines and structures are duly established facilitating ethical conduct and transparency across the overall operation. The Company's HR policies ensure that everyone conforms to the values and policies while exhibiting ethical conduct and transparency.

During the year, there were no incidents of non-compliance with the laws and regulations governing the Company.

Awards and recognition

Awards and accreditations received by the Company speak volumes of the strength of our Intellectual Capital and the brand we have built over this journey of 66 years. During the year, the Company received the following awards endorsing our commitment to sustainability, corporate governance and the contribution to the country.

- Merit award for Outstanding Development Project under Corporate Social Responsibility category, for the 'One Million Trees for Unity' project, Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) Awards 2021, Philippines
- Special award for the Best Sustainability Report by the Association of Development Finance Institutions in

Asia and the Pacific (ADFIAP) Awards 2021, Philippines

- Award for the outstanding sustainable project finance, Karlsruhe Sustainable Finance Awards 2021, Germany
- Appreciation award for the most contributing non-government institute of Sri Lanka 2021, awarded by the State Ministry of Rural Roads and Other Infrastructure Sri Lanka
- Best presented annual report awards, Integrated reporting awards and SAARC anniversary award for governance disclosure 2020 - Joint second runner up - Finance Service Category, South Asian Federation of Accountants (SAFA) Awards 2021, Sri Lanka
- Winner in the Insurance and Finance sector category, ACCA Sustainability Reporting Awards 2021, Sri Lanka
- Top ten Winner - Best Management Practices Company Awards 2022, awarded by the Institute of Chartered Professional Managers of Sri Lanka
- Runner-up in the NBFI sector category at National Business Excellence Awards 2022, National Chamber of Commerce, Sri Lanka

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
- Agenda 2030 and Paris Climate Agreement - Karlsruhe Resolution
- GRI Standard and Integrated Reporting framework

Human Capital

GRI 102-08	GRI 102-11	GRI 102-17
GRI 103-2	GRI 103-3	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	

Crucial to our transformation and sustained growth is building an organizational rhythm that empowers employees to deliver positive results. This involves clearly communicating our purpose and priorities to employees, ensuring they understand the importance of change, and giving them the necessary opportunities, tools and skills to do so. We closely monitor the well-being of our employees and thus, ensuring the safety of our team continued to be a topmost priority this year as the COVID-19 pandemic trickled down to a second consecutive year

Link to material issues

- Talent attraction and retention
- People development
- Non-discrimination
- Reputation and brand value
- Stakeholder satisfaction and transparency
- Business ethics
- Innovation and digitization
- Energy efficiency

Key takeaways for 2022

- Retain right talent to help our corporate mandate
- Improve the productivity of the company by right-sizing
- Develop the AFC brand as a responsible employer in the industry that values high level of



business ethics and sustainable finance philosophy

- Succession planning to ensure business continuity and develop next level of leaders
- Improve employee engagement events at branch and regional level.
- Well defined and structured career pathways

Value delivered
LKR 1.92Bn

Value created to employees

LKR 3.1Mn
 Investment in training

8,187
 Total training hours

137
 No. of promotions

Key priorities

TOP TALENT RETENTION

TRAINING AND DEVELOPMENT

HEALTH AND SAFETY

EMPLOYEE MOTIVATION AND SATISFACTION

EMPLOYEE ENGAGEMENT

SDG Focus

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Capital Management Review

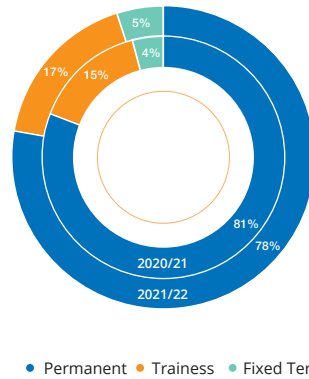
HR Governance

The Board approved HR strategy, policies and procedures, local labor legislation, industry best practices and human rights underpin our approach to building a high-performing team. The Board Remuneration Committee assists the Board and provides recommendations on human resource related matters while reviewing and monitoring the Company's compliance with regulatory requirements. The Chief People's Officer bears responsibility of executing the HR strategy and is supported by a team of HR professionals.

Our team

Our team comprises of 1,552 diverse and dedicated employees who are our most valuable asset and the driving force behind our many achievements. All our employees are engaged on a full time basis.

Employee composition by contract type

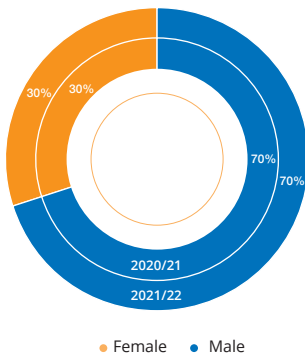


attracting highly skilled professionals and retaining its valuable talent pool. We encourage the recruitment of young and ambitious individuals who bring innovative ideas to the table and guide them with the required coaching and mentoring to develop their careers. We also offer opportunities for prospective employees to join the closest branches as this fosters good relationships with the communities we operate in and provides convenience to our employees by reducing their cost and time spent on travelling. Our branch network spans all districts and our workforce is dispersed across the country, supporting our vision of contributing to the Nation's economy by minimizing geographic disparity in income distribution. We continued to carry out the shortlisting of candidates online and limiting physical interviews to the final round.

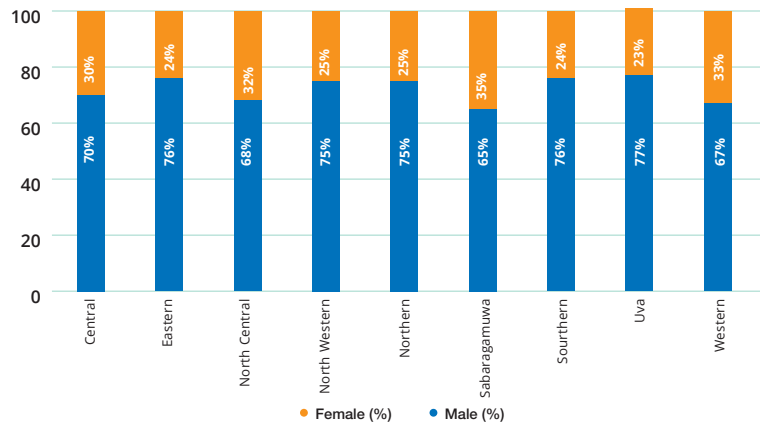
Employee mobility

Having the right talent makes a significant difference in terms of staying abreast in a highly competitive industry. Thus, AFC places great emphasis on

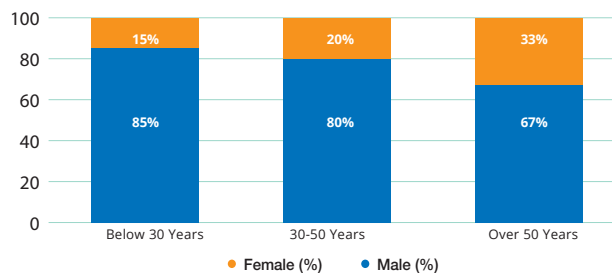
Total Workforce by Gender



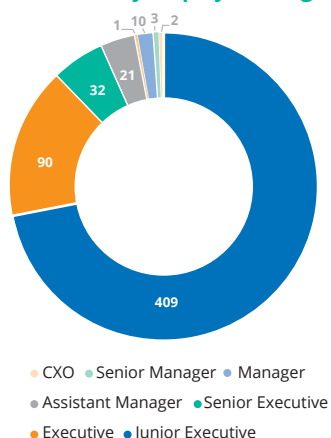
New recruits by gender and region



Recruitment Composition- Age and gender



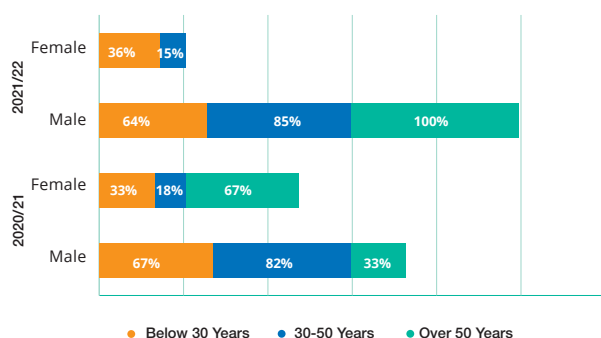
New recruits by employee category



Turnover by gender and region

Province	2021/22			2020/21		
	Male	Female	Total	Male	Female	Total
Central	28	12	40	42	18	60
Eastern	10	3	13	25	8	33
Sabaragamuwa	15	5	20	19	9	28
Southern	9	4	13	46	15	61
North Central	20	7	27	53	18	71
North Western	23	13	36	13	7	20
Northern	20	8	28	26	8	34
Uva	11	6	17	17	5	22
Western	101	42	143	159	80	239
Total	237	100	337	400	168	568

New recruits by gender and region



Turnover by employment category

Employment Category	Turnover %	Employment Category	Turnover %
Director	0.00%	Assistant Manager	0.97%
CXO	0.00%	Senior Executive	1.68%
Assistant General Manager	0.00%	Executive	4.25%
Senior Manager	0.19%	Junior Executive	13.66%
Manager	0.71%	Minor	0.26%
Overall turnover - 23.29%			

Training and development

Due to the resurgence of the COVID-19 pandemic we could not carry out any training activities physically this year as well. However, from time to time we assessed the training needs of our staff and arranged virtual training programs based on identified specific requirements. Despite being constrained by the pandemic, we managed to complete a fair amount of training programs to help our team stay up to date with the latest industry trends, regulatory changes and evolving consumer preferences. Total investment in training and development for the year marked an increase during 2021/22 amounting to LKR 3.05Mn (2020/21: LKR. 1.85 Mn).

Summary	2020/21	2021/22	Change
No. of staff that received training	641	846	205
No. of training programs conducted	47	50	3
Total investment in training programmes as at March 31 (LKR'000)	1,851	3,047	1,195
Total of training hours (Internal/External)	5,779	8,186	2,407
Average training hours per employee	3.89	5.27	1.38

Capital Management Review

Type of training	No. of Training Programs	No. of Participants
Business Operations related trainings including sustainability	31	1,305
Business strategy trainings	5	46
IT/Software training	1	3
Soft skills development training	2	7
Customer Care training	2	122
Other	9	31
Total	50	1,514

Average hours of training by gender and employment category

Employment Type	Average training hours/employee			
	2021/22		2020/21	
	Male	Female	Male	Female
Director	2	-	7	-
CXO	6	-	-	-
Assistant General Manager	2	28	35	30
Senior Manager	9	-	17	-
Manager	12	4	10	9
Assistant Manager	8	12	10	9
Senior Executive	10	20	7	11
Executive	9	12	6	6
Junior Executive	7	12	8	13
Minor	7	-	2	-
Average training hours per employee:	8	13	8	12

Number of employees received training by gender and employee category

Employment Type	No of employees received trainings			
	2021/22		2020/21	
	Male	Female	Male	Female
Director	1	-	2	-
CXO	1	-	-	-
Assistant General Manager	2	2	3	2
Senior Manager	13	-	7	-
Manager	54	4	48	2
Assistant Manager	52	7	42	5
Senior Executive	87	18	46	5
Executive	148	37	119	32
Junior Executive	248	171	223	104
Minor	1	-	1	-
Grand Total	607	239	491	150

Rewards and recognition

Rewards and remuneration are based on a transparent and well-defined performance evaluation system to nurture a performance driven culture. Our employee performance management system evaluates the employee on individual Key Performance Indicators (KPIs) and set goals. Employees are appraised bi-annually and rewarded based on the outcome of the assessment and their achievements. During 2021/22 we introduced the concept of pre-announcing bonuses so that employees were aware of the return their efforts would yield. Thus, while displaying our gratitude towards top achievers, we were able to maintain a high level of employee morale and encourage employees to reach higher standards of performance.

Benefits provided

- Private Provident Fund (contributes double the statutory requirement)
- The Company contributes to gratuity (contributes 4 times the statutory requirement)
- Profit sharing bonus scheme
- Recognition and rewarding of top performers
- Awards and appreciation events for business excellence. Maintaining an open door policy
- Keeping a continuous and friendly dialogue with all the employees
- Fellowship events to facilitate cultural exchange and team-building

Employees receiving regular performance and career development reviews

Category	2021/22	2020/21
No. of employees as at March	1,342	1,265
No. Eligible for Annual Appraisal	1,040	1,086

Gender wise eligible cadre	2021/22		2020/21	
	No	%	No	%
Male	736	54.84%	766	60.55%
Female	304	22.65%	320	29.47%
Total	1,040	77.50%	1,086	85.85%

Grade wise eligible cadre	2021/22		2020/21	
	No	%	No	%
Director	4	0.30%	4	0.32%
CXO	3	0.22%	6	0.47%
Assistant General Manager	9	0.67%	4	0.32%
Senior Manager	12	0.89%	11	0.87%
Manager	67	4.99%	66	5.22%
Assistant Manager	84	6.26%	87	6.88%
Senior Executive	125	9.31%	125	9.88%
Executive	277	20.64%	312	24.66%
Junior Executive	445	33.16%	463	36.60%
Minor	14	1.04%	8	0.63%
Grand Total	1,040	77.50%	1,086	85.85%

Safety and wellbeing

Keeping our employees safe in the midst of recurring waves of the pandemic was one of our top priorities. From time to time we took necessary measures to assess the situation and implemented preventive protocols to reduce the spread and maintain business continuity. Our hybrid work model continued through the year facilitating a healthy and productive balance between office based and remote working.

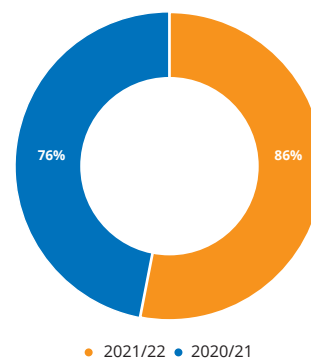
PCR and antigen tests were arranged upon request for employees who were infected by the pandemic at the expense of the Company. Oxymeters and sanitization supplies were provided and an essential food and medicine hamper worth LKR 10,000 was sent to their homes as a gesture of care and concern.

COVID-19 safety initiatives

- Implementation of work rosters and work from home arrangements
- Special transportation services for the staff who use public transport
- Temperature checks and sanitization facilities
- Thorough sanitization of premises
- Maintained social distancing measures throughout

Necessary precautions are established to prevent any accidents or health issues occurring at work. All safety equipment have been installed and training on safety is carried out on a periodic basis. Furthermore, safety audits are

Eligible cadre for Annual Appraisal



conducted to ensure that all safety standards are being adhered to.

Grievance handling

AFC maintains an open-door culture allowing employees to come forward with their grievances and concerns. Grievances are initially to be communicated to the immediate supervisor and subsequently to the HR division. Any issues which cannot be adequately addressed at this level will be escalated through the management levels as per the Grievance Handling Procedure of our company.

Our Board approved Whistle-blower Policy 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.

Engagement

During the year the Company formed two new committees, the Executive Committee (EXCO) and the Innovation Committee to drive business operations and the innovation mandate. Both

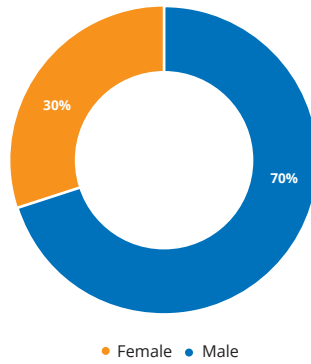
Capital Management Review

committees consist of a cross functional team from branch level to CXO level that represents operational and shared service departments to facilitate overall as well as innovation performance of the company.

During the latter part of 2021, when the COVID -19 threat was lessening, the Company restarted its Townhall meetings. This is a meeting arranged to facilitate the branch, regional and head office level employees representing all departments to meet the top management to discuss their ideas, opinions and grievances. Considering the importance of this engagement, two meetings were conducted per week. Apart from that, the regular meetings such as branch and regional level meetings and performance reviews were conducted as planned bi-weekly and monthly.

Due to the prevailing condition we could not organize any company-wide gatherings or fellowship events for our staff during the year. As an alternative, we provided financial assistance to our staff to arrange trips on a departmental level to give them an opportunity to enjoy and uplift their spirits.

Diversity and inclusion



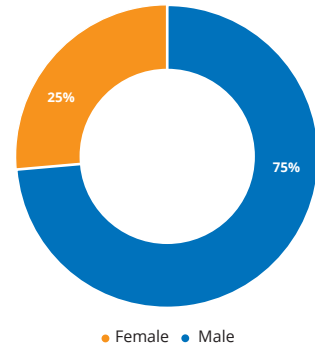
Our approach to diversity and inclusion is designed to ensure our policies and actions permeate all areas and levels of the Company. Together with the Company's leadership, AFC's employees and other stakeholders work towards building an inclusive and diverse organization. Our workforce holds a healthy balance in terms of age, geographical distribution and ethnicity, portraying our culture of inclusivity and equal opportunity.

Key policies that advocate diversity and inclusion at AFC

- Ethics and integrity policy /AFC Code of Conduct
- Sustainability policy

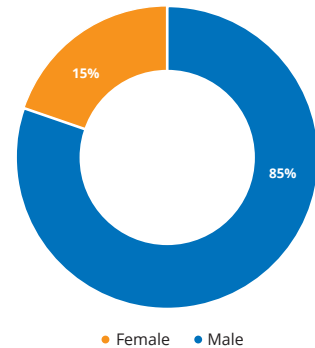
Composition of Board of Directors/ Governing Body

Board composition



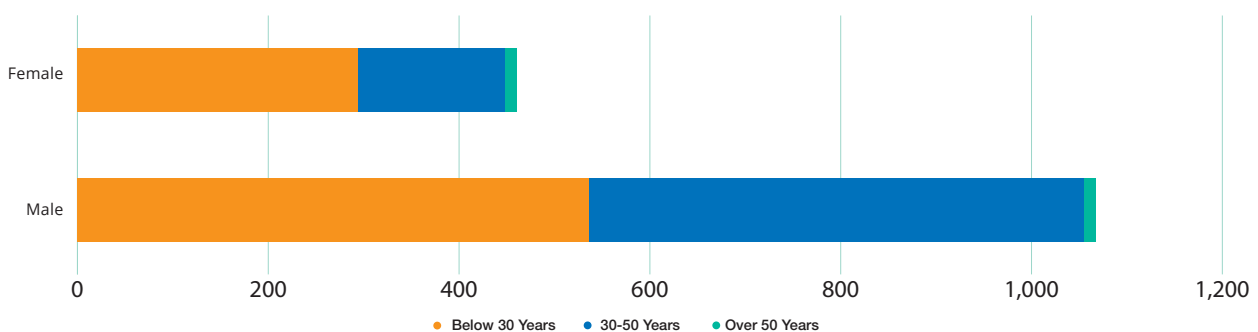
Composition of Senior Leadership

Senior Leadership composition



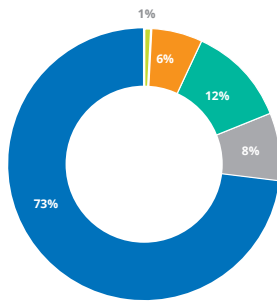
Total workforce by age and gender

Employee composition by age and gender



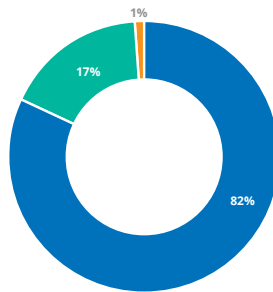
Total workforce by race and religion

Employee composition by religion



● Islam ● Roman Catholic
● Hindu ● Christian ● Buddhist

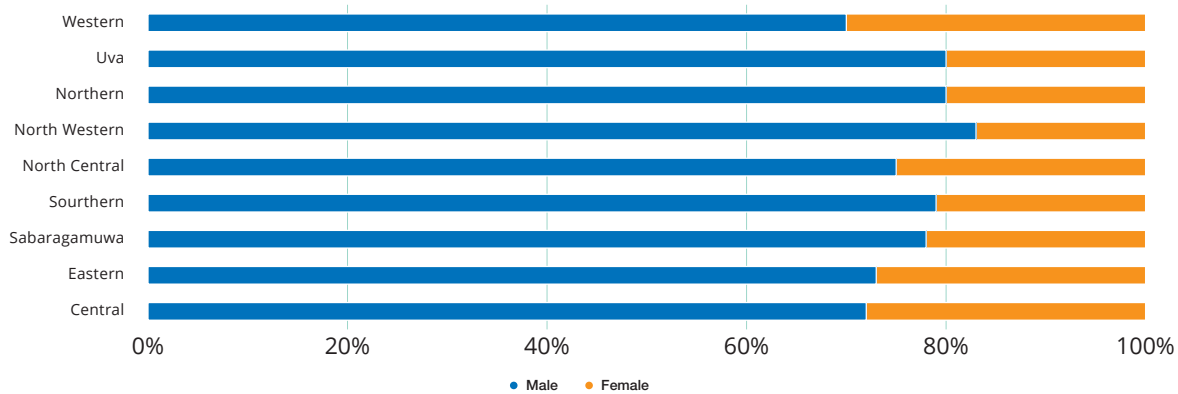
Employee composition by race



● Muslim ● Sinhala ● Tamil

Gender composition by province

Total workforce by location and gender



Total workforce by employee category and gender

Grade	Total	2021/22	
		Male	Female
Directors	4	4	-
CXO	6	6	-
AGM	11	8	3
Senior Manager	14	13	1
Manager	79	71	8
Assistant Manager	105	84	21
Senior Executive	179	146	33
Executive	376	270	106
Junior Executive	761	473	288
Minor	17	17	-
Grand Total	1,552	1,092	460

Capital Management Review

Departmental composition of employees by gender

Department	Male	Female
Administration	89.3%	10.7%
Branch Operations	75.4%	24.6%
Customer Care & Relationship Management	-	100.0%
Commercial Department	96.9%	3.1%
Credit Department	43.1%	56.9%
Deposits	45.5%	54.5%
Digital Center	57.1%	42.9%
Finance	34.5%	65.5%
Gold Loan	55.5%	44.5%
Human Resources	50.0%	50.0%
Information Technology	91.7%	8.3%
Internal Audit	73.9%	26.1%
Legal Department	34.8%	65.2%
Marketing Department	81.8%	18.2%
MIS	66.7%	33.3%
Quality Management Systems	33.3%	66.7%
Recovery	88.1%	11.9%
Risk Management and Compliance	20.0%	80.0%
Strategic Planning & Sustainability	-	100.0%
Treasury	50.0%	50.0%
Total	70.3%	29.7%

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

Employment Type	2021/22			2020/21		
	Count	Ratio M:F	Salary Ratio	Count	Ratio M:F	Salary Ratio
Director	4	4:0	1:1	4	4:0	1:1
CXO	6	6:0	1:1	3	3:0	1:1
Assistant General Manager	11	8:3	1:1	9	6:3	1:1
Senior Manager	14	13:1	1:1	13	12:1	1:1
Manager	79	71:8	1:1	74	67:7	1:1
Assistant Manager	105	84:21	1:1	90	73:17	1:1
Senior Executive	179	146:33	1:1	142	117:25	1:1
Executive	376	270:106	1:1	332	241:91	1:1
Junior Executive	761	473:288	1:1	656	404:252	1:1
Minor	17	17:0	1:1	19	19:0	1:1
Grand Total	1,552			1,342		

We are an equal opportunity employer and we practice a strict policy of zero-gender based discrimination when determining remuneration.

Parental leave

Description	2021/22	2020/21
Employees entitled to maternity leave	460	396
Employees who went on maternity leave	17	16
Employees who returned to work after maternity leave	14	9
Employees still in employment twelve months after their return to work from maternity leave	8	13
Return to work rate	82%	56%
Retention rate	89%	87%

Social Capital

GRI 102-06	GRI 102-09	GRI 102-11
GRI 103-02	GRI 103-03	GRI 413-01
GRI 413-02	GRI 416-01	GRI 416-02
GRI 417-03	GRI 418-01	GRI 419-01

We believe that strong and mutually beneficial relationships with our core stakeholders are essential to sustain our commercial success and social relevance. We recognize that the quality of today's relationships may significantly influence our ability to create monetized value in the future. The Company is therefore committed to methodically identifying and addressing the concerns of its stakeholders through proactive strategic action.

Link to material issues

- Supply chain development
- Customer attraction and retention

Key takeaways for 2022

- At present AFC allocates 4% of its profits for social and environmental sustainability initiatives. We hope to increase this to 8% from 2022 onwards.
- Continuation of branch sustainability projects.
- Economic empowerment through livelihood development - spearheaded by the Impact Finance Unit.



- Introduce socially responsible products and services - spearheaded by the Impact Finance Unit and AFC innovation committee.

Value delivered

LKR 7.4 Mn

Investment in social sustainability initiatives

203
suppliers

SDG Focus



Key priorities



Capital Management Review

Building customer loyalty

Creating strong and deep-rooted relationships with our customers enhances our sustainability. Therefore, through our extensive island-wide branch network we aim to continually engage closely with our customers to attend to their financial needs and accelerate financial inclusion.

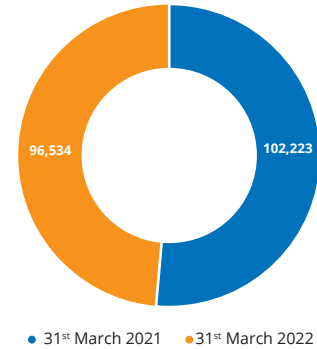


Enhancing customer experience

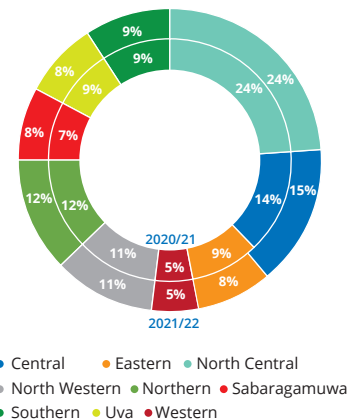
- Provided moratoriums and other concessions where necessary (moratoriums were granted to 29,653 contracts)
- Continued to offer friendship loans for the educational needs of customers and their loved ones
- Converted 40 branches to fully fledged status, increasing the total fully fledged branch count to 94 thereby facilitating ease of access, convenience and the full range of products under one roof
- Strengthened marketing efforts to create greater awareness and information availability to make better and more informed decisions
- Maintained the comprehensive communication process followed by the customer care unit to pass essential information and facilitate engagement
- Established the Impact Finance unit to plan, design and implement socially and environmentally significant products and services
- Relocated 6 branches to more accessible and convenient locations

AFC customer base

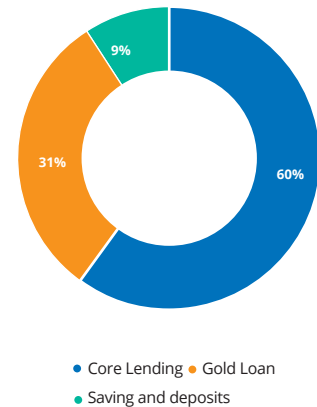
Number of customers



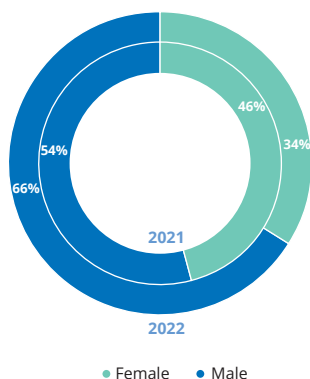
Customers by Region



Product-wise customer base



Customers base - Gender-wise



Our products

Building customer loyalty

Our understanding of customer behavior garnered through years of experience and extensive customer relationships enable us to design products, services and solutions which help customers fulfill their dreams and aspirations. We offer a comprehensive range of investment and lending solutions across customer segments, as listed below.

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

We conduct market surveys, market tests and adopt a pilot-based approach when developing and introducing new products to the market. The following products and services have been planned for the upcoming financial year.

Products Two new gold loan products

Agri products

Savings/deposit products in the branch locations outside Western Province

Services Mobile gold loan unit

Customer satisfaction

Building customer loyalty

Measuring satisfaction over time allows an organization to communicate a message of caring and to determine whether customers believe the organization is continuously improving, losing ground to a competitor, or stagnating.

Customer satisfaction survey
Satisfaction quality measure
Measurement of brand loyalty

At AFC customer satisfaction is assessed through periodic surveys conducted by the Customer Care unit of the company. It is generally conducted for the overall customer base and at times for separate

segments based on the product category on a need basis. The overall process consists of the following 8 steps.

- (1) Define the problem and objectives
- (2) Plan the survey design

- (3) Design a questionnaire
- (4) Select a sample
- (5) Collect data
- (6) Analyze data
- (7) Draw conclusions and prepare a report
- (8) Follow up as input to strategy

Customer complaints

Building customer loyalty

The Branch Manager at every branch holds the 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 236 customer complaints. There were no major issues received and all issues brought to our attention have been satisfactorily resolved.

Capital Management Review

Product responsibility

Building customer loyalty

We operate in adherence to all regulatory frameworks applicable to the NBFIs sector and ensure that our products conform to all applicable laws and regulations. Relevant information such as interest rates, maturity periods and other terms and conditions are clearly communicated to customers in a language of their preference. Further, all front office employees are required to explain our products clearly to customers. 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 products are screened based on the IFC exclusion list to address and mitigate negative social and environmental impacts of our operations with customers.

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, unbonded 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 bio-diversity 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

Under our Environmental and Social Management System (ESMS), with the expertise of the independent consultancy firm, Steward Redqueen, we assessed the E&R risks of the sectors we serve. Steward Redqueen is a specialized agency in E&M based in the Netherlands. This sustainability screening system uses 15 sector specific fact sheets developed based on the IFC exclusion list.

During the year there were no incidents reported on non-compliance with

Main sectors

1. Agricultural crop production
2. Charcoal making
3. Chemicals manufacturing
4. Forestry/wood production
5. Leather production/tanning
6. Metal-working
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. De-forestation
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
10. Occurrence of diseases
11. Occurrence of harmful bacteria and diseases
12. Personal injury
13. Bad working environment
14. Harmful child labor
15. Unfair labor conditions

regulations/ voluntary codes pertaining to product and service information and labeling and marketing communications.

Customer privacy

Building customer loyalty

We understand the consequences of a breach in data security and customer privacy. While such a violation of trust is detrimental to the customer it would also impact the confidence stakeholders have towards our capability. We have invested in up-to-date technology to ensure data security and privacy thereby protecting the confidentiality of customers as

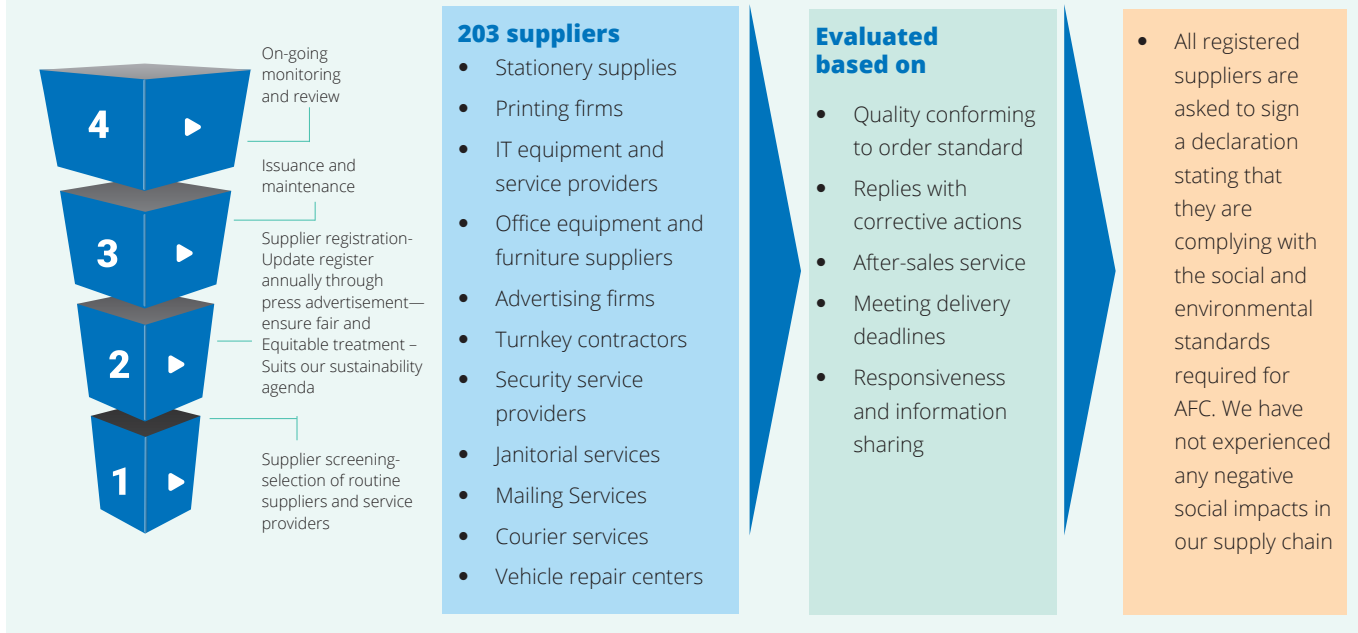
outlined in our Manufactured Capital report. During the year there were no incidents of breaches in customer privacy or losses of customer data.

Strengthening supplier and business partner networks

Our network of suppliers and business partners helps us operate a successful business that creates value for all our stakeholders. We design our procurement processes to deliver excellent value for money for our business functions while also contributing to a sustainable supply chain.

We have integrated best-practice ESG criteria and requirements to our supplier selection, development and ordering processes. We strive to maintain a procurement approach that opts for vendors who go beyond the minimum standards by respecting and sharing our values and upholding these along the supply chain. We work closely with our suppliers and, in doing so, encourage them to make positive changes to their operations and products for the benefit of the environment and wider society.

AFC's Procurement Process ensures that it receives goods services, or works at the best possible price when aspects such as quality, quantity, time and location are compared while promoting fair and open competition and minimizing risks such as exposure to fraud and collusion.



Membership in Associations

Strengthening supplier and partner networks

- The Finance Houses Association of Sri Lanka
- Leasing Association of Sri Lanka
- Credit Information Bureau of Sri Lanka
- Financial Ombudsman-Sri Lanka
- Bio-diversity Sri Lanka (Patron Member) {Business and Biodiversity platform}
- CSR Sri Lanka
- Association for Development Finance Institutions in Asia and the Pacific (ADFIAP), The Philippines

Capital Management Review

Uplifting the community

We aim to support local causes that align with our purpose and ambitions by way of investments that seek to serve and strengthen the communities in which we operate. Furthermore, by encouraging volunteerism we drive engagement between employees and their local communities and promote our purpose and ESG approach across all stakeholders. Our main channels of engaging with the community include CSR events/projects, social media, marketing campaigns, marketing materials, press releases and one to one discussions.

Branch sustainability projects

Uplifting the community

AFC expanded its sustainability agenda through its island-wide branch network, under the AFC branch sustainability program "AFC helping hand" with an aim to help uplift the lives of Sri Lankans and lend a helping hand to the fight against the pandemic. A range of mini projects were undertaken by 63 branches

under the following categories to cater to the social requirements of the surrounding communities.

Project Type	Number of projects
COVID relief/Hospital needs	15
School/Montessori development	18
Community water project	8
Community well-being project	14
Total completed projects	55



Nuwara Eliya branch project



Nuwara Eliya branch project



Haritha Saviya - Thimbirigasyaya DSD project 1



WWCT project donation



A successful Social Entrepreneur



Mr. Jayantha Balasinghe
Founder -Thuru Viyana

"I started 'Thuru Viyana' in December 2017 on a 12 perch land at Meepe without any outside workers. I got the opportunity to present my project at the 'Ath Pavura' platform where AFC recognized my startup as an environmentally friendly agri-business and invested LKR 50,000 in 2018. Through the years AFC has provided financial support of LKR 14 Mn to develop the business. Over and above the financial assistance provided, AFC continued to support and strengthen my business through orders for plants. Now I have my own nursery built over a one-acre land in Kahathuduwa with 11 people working with me. We manage two external growers and have a further 8 people working with them. Thuruviyana made a payment of LKR 7.5 Mn as salary during the last nine months, demonstrating its steady growth over the years. Marking a significant milestone, 'Thuru Viyana' was registered as a Company in 2021. I must thank AFC for recognizing the potential of the business from the very beginning and supporting and assisting me in every possible way to grow my business over the years."



Sustainability Project 2 (Swings for school- Galgamuwa)



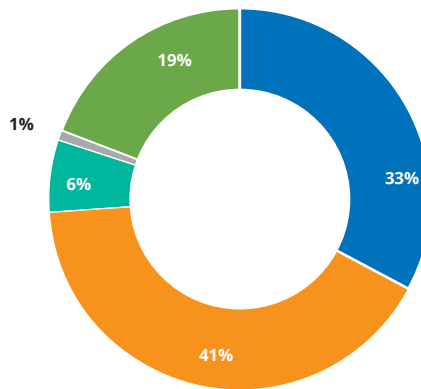
Sustainability Project- (National Tuberculosis Hospital temple at Welisara)



Sustainability Project-(Park benches -Kuliyapitiya)

Investment in sustainability initiatives

AFC sustainability initiatives 2021/22



- Environmental sustainability initiatives
- CSR/ Social development programs
- Partnerships and networks
- Sustainability awards
- Sustainable finance initiatives

Total Investment - LKR 13.2 Mn

Social sustainability initiatives	Cost incurred (LKR)
COVID -19 relief assistance	122,400
Donations as charity for homes	225,000
Donations for foundations and societies	389,569
Partnerships and networks	738,653
Village/community development activities	4,612,202
Other related programs	1,324,297
Total	7,412,121

Donations

Number of donations to:	
Elders homes	5
Children's homes	4

Total investment

LKR 0.77 Mn

Natural Capital

GRI 102-11	GRI 103-2	GRI 103-3
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	

Being in the financial services industry, our impact on the environment is minimal. However, we operate with the understanding that a robust environmental management strategy is of paramount importance towards sustainable value creation. We have in place a comprehensive environmental management program based on sustainability principles and practices which enable environmentally responsible and socially equitable consumption of natural resources across the entire value chain to conserve natural resources for ecological balance and save them for future generations.

Link to material issues

- Sustainable development
- Energy efficiency
- Battling climate change and environmental protection

Key takeaways for 2022

- Obtain the SSCI Version 2 certification
- Plant 1.33 Mn trees by 2026 (high impact goal)
- 250,000 tree target per year



- Continue to support national bio-diversity conservation and emission reduction efforts
- Continue to work with like-minded partners such as RDA (in their 2Mn project), Lions Club and other interested environmental groups in the country

Value delivered

LKR 1,501.3 Mn
directed towards green lending

LKR 6.2 Mn
investment in environmental sustainability initiatives

366,254
trees planted

Key priorities



EMISSION REDUCTION



BIO-DIVERSITY CONSERVATION AND ECO-SYSTEM RESTORATION



INCREASING CLIMATE AWARENESS AND LITERACY



ENVIRONMENTAL CONSERVATION



ADOPTING GLOBAL BEST PRACTICES



PARTNERSHIPS FOR SUSTAINABLE DEVELOPMENT

SDG Focus





Our Green Pledge

Under AFC's sustainability umbrella "AFC dalu" there are a set of initiatives undertaken in-house to ensure that environmentally friendly practices are integrated into the culture and daily activities of the Company. Passionately embracing these initiatives we pledge to support the realization of our purpose of "Making the world a better place through sustainable finance".

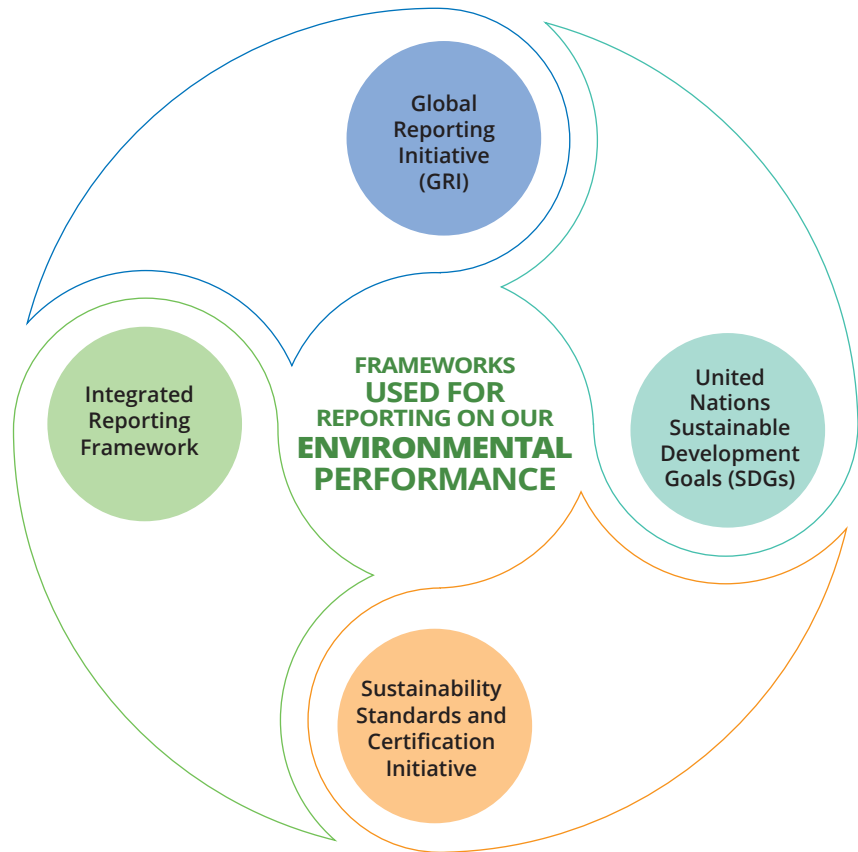
OUR GOAL

HIGH IMPACT GOAL 1

Reduce the national carbon footprint of Sri Lanka by 120,000 tCO2e by 2030

Objectives

- Plant 1.33Mn trees by 2025/26 FY (30% increase from the previous goal)
- Strengthen the biodiversity conservation and eco-system restoration efforts
- Promote alternate energy products and services
- Continue to engage in bio-diversity conservation and eco-system restoration initiatives, with the partnership of Wilderness and Wildlife Conservation Trust (WWCT).



AFC's sustainability principles and practices

- 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
- Minimize 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 on 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

Capital Management Review

Responsible lending

AFC established an Impact Finance Unit in 2021, to design, develop and implement impact financial products that support both environmental and social well-being. Through this unit, we anticipate to promote impact financing initiatives such as social entrepreneurship development, climate smart agriculture and agri-value-chain financing.

As part of the green lending initiative to reduce emissions and the carbon footprint associated with lending facilities, the Company has continued to grant leasing facilities for electric and hybrid vehicles. This portfolio is around 4% of the total lending portfolio.

Vehicle Type	Portfolio (LKR Mn)
Electric	21.2
Hybrid	1,480.1

One of the green lending initiatives we commenced in 2019/2020, offering leasing facilities for LPG powered three wheelers (gas converted) underwent a major setback due to gas explosion incidents that occurred during the year. As a result, we are not actively promoting this product at present. However, we are continuously monitoring the developments to re-launch this environmentally friendly product in the future. In the meantime, we are also researching the feasibility of introducing electricity powered three-wheelers at present with the view of providing a relief to the three-wheeler hiring community in the light of current fuel crisis and the anticipated future developments.

MANAGING OUR ENVIRONMENTAL IMPACTS



Energy preservation

Electricity and fuel are our main sources of energy consumption. We source our electricity consumption through the National Grid and through solar power. We have installed solar energy at our super branch under the net metering scheme and are one of the few corporates in the financial services industry that harnesses the power of renewable energy. In addition, we stay committed to our energy saving initiatives via using energy efficient electrical appliances such as inverter air conditioners, energy efficient photocopiers, printers, laptops and computers, and LED lighting at our premises. When opening new branches as well as refurbishing re-located branches, we ensure that these energy efficient measures are adopted across those premises as well. Natural lighting is used at our work-stations as much as possible and we inculcate a culture of switching off unnecessary lights and other appliances when not in use. During the year, the electricity consumption

Electricity	2021/22	2020/21
Units(Kwh)	288,333	290,330
No.of Employees (HO)	374	376
Cost (LKR)	7,808,441	7,783,838
Intensity (Cost/ Employees)	20,878	20,702
Y-o-Y Change		
Units		-0.7%
Intensity		0.9%

Fuel	2021/22	2020/21
Units	26,132	32,449
Employees	374	376
Intensity (Units/ Employees)	70	86
Cost	4,085,473	3,858,484
Intensity(Cost/ Employees)	58,471	10,262
Y-o-Y Change		
Units		-19.5%
Intensity		-19%

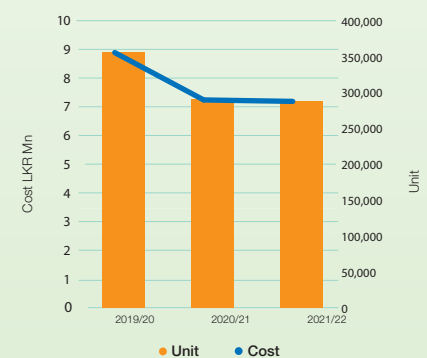
in the Head Office has slightly reduced, given that the company was in operation throughout the COVID -19 crisis except for island-wide lock down periods.

Fuel is mostly consumed for business travel, business commuting of employees and backup. During the year under review the fuel consumption has also decreased as a result of reduced traveling between the branches, due to the prevailed travel and mobility restriction related to COVID -19. The following measures were established to optimize fuel consumption.

- Replaced the company vehicle fleet with energy efficient vehicles
- Reduced inter branch travelling by switching to online meetings and approvals
- Reduced travelling to outstations unless for essential purposes

The current fuel crisis has compelled the Company to take further measures to reduce the fuel consumption including intermittent work from home arrangements, outstation visits to be made using public transport and continuation of online meetings and approvals. Employees have also been requested to reduce their home consumption at least by 10% as a measure to help themselves as well as the Company.

Electricity consumption - Head Office





Material consumption

Paper is the main material used in our organization with a significant percentage being used for customer engagement processes such as onboarding, collections and routine communication as well as internal communication and manual back-end processes. Thus, we aim to minimize the use of paper and promote a 'paper-less environment' through various initiatives as outlined below.

- 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



Water consumption

Water consumption is not materially significant considering the nature of our operations. Water for our daily consumption is primarily sourced by the National Water Supply and Drainage Board while drinking water is obtained from an outsourced company. The sustainability culture inculcated among our staff and environmental best practices encourage saving water across all our



Emissions management

CARBON FOOTPRINT



During the year AFC's Carbon Footprint reduced by

-4% from
2,700 tCO2e to
2,600 tCO2e

- 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.
- The paper consumption has increased compared to 2021/22 this year, mainly due to the increased number of branches that used paper increasing from 118 to 138.

Paper	2021/22	2020/21
Units (t)	16.9	13.1
No. of Employees	138	118
Intensity (Units/Employees)	0.12	0.11
Cost	4,158,691	2,770,744
Intensity Cost/branch	30,135	23,481
Y-o-Y Change		
Units		29.6%
Intensity		10.8%

Water	2021/22	2020/21
Units	10,411	17,796
No. of employees (HO)	374	376
Intensity (Units/Employees)	28	47
Cost	935,640	1,231,467
Intensity(Cost/Employees)	2,502	3,275
Y-O-Y Change		
Units		-41.5%
Intensity reduction		-41.2%

office premises. Additionally, the Company also takes prompt action in terms of repairs and maintenance, thereby minimizing wastage or leakage.

During the year, water consumption has drastically reduced mainly due to the reduced usage by employees. That is as a result of roster based working arrangement where the company has half of the work force at a given time in the office for a major part of the year. The regular measures practiced to reduce the wastage also helped the reduction.

Capital Management Review

Our contribution to the planet

The Company's sustainability arm remains committed to combating climate change by promoting projects and activities that contribute to a greener, more sustainable economy in Sri Lanka. Throughout its journey AFC has carried out numerous projects including tree planting campaigns, bio-diversity conservation and eco-system restoration projects. One of our key projects is the Hill Country Leopard Conservation Project undertaken in collaboration with the Wilderness and Wildlife Conservation Trust (WWCT).

'Thuru Mithuru' tree planting drive

This program was launched in 2018, on World Environment Day, planting over 176,000 trees across the island with the participation of over 370,000 school children from 991 schools. The 2nd phase of the program 'One Million Trees For Unity' was introduced in 2019 through which we have pledged to plant one million trees across the island by 2025/26 financial year end with the support of the Tri Forces and all religious and ethnic communities. Outlined below is the progress made during the year.

Project/Partner name	Number of plants
Road Development Authority- Under Maga Depasa Thuru Sevana' 2Mn trees program	41,985
Road Development Authority - Expressway tree planting project	50,000
Dondra Head to Point Pedro project	-
Mijaya Environmental Foundation, Chilaw	3,000
Kuliyapitiya	150
Galgamuwa Divisional Secretariat	2,000
Native trees (Kudu Dawula) to the hill country	190
National Tuberculosis Hospital, Welisara	447
Thimbrigasyaya Divisional Secretariat- Under the 'Haritha Saviya' program	400

BRANCH LEVEL TREE PLANTING PROJECTS IN 2021/22

1,250
TREES

750
Nuwara Eliya

500
Ja-ela and Negombo

**ONE MILLION
TREES
FOR UNITY**

54.4 %
FUNDED

1.33 Mn
PLEGGED

364K
PLANTED

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 127,385 trees donated are estimated to absorb 2,802 metric tons of Co₂ annually at maturity.

International appreciation is a great testament to AFC's steadfast commitment towards environmental sustainability. During the year, we received 2 international awards as well as one local award in recognition of our contribution towards environmental conservation.

- Merit award for Outstanding Development Project under Corporate Social Responsibility category, for the 'One Million Trees for Unity' project, Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) Awards, Philippines
- Award for the Outstanding Sustainable Project Finance - Karlsruhe Sustainable Finance Awards 2021, Germany
- Most Contributing Non-Government institute of Sri Lanka, awarded by the State Ministry of Rural Roads and Other Infrastructure Sri Lanka

Dalu by AFC

Dalu by AFC is the social media drive of the Company's "AFC Dalu" sustainability program, through which we educate the general public on environmental sustainability and increase climate

literacy. This campaign is ongoing via Facebook, Instagram and the www.afcdalu.com web portal. The web portal launched in 2020 featuring the sustainability initiatives of the Company encourages the participation and contributions of interested parties towards the 'One Million Trees for Unity' program. Environmental enthusiasts who are willing to make a change in the country by creating a greener future can easily connect with the Company and lend a hand towards this worthy cause. Through our initiatives we are also contributing towards Sri Lanka's Bonn Challenge which aims to reach the goal of 32% forest cover by 2030. With the one million tree planting project AFC will contribute 5% to this national goal.

Hill Country Leopard Conservation Project

AFC partnered with the Wilderness and Wildlife Conservation Trust (WWCT) in 2018 with the intention of protecting the endemic Leopard species - *Panthera pardus kotiya* of the central highlands of Sri Lanka and to protect the flora and fauna and other living species in the 18-acre Peak Ridge Forest Corridor (PRFC) which has been distinguished as a World Heritage Site since 2010.

The Leopard found in the Hill Country is a sub-species endemic to Sri Lanka, whose existence is threatened mainly due to habitat loss and human-leopard encounters and has been listed as Endangered on the IUCN Red List. As a result of this valuable initiative, during the period AFC has engaged with WWCT, 157 Leopards were identified for protection along with 35 other mammal species in the peak wilderness area.

REMEMBERING NINA

September 2018 – Nina a resident female leopard whom AFC had the honour of naming, was first detected in September 2018 in the far south-eastern section of Peak Ridge forest corridor

Demonstrating the positive outcome of our protection efforts, in March or April 2020, she was spotted with her little cubs.

October 2021- Much to our dismay, Nina, the mother of at least 2 litters of cubs, was found caught dead in a snare on Venture Estate, near the center of her range. Her death once again highlights the insidious threat posed by wire snares on this landscape.



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 have also been 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.

Investment in environmental sustainability initiatives

AFC has a separate sustainability budget that is prepared annually indicating the allocated expenses to social and environmental initiatives. Details of the investments made during 2021/22 are as follows.

Environmental sustainability initiatives	Cost incurred (LKR)
Tree planting	3,892,879
Green competitions	230,000
RDA tree planting and app	740,000
Other related programs	1,324,297
Total	6,187,176

Compliance

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

Corporate Governance

GRI 120-16 | GRI 102-18 | GRI 102-19 | 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

GOVERNANCE HIGHLIGHTS – 2021/22

- Re-designation of Mr .W.P.K. Jayawardana as Deputy Managing Director of the Company

Corporate Governance Framework

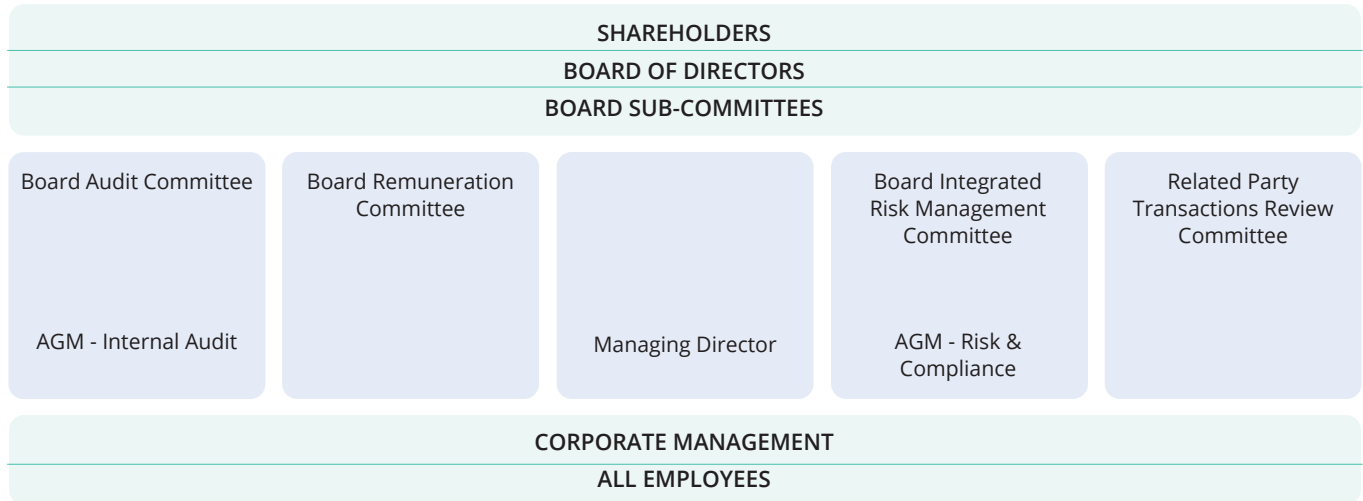
AFC’s Corporate Governance Framework provides the basis to support the Company’s growth strategy by influencing how the objectives are determined and achieved, how risk is monitored and assessed, as well as how performance is optimized. The main purpose of AFC’s Corporate Governance Framework is therefore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

The Compliance list

Internal	External (Statutory)	External (Voluntary)
<ul style="list-style-type: none"> • Purpose Statement • Articles of Association • Risk Management Framework & Complaint Operational Risk Management Policy • Corporate Governance Policy • Internal Control Framework • Information Technology 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 • All approved Policies and Procedures. 	<ul style="list-style-type: none"> • Finance Leasing Act No.56 of 2000 • AML and CFT legislations and relevant rules and regulations issued by the FIU • 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 Lank (CA Sri Lanka)

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.

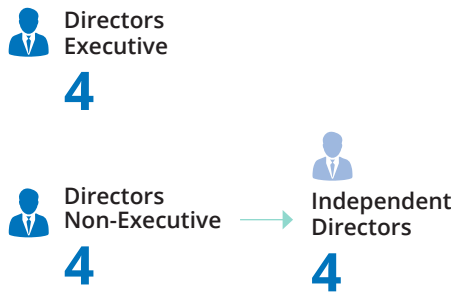


Roles and Responsibilities

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 23 to 26.

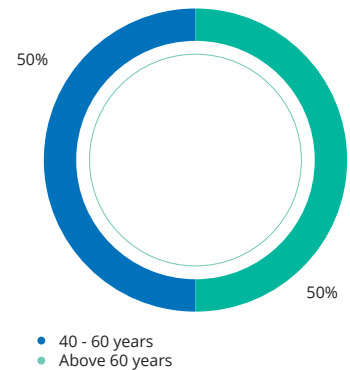
BOARD COMPOSITION



DIVERSITY AND SKILLS



AGE REPRESENTATION



Board Meetings

The Board of Directors hold a Meetings every month with additional meetings held if and when required. The Board met 17 times during the year, with all Board Meetings characterized by high attendance active participation, constructive and open discussions.

Corporate Governance

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. G. S. T. Dharmakirti-Herath Chairperson	NEI	17/17	10/10	6/6	4/4	3/3
Mr. R. K. E. P. de Silva	Ex	17/17	-	6/6	-	-
Mr. W. P. K. Jayawardana	Ex	17/17	-	6/6	-	-
Mr. J. M Gunasekera	Ex	17/17	-	6/6	-	-
Mr. R. E Rambukwelle	Ex	17/17	-	6/6	-	-
Mrs. P. de Silva	NEI	17/17	10/10	6/6	-	-
Mr. L. J. H. De Silva	NEI	17/17	10/10	-	4/4	3/3
Mr. D. L. I. Hettiarachchi	NEI	17/17	-	-	4/4	3/3

Ex - Executive Director, **NEI** - Non Executive Independent Director

All the Directors are required to attend each Board meeting. And have attended all Board Meeting.

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 and on good governance.

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 Sub 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 in 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/ Sub 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.

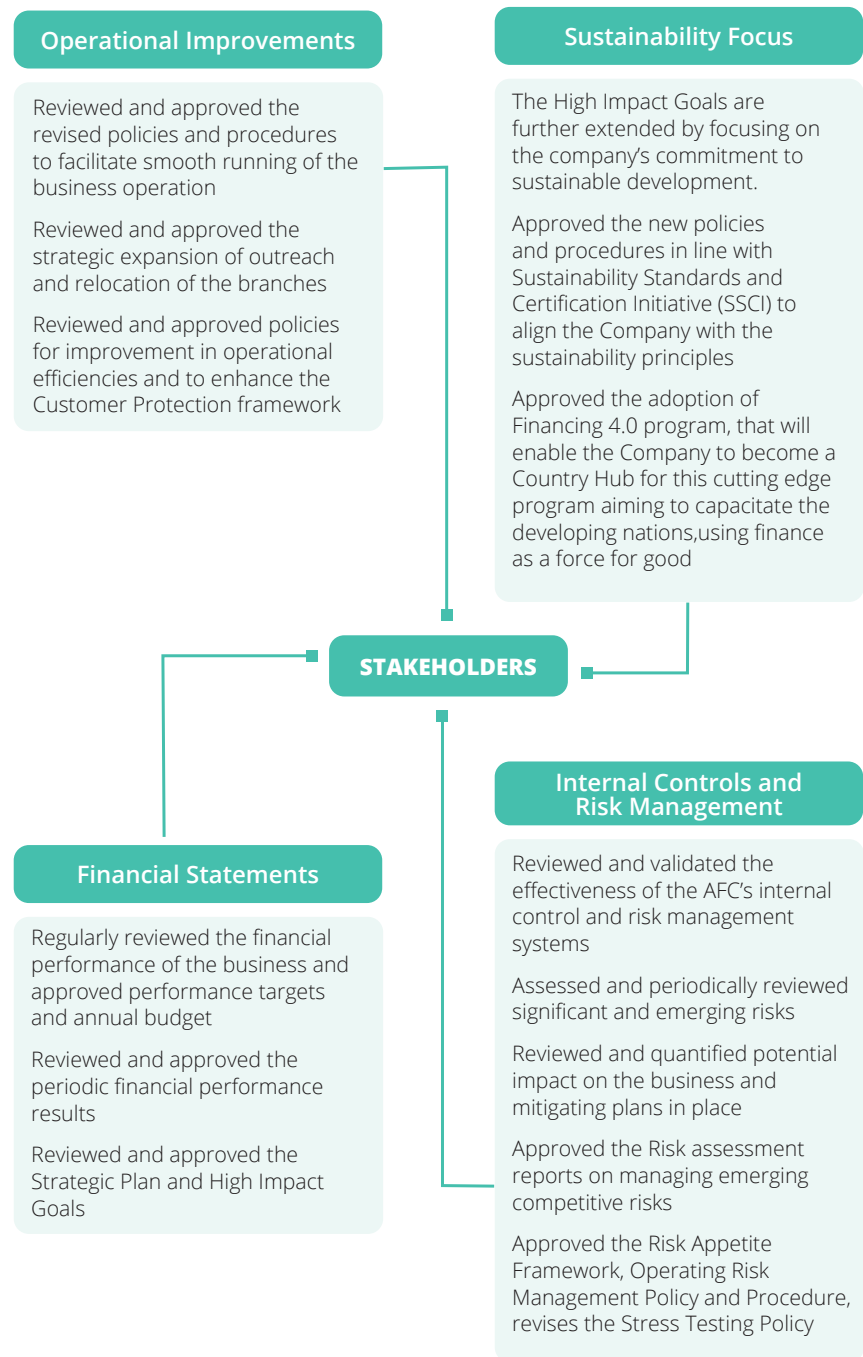
The Board discharges its responsibilities for the leadership and control of the Company by:

- 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/Sub 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 optimized 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 assist Directors in making informed contributions and decisions.



Corporate Governance

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 comprise 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 appointment on the Board	Period of Office as at 31st of March 2022
Mrs. G. S. T. Dharmakirti - Herath	22.10.2020	1 year and 5 months
Mrs. P. de Silva	09.08.2018	3 years and 7 months
Mr. L. J. H. de Silva	16.10.2019	2 years and 5 months
Mr. D. L. I. Hettiarachchi	22.10.2020	1 year and 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 to not only 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 Executive, 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 strategy, day-to-day management of the Company and managing the Senior and Executive management team in successfully fostering a relationship with key stakeholders.

The Managing Director is assisted by the Deputy Managing Director to operationalize the strategies and financial goals of the Company.

Company Secretary

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

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 practices 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 budget and industry standards.

Risk Management Framework

AFC's policy is to achieve best practices 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 framework, direct and 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

Corporate Governance

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 which 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 wrong- doing 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 reviewing 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 and one such instance was the sale of the property in Rajagiriya.

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

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 three 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 Bi- 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. In the year 2021/22 the Strategic Plan was reviewed and was revised considering the aftermath of the pandemic and also the macro economic factors in the country.
	(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 Portfolios and the envisaged return based on the risk reward proposition, infrastructure required for reaching such parameters is also established. The plan is prepared taking into consideration the overall risk framework which provides the infrastructure for the growth and also the risk appetite. Board approval is sought for the plan prior to implementation and is measured against performance on a monthly basis.

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Section	Rule	Compliance	Status of Compliance
	(c) Identifying and managing risk	Complied	The overall risk governance framework has been mapped out and is dynamic to withstand the seismic pressures that arise from the market and country conditions. Being robust it has mechanisms which serve as triggers for the identification and mitigation of risk on a proactive basis. Processes are in place to map a mitigation mechanism or method when such risk is in real time, depending on the critical nature of the risk. Due to the pandemic such risks varied at geographical level and also with regard to the products and specific sectors. The gamut of risk would all be measured and its effects would vary depending on the various exposures.
	(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. Considering the different scenarios that occurred in 2021/22 various methodology was adopted to communicate with the stakeholders at crucial times, which also was an effective measurement of the adaptability and practicality of such modems of communication.
	(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 by the Internal Audit Department 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 carried out would also review the key controls deployed 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 where external auditors independently review the control framework and the systems and procedures that are in place, for the business processes to function effectively and efficiently and free of misstatements.</p>

Section	Rule	Compliance	Status of Compliance
	(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 & Recovery officer, Chief Commercial Officer, Chief Peoples Officer, Assistant General Manager Deposit, Chief Talent Management officer, 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	<p>Authority, 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.</p> <p>Since these are job specific the authority and responsibilities are reviewed periodically and remapped to suit the role of a KMP at a given time and the authority required for the execution of the relevant functions. Revised roles are then documented and communicated and agreed upon.</p>
	(h) Oversight of affairs of the Company by Key Management Personnel	Complied	The Managing Director is at the Apex for overall oversight of all personnel, with an effective reporting/delegation structure implemented for the supervisory functions to be carried out by the Deputy Managing Director and Executive Directors. By virtue of its structure it oversight is managed at various levels over the KMP's. Based on the levels of delegated authority the KMP's have specific supervisory functions 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

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Section	Rule	Compliance	Status of Compliance
	<p>(i) Periodically assess the effectiveness of its governance practices, including:</p> <p>i) Selection, nomination and election of directors and appointment of KMP</p> <p>ii) Management of conflicts of interest</p> <p>iii) Determination of weaknesses and implementation of changes where necessary</p>	<p>Complied</p>	<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 transparent documented 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. Approvals of the Central Bank of Sri Lanka being sought at appropriate junctures.</p> <p>KMP's identification and selection process is under the purview of the Managing Director, Deputy Managing Director and Executive Directors and their appointment is subject to the approval of the Board and the Central Bank of Sri Lanka.</p> <p>Placements for positions of KMP's could be sourced externally and internally through a transparent process and the decision to identify the source rests with the Directors in consultation with the Management where applicable.</p> <p>The Company has implemented a policy which governs the management of related parties. Processes are in place to identify and maintain records of related parties to ensure that conflicts do not arise. Transactions with such parties are managed in arms' length basis without granting favourable terms or concessions.</p> <p>Directors' and KMP's have to proactively make disclosures prior to entering into transactions with the Company and are not a party in the decision making process, the methodology adopted stipulates the authority and approval levels. Disclosure mechanism is in place for periodic disclosures. 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 and procedures. Review of policies and processes are carried out on a regular basis. If vulnerabilities are identified then such processes and procedures are reevaluated and changes made to further strengthen or improve it where through passage of time or changing business dynamics such change is required.</p>

Section	Rule	Compliance	Status of Compliance
	(j) Succession plan for Key Management Personnel	Complied	The Board has an ongoing process to identify key critical positions in the Company. Succession Plan mapping is a documented process and will be operational no sooner positions are identified as key or critical. Whilst this caters to one aspect a system is in place to identify employees with potential to be guided and mentored through a series of career planning steps to ensure that they are granted opportunities to reach their full potential.
	(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 such forums serve as a means for the exchange of ideas and also to appraise oneself of the developing trends, risks or other matters that would be beneficial for the overall wellbeing of the Company. Also specifically to deal with matters under their purview. When required such deliberations would be supported with presentations, 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. At the inception an employee would undergo an induction program and it is inculcated that adherence to the regulations is essential. A mechanism has been implemented that in an ongoing basis employees at all levels are kept abreast of and have an understanding of the implications of the changes in the regulatory framework and different methodologies are adopted for the communication of such changes. Compliance Officer of the Company would be instrumental to activate this process in consultation with the Management. In addition training programs and workshops are conducted at regular intervals and the regulatory requirements are also made available through a user friendly approach. The Board of Directors are also apprised of the changes in the regulatory framework and its implications through appropriate forums both external and internal.

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Section	Rule	Compliance	Status of Compliance
	(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 place their appointment or reappointment for the consideration of the shareholders and the shareholders would make their decision at the Annual General Meeting of the Company. External Auditors annually submit a statement confirming their independence as required by the regulatory authorities in connection with the annual external audit. They also declare if they have carried out non audit services and their independence was not impaired by such assignments. During the year under review, the appointment of the External Auditors was reviewed by the Board Audit Committee and it had been recommended that the Auditors, Bakertilly Edirisinghe & Company continue as Auditors. The External Auditors have not carried out any non audit services.
2 (2)	Appointment of the Chairman and the Chief Executive Officer and define and approve functions and responsibilities	Complied	<p>The functions of the Chairperson and Managing Director is distinctly different and the Managing Director is the virtual CEO of the Company and their roles are clearly distinct & defined . 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. Deputy Managing Director was appointed in March 2022.</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 and Deputy 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 Company has adopted a procedure for Directors to obtain independent professional advice as and when necessary at the Company's expense in dispensing with their responsibilities.
2 (4)	Dealing with conflicts of interests	Complied	<p>The Company has implemented a policy which governs the management of related parties. Processes are in place to identify and maintain records of related parties to ensure that conflicts do not arise. Transactions with such parties are managed in arms' length basis without granting favourable terms or concessions.</p> <p>Directors' and KMP's have to proactively make disclosures prior to entering into transactions with the Company and are not a party in the decision making process, the methodology adopted stipulates the authority and approval levels. Disclosure mechanism is in place for periodic disclosures. All such transactions are carried out at arms' length basis without preferential treatment.</p>

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 requirement 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 2021/22 on pages 90 to 131
2 (8)	Annual self-assessment by the Directors and maintenance of such records.	Complied	The Board has adopted scheme of self-assessment to be undertaken by each Director annually and records are 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 sub Committee Meetings at the commencement of each calendar year. As set out the Board meets at regular intervals and additional Board meetings are convened whenever necessary. The Board met on 17 occasions during the year 2021/22. 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 granting adequate time for the Directors to familiarize themselves of the matters that are to be deliberated and decided upon. 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/sub 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. Notice and Agendas for the Board/sub committee Meetings are circulated seven days prior to the Meeting enabling the Directors to be aware of the impending proceedings.
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 92 which carries details of individual Directors' attendance at Board/ sub committee Meetings.

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Section	Rule	Compliance	Status of Compliance
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. They also function as Secretaries to the Board sub Committees. In their role they attend the shareholder meetings and carry 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 prepare the Agenda in consultation with the Chairperson.
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. During the year under review the Directors have accessed the Company Secretaries when the need arose.
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. No changes were effected to the Board during the year 2021/22 by way of appointment, retirement or resignation. The number of Directors is compliant with the Direction on Corporate Governance. Chairperson of the Company is an Independent Non-Executive Director, therefore, a Senior Director was not appointed. All four Non Executive Directors are independent.
4 (2)	Period of service of a Director	Complied	This is in reference to the term of office of a Non Executive Director. In compliance with the maximum number of years for a Director which is nine, no Non Executive Director has exceeded nine years is in service. Details of their tenures of service are given on pages 24 to 26.
4 (3)	Board balance	Complied	Board balance that is required by the Corporate Governance Direction is one half to be Non Executive and one third to be Independent. Thereby the total number of Directors being eight, four are Non Executive and all are independent, thereby the Board balance is maintained through out the year. Board balance was maintained in compliance with the Listing Rules of the Colombo Stock Exchange as well.
4 (4)	Independent Non-Executive Directors and the criteria for independence	Complied	The Board is required to have one third as Independent Directors and being independent they would be Non Executive. Approval of the Central Bank of Sri Lanka was sought and obtained when they were appointed as independent Directors. As per the laid down criteria in the Direction and Listing Rules their independence is maintained.
4 (5)	Appointment of Alternate Directors	Complied	There were no Alternate Directors appointed or operated during the year 2021/22. There are no Alternate Directors appointed to the Board.

Section	Rule	Compliance	Status of Compliance
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 to 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.
4 (9)	Procedure for the appointment of new Directors and for the orderly succession of appointments to the Board	Complied	The Board has implemented a transparent and comprehensive nomination process for the selection and appointment of 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. During the year under review Deputy Managing Director was appointed in addition there are Executive Directors who are responsible for specific functions ensuring overall strength to the Board.
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 no appointments were made.
4 (11)	Communication of reasons for removal or resignation of Directors	Complied	There was no removal or resignations of Directors 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 2022.
5 (2)	Directors shall not hold office as a Director of more than 20	Complied	The Board of Directors do not hold positions as a Director or in an 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, Deputy Managing Director, Executive Directors and Key Management Personnel. The revised delegation matrix was approved by the Board in 2021/22.

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Section	Rule	Compliance	Status of Compliance
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. Such evaluation was carried out in 2021/22 and necessary changes were made with the approval of the Board of Directors.
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. The Managing Director of the Company is the apex Executive and is the virtual CEO.
7 (2)	Chairman preferably an Independent Non-Executive Director and if not appoint a Senior Director	Complied	The Board of Directors could appoint a Non Executive Director as Chairperson, however, if the said Chairperson is not independent, a Senior Director would have to be appointed. Chairperson of the Company 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. this it is determined that 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. 25
7 (4)	Chairman to; (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner	Complied	<p>The Chairperson of the Company has many years experience in the industry and has expertise and experience in the affairs of an Licensed Finance Company. Having such wealth of experience and expertise, she is able to provide leadership to the Board which encourages active participation of both the Executive and Non Executive Directors in the deliberations and decision making processes.</p> <p>In the role to facilitate the effective and timely decision making process the Chairperson ensures the flow of information is adequate to make informed decisions and also by providing guidance at meetings. By the formal delegation of the key functions the responsibilities of the Directors carrying out executive functions is well documented and is measurable. Thus the Board as a whole is able to discharge its responsibilities effectively, efficiently and a timely manner.</p> <p>Board Meetings and Board Sub committee Meetings are structured to ensure that all key and appropriate issues are discussed by the Board on a timely basis with adequate deliberation and with sufficient material to facilitate the informed decision making. 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.</p>

Section	Rule	Compliance	Status of Compliance
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. Agendas for meetings are structured in a manner by prioritizing items of importance or those of critical nature at appropriate positions, thus facilitating meaningful participation, deliberations and decision making.
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. Directors having expertise in specified areas are afforded opportunities and provide advice and guidance which has been beneficial to the Company in the final outcome or the ultimate decision.
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 sub 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 or executive functions.
7 (10)	Maintain effective communication with shareholders	Complied	Effective communication is maintained with the shareholders during the entire year. Shareholders have accessed the Directors and the Company Secretary as and when required and it has been effective. The Annual General Meeting of the Company is the main forum at which forum the Board is able to maintains effective communication with the 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.

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Section	Rule	Compliance	Status of Compliance
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 overall management of the Company rests with the Managing Director who is responsible for the initiation of the strategic direction and setting of goals for the Company which then is deliberated and decided upon collectively by the Board. In his capacity the Managing Director is responsible for the smooth, effective and efficient functioning of key functions of the Company. He is assisted by the Deputy Managing Director and Executive Directors and the Key Management Personnel who hold delegated authority.
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. Board Remuneration Committee 4. Related Party Transactions Review Committee <p>The respective Sub committees present their reports to the Board with recommendations/suggestions based on the deliberations at the sub Committee Meetings and such recommendations are discussed at Board level and implementation is set out by the Board. The Annual Report of the four Committees specified above 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 Chairperson of the Board Audit Committee is Mrs. Priyanthi de Silva. She is an Independent Non-Executive Director and holds the requisite qualifications and experience. Her profile which appears on page 25 enumerates her qualifications and experience.

Section	Rule	Compliance	Status of Compliance
	(b) All members of the Committee to be Non- Executive Directors	Complied	There are three Directors appointed to the Board Audit Committee including the Chairperson and all of them are Non-Executive Independent Directors.
	(c) Functions of the committee include; (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 Bakertilly 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 the implementation to the external Auditors of same from time to time . • Oversight over the application of Accounting Standards in consultation with the Executive Director Finance and Operations, AGM Finance, Internal Auditors and AGM Risk and Compliance 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 Sub Committee ensures that the requirement of rotation of external Audit Engagement Partner, once in every five (5) years, is complied with. The current partner is the Partner in Charge for the second year in succession.
	(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 Board Audit Committee reviewed the nature and scope of work during the current financial year taking into account the applicable accounting standards.

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Section	Rule	Compliance	Status of Compliance
	<p>(e) Develop and implement a policy on the engagement of an</p> <p>(i) skills and experience of the Auditor</p> <p>(ii) threat to the independence</p> <p>(iii) fee for the non-audit services and independence</p>	Complied	<p>A Board approved policy is in place for the engagement of the External Auditors and also to provide non audit services. External Auditors could provide non audit services to the Company provided their non audit work does not compromise their objectivity and independence. No such services were provided to the Company during the year under review.</p> <p>The External Auditors Bakertilly Edirisinghe & Co., and its partners and officers possess the required skills and experience to fulfil their mandate and this has been established through documentary evidence to the Board Audit Committee</p> <p>There was no occurrence that would threaten the independence of the External Auditors.</p> <p>The External Auditors did not engage in non audit services during the financial year and therefore, payment does not arise.</p>
	(f) Determines the nature and the scope of the External Audit.	Complied	<p>A comprehensive plan was circulated and was also presented to members of the Board Audit Committee at a meeting, at which meeting the scope based on the risk parameters was discussed and agreed upon with changes. The External Auditors also presented the resources to be deployed for the audit and the timelines were also agreed upon.</p>
	(g) Review the financial information of the Company.	Complied	<p>The Board Audit Committee has a laid down procedure in regard to the review of 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.</p> <p>Presentations were made when required to better facilitate the review process and this was adopted for key audit matters such as major judgmental areas, changes in accounting policies, significant audit judgment in the Financial Statements, going concern assumption and compliance with Accounting Standards and other legal requirements have been dealt with.</p>
	(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	<p>The Board Audit Committee met the External Auditors on two occasions without the presence of the Executive Directors and Corporate Management during the financial year 2021/22.</p>
	(i) Reviewing of the External Auditors' management letter and the response thereto	Complied	<p>As part of its mandate the Board Audit Committee reviewed the Management Letter along with the Management responses. 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. If and when such matters are raised it is escalated to the Board through the BAC report and also at Board Meetings.</p>

Section	Rule	Compliance	Status of Compliance
	<p>(j) Review of the Internal Audit Function</p> <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 that could occur from laid down procedures and policies and also external factors. Reports along with the Management response are reviewed by the BAC and recommendations are made to the Board through its report on high impact items. At regular intervals the progress on the Annual Audit Plan is reviewed and required decisions are made for a revision or restructuring as appropriate. Cadre planning 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 make recommendations to the Board.
	(l) Attendees of Audit Committee meeting with corporate Management and External Auditors	Complied	On two occasions the members of the Board Audit Committee met with the External Auditors without the Managing Director and Executive Directors not being present at such meetings. The Managing Director, Executive Directors, AGM Finance, and other officers could attend a meeting with the External Auditors if invited to do so 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	<p>The Board Audit Committee has to meet minimum once a quarter, in 2021/22, the BAC held ten meetings. The audit findings from the internal audit reports were sent to the relevant officers and the issues along with the Management Responses were discussed at the meetings.</p> <p>The Committee has met ten times during the year and the attendance at those meetings is set out on page 92 in Corporate Governance Report.</p>

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Section	Rule	Compliance	Status of Compliance
	(o) Disclosures in the Annual Report	Complied	The Report of the Board Audit Committee is on pages 140 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.
	(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 COMMITTEE		
	(a) The composition of BIRMC	Complied	The composition of the BIRMC were two Independent Non- Executive Directors, the Managing Director and three Executive Directors. 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 Board Integrated Risk Management Committee on a quarterly basis and on a monthly basis to the Executive Risk Management Committee. The risks are reviewed on the potential impact and mitigating measures are identified, discussed and implemented on a timely manner. Based on the recommendation the Management takes the required steps to mitigate such risk/s.
	(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, Credit Committee and the Management Committees established it was adequate. Periodic reporting and excerpts being discussed for implementation was the action that was followed arising from assessing the activities.
	(d) Corrective action to mitigate the risk	Complied	The Committee discusses the mitigation of risks and measures to be taken, for the corrective action and the time frame to implement such measures and thereafter the effectiveness of the risk mitigation is measured at subsequent forums or through a report.
	(e) Frequency of meetings	Complied	The Committee has met six times during the year to assess the risks of the Company.

Section	Rule	Compliance	Status of Compliance
	(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. Quarterly report is also sent to the Board on the risks identified, implications and mitigation of such risks.
	(h) Establishment of a compliance function	Complied	The Board has appointed a 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. Compliance report is sent to the Board on a monthly basis by the Compliance Officer.
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. The Committee reviews such proposed non recurrent 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 53 on pages 236 to 238 on Financial Statements</p>
9 (3)	Related party transactions	Complied	A Board-approved policy and process is in place to identify the related party transactions and the Related Party Transactions Review Committee reviews all such transactions with Related Parties to establish that those had been conducted on an arms' length basis, without favourable terms being afforded to such parties.

Corporate Governance

Section	Rule	Compliance	Status of Compliance
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 reviews to evaluate whether the transactions with related parties had been 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 financial year no facilities were granted over and above the prudential percentage of the regulatory capital. All transactions were well within the stipulated threshold.</p> <p>No transactions were entered into with preferential treatment and the interest applicable for lending and deposits were in keeping with those offered to the regular customers.</p> <p>No preferential treatment was afforded to related parties and the services and products were offered at commercial rates applicable to customers.</p> <p>Services were obtained from related parties after adequate evaluation was carried out.</p> <p>There is an established reporting line for the flow of information between related parties that is required in the discharge of duties. During the year the reporting lines were adhered to.</p>
10)	DISCLOSURES		
10 (1)	Publish Interim and Annual Financial Statements based on applicable accounting standards and publish in Sinhala, Tamil and English newspapers	Complied	<p>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-annually 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.</p>

Section	Rule	Compliance	Status of Compliance																														
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 148.																														
	(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 147.																														
	(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 147.																														
	(d) Details of Directors and the transactions with the finance company	Complied	<p>Directors' interest in contracts with the Company are given below Including Executive Directors.</p> <table border="1"> <thead> <tr> <th>As at 31st March</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td colspan="3">Assets and Liabilities</td> </tr> <tr> <td>Loans</td> <td>-</td> <td>-</td> </tr> <tr> <td>Deposits</td> <td>237,227,202</td> <td>76,462,758</td> </tr> <tr> <td colspan="3">Income and Expenses</td> </tr> <tr> <td>Interest Income</td> <td>-</td> <td>-</td> </tr> <tr> <td>Interest Expenses</td> <td>6,620,557</td> <td>3,522,953</td> </tr> <tr> <td colspan="3">Remuneration paid</td> </tr> <tr> <td>Short term - Employment benefits</td> <td>79,160,550</td> <td>64,674,378</td> </tr> <tr> <td>Long term - employment benefits</td> <td>13,572,413</td> <td>11,866,620</td> </tr> </tbody> </table>	As at 31st March	2022	2021	Assets and Liabilities			Loans	-	-	Deposits	237,227,202	76,462,758	Income and Expenses			Interest Income	-	-	Interest Expenses	6,620,557	3,522,953	Remuneration paid			Short term - Employment benefits	79,160,550	64,674,378	Long term - employment benefits	13,572,413	11,866,620
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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 LKR 92,732,963 in 2021/22 (in 2020/21 LKR 76,540,998). The details are disclosed under the note 53.2 to the Financial Statements on page 236.																														

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	Complied	<table border="1"> <thead> <tr> <th></th> <th colspan="2">2022</th> <th colspan="2">2021</th> </tr> <tr> <th>Related Party Category</th> <th>Rs.</th> <th>% of the Capital Funds</th> <th>Rs.</th> <th>% of the Capital Funds</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Other Key Management Personnel and their close family members</td> <td>20,645,899</td> <td>0.35%</td> <td>20,073,338</td> <td>0.41%</td> </tr> <tr> <td>Subsidiaries</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Joint Venture</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Entities which Directors and their close family members have a substantial interest</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>		2022		2021		Related Party Category	Rs.	% of the Capital Funds	Rs.	% of the Capital Funds	Directors	-	-	-	-	Other Key Management Personnel and their close family members	20,645,899	0.35%	20,073,338	0.41%	Subsidiaries	-	-	-	-	Joint Venture	-	-	-	-	Entities which Directors and their close family members have a substantial interest	-	-	-	-
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	(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. 147.																																			
	(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 which has to be communicated to the shareholders.																																			
	(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 and it appears on page 90.																																			

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>From the beginning of the financial year the Board comprised of eight Directors of which four are Executive and four Non Executive and Independent. The status quo remained unchanged during the financial year.</p> <p>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, Deputy 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 2021/22 the Board met 17 times during the year. Attendance at meetings appears on page 92.	✓
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 mandate and has established a mechanism to ensure that the overall responsibility over functions of the Board has been complied with.	✓
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 monthly basis and compliance thereto.	✓
A.1.4	Access to advice and services of Company Secretary	The Directors have access to the Company Secretaries, a duly registered company functions as the 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 judgment	The Board comprises of Executive and Non-Executive Directors whose independent judgment is assured at all times on matters discussed.	✓


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 with items of importance being prioritized. This is also aided by supporting documents and material being circulated to the Directors well in advance so that they could appraise themselves of the matters under consideration. Meetings of the Board Committees too are structured in a manner to achieve the objectives set out in the policy framework for such Committees and for the effective discharge of its responsibilities and functions. The Chair of the Board and the sub 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	No changes were made to the Board of Directors during the financial year 2021/22, as such no induction programs were conducted. The entire Board has attended 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.	✓


Code Reference	Compliance and Implementation	Status of compliance	Complied
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 Deputy Managing 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 23 to 26.	✓
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	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. 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.	✓
A.7	Appointments to the Board and re-election Nomination Committee Disclosure requirements when appointing new Directors to the Board	The Board has an approved transparent nomination process which is stringently followed with regard to the appointments to the Board of Directors. 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 Announcements were made through the Colombo Stock Exchange on the appointment of new Directors and also the composition of the Board Committees. The re-designation of Mr.W.P.K. Jayawardana as Deputy Managing Director was made 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.	✓
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. One Director retires by rotation as per the Articles of Association.	✓

Corporate Governance

Code Reference	Compliance and Implementation	Status of compliance	Complied
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. Disclosures have been made in this Report.</p> <p>This is covered in the Report of the Board of Directors.</p>	
A.10	<p>Annual Report to disclose specified information regarding Directors</p>	<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 23 to 26 including other directorships held by the Directors and memberships of Board Committees. Directors attendance is disclosed on page 92.</p>	
A.11	<p>Appraisal of the CEO</p>	<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>	

Code Reference	Compliance and Implementation	Status of compliance	Complied
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><i>Setting up of Remuneration Committee.</i> The Company has appointed a Board 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, Deputy Managing Director and Executive Directors. The compensation of the key management personnel are determined by the Committee where appropriate.</p> <p><i>Composition of Remuneration Committee</i> composition of the Board 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><i>Disclosure in the Annual Report about the Remuneration Committee members</i> Remuneration Committee Members are specified in the Report submitted by the Committee.</p> <p><i>Remuneration of Non-Executive Directors.</i> The Non-Executive Directors receive Directors' Fees.</p>	

Corporate Governance

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 required to manage the affairs of 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 the Managing Director, Deputy Managing Director and Executive Directors which is directly related to performance or achievement of the financial and non financial objectives.</p> <p>Executive Share Option. There are no Share Option schemes offered by the Company to its employees.</p> <p>Designing schemes of performance related remuneration. The Remuneration Policy depicts the provisions in the determination of the performance related remuneration for the Managing Director, Deputy 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 during the year under review.</p> <p>Remuneration of Non-Executive Directors. Non-Executive Directors are entitled to fixed fees which is termed as Directors Fees.</p> <p>The Company has not offered any Share Option plans to either Executive Directors or Non-Executive Directors.</p>	

Code Reference	Compliance and Implementation	Status of compliance	Complied
B.3	Disclosures related to remuneration in Annual Report	<i>Annual Report of the Company should contain a statement on Remuneration Policy and details of remuneration of the Board as a whole.</i>	✓
		<i>Disclosure in the Annual Report about the Remuneration Committee members, statement on Remuneration Policy and aggregate remuneration paid.</i>	
		Remuneration Committee report is given on page 139 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 53.2 to the Financial Statements page No.236.	

C . RELATIONS WITH SHAREHOLDERS

C.1	Constructive use of the AGM and conduct of other general meetings	<p><i>The Board should use the AGM to communicate with shareholders and should encourage their participation.</i></p> <p>To facilitate active participation the Notice convening the Meeting and the Annual Report is circulated to the Shareholders within the stipulated time frame. The Annual General Meeting is considered as 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><i>Use of proxy votes.</i> The votes of the proxies are considered when passing resolutions at the Annual General Meeting. Shareholders of the Company send in the Proxies and it is considered when passing resolutions.</p> <p><i>Separate resolutions for separate issues.</i> Individual resolutions are set out in the Notice convening the Annual General Meeting and the Form of Proxy. Shareholders who are unable to attend the meeting could then complete and send the Form of Proxy indicating their voting preference. At the Annual General Meeting shareholders express their preference on the specific resolution and the outcome is recorded.</p> <p><i>Arrangement made by the Chairperson of the Board that all Chairmen/ Chairpersons of Sub Committees make themselves available at the AGM.</i> Chairpersons/Chairman of the Board sub Board are present at the Annual General Meeting of the Company and are available to respond to any matters that would be raised by the shareholders.</p>	✓
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Corporate Governance



Code Reference	Compliance and Implementation	Status of compliance	Complied
		<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 the Annual General Meeting is specified in the Notice of convening the Meeting and on the Form of Proxy has separate resolutions for the items to be voted on. Voting procedures at the Annual General Meeting and the due completion and submission of the Form of Proxy within the stipulated time frame appear on the Form of Proxy.</p>	✓
C.2	Communication with shareholders	<p>Channel to reach all shareholders to disseminate timely information. 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. If the shareholders so require printed copies are made available on request.</p> <p>Policy and methodology of communicating. 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. 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 softcopy will be emailed. In keeping with the CSE relaxation at the Rules for the year.</p> <p>Contact person. Shareholders may, at any time, direct questions and request for publicly available information from the Directors or Management of the Company. Company Secretary could be contacted for any queries of shareholders.</p> <p>Awareness of Directors on major issues and concerns of shareholders 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>	✓

Code Reference	Compliance and Implementation	Status of compliance	Complied
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 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>	✓

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. 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 2022 and at the end of each quarter of the financial year and all price sensitive information has been disclosed in a timely manner and a special announcement was made when the Company disposed of its property at Rajagiriya.</p> <p>Directors' Report in the Annual Report Annual Report of the Board of Directors on the affairs of the Company is given on pages 132 to 138 covering all areas of this section.</p> <p>Annual Report disclosure stating Board's and Auditors' responsibility Statement of Directors' Responsibility for Financial Reporting is given on page 148 and Auditors' certification on the Internal Control is given on page 147 respectively.</p> <p>Management discussion and analysis Management discussion and analysis is given on pages 30 to 38 and 44 to 89.</p> <p>Disclosure of Related Party Transactions. A Board-approved Related Party Transaction Policy 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 vide the CSE. All related party transactions as defined in Sri Lanka Accounting Standard – 24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 53 to the Financial Statements on page 236.</p> <p>Directors' assumption on the going concern of the business. This is given in the Annual Report of the Board of Directors on the Affairs of the Company on page 138.</p>	✓
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Corporate Governance

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><i>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.</i></p> <p>The BIRMC assists the Board in the 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 149 to 156 the BIRMC report appears on page 145 and the Internal Control Statement appears on Page 147 of the Annual Report.</p>	
D.3	Audit Committee	<p><i>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.</i></p> <p>The Board Audit Committee oversees that the formal process implemented and assists the Board in ensuring 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><i>Composition of the Audit Committee.</i></p> <p>The Audit Committee comprises the following Directors: Mrs. Priyanthi de Silva - Chairperson Independent Non Executive Mrs. Tamara Dharmakirti-Herath – Member Independent Non Executive Mr. Hiran de Silva – Member Independent Non Executive</p> <p><i>Reviewing the scope and results of the audit and its effectiveness and independence and objectivity of the Auditors.</i></p> <p>The Board Audit Committee reviews the audit plan of the External Auditors, the 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 whether the External Auditors' independence would be impaired when engaging the External Auditors in the provision of non-audit engagements.</p>	

Code Reference	Compliance and Implementation	Status of compliance	Complied
		<p>It is also responsible to make recommendations on the appointment, reappointment and removal of Auditors</p> <p><i>The Board Audit Committee has made the recommendation with regard to the re-appointment of the External Auditors, Bakertilly Edirisinghe & Co.</i></p> <p>Disclosures made in the Annual Report about Audit Committee. Audit Committee report is given on pages 140 to 142 of the Annual Report</p>	
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 violations on the Code of Business Conduct and Ethics.</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 90 to 131 of the Annual Report.</p>	✓
E & F		<p>The Company has 1576 ordinary voting shareholders of which 2.03% 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 on the affairs of the Company in terms of the performance in a given financial year, its future plans and strategic direction and any other matter that is relevant to the shareholders. 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>	✓
7.6 (iv)	The public holding percentage	Please refer page 264.	✓
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 134.	✓
7.6 (vi)	Information pertaining to material foreseeable risk factors	Please refer the pages 46 to 49 and 149 to 156.	✓
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	Please refer pages 69 to 76 and 81.	✓

Corporate Governance

Code Reference	Compliance and Implementation	Status of compliance	Complied
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 213 and 215	✓
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	Please refer Note 45 Stated Capital in the Notes to the Financial Statements on page 227	✓
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 263 and 264	✓
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 261 and 262 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 215	✓
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	✓

Code Reference	Compliance and Implementation	Status of compliance	Complied
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 2022 The Board comprised of four Non-Executive Directors out of a total eight members which is 50% which is over and above the threshold. All Non Executive Directors are Independent	✓
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 eight Directors as at the conclusion of the immediately preceding AGM and as such the numbers of Non executive Directors is in excess of the requirement	✓
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 (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	The Board has determined the independence of the Non Executive directors. refer pages 23,26 and 137 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	✓

Corporate Governance

Code Reference	Compliance and Implementation	Status of compliance	Complied
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 23-26 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	No new Directors were appointed during the financial year 2021/22	✓
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 139 of the Annual Report. The Three Directors in the Remuneration Committee comprised of are 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 139 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 139 of Remuneration Committee Report and note number 53.2 on page as 236 regards the aggregate remuneration paid.	✓
07.10.6	AUDIT COMMITTEE		
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors whichever is higher	All the members of the Board Audit Committee are Non Executive Independent Directors	✓
	An Independent Non-Executive Director functions as the Chairperson	An Independent Non-Executive Director, Mrs. Priyanthi de Silva functions as the Chairperson	

Code Reference	Compliance and Implementation	Status of compliance	Complied
	<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>The Managing Director, the Deputy Managing Director and AGM Finance attend the Meetings by invitation</p> <p>The Chairperson of the Board Audit Committee is a Fellow of Certified Practising 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 140 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 140-142 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

08th June 2022

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 2022 and the independent Auditor's Report. The information is provided in conformity with the requirements of the Companies Act No.07 of 2007, 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 Stock Brokers Association).

In the NBFIs sector AFC is the oldest Finance Company, counting over 65 years in successful business operations.

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 Board of Directors are pleased to inform that the Company had the best ever performance for the year that ended on 31st March 2022 where the Net Profit after Tax reached over LKR1.4 Bn with a portfolio growth of

51% and NPL ratio improving to 3.64%. Considering the market environment which was not altogether conducive with sporadic interruptions due to COVID 19 pandemic, it is a remarkable performance which bears witness to its resilience and strategic business outlook.

Purpose and Values

In its over 65 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 pages 4 and 49 of this Annual Report. The Company is 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, Ran Ayojana acceptance of public deposits and savings. Other lines of business include 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

The Company closely reviewed its branch network to improve its market potential and reach with an objective of making the branches more accessible which would facilitate financial inclusion.

In order to achieve this, branches were consolidated or relocated whilst retaining its customer centric business model. As at 31st March 2022 there were 94 points of presence across the country. More details regarding this is available on page 63 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 18 The Managing Director's Review on pages 19 to 22 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 51 to 54 and the Capital Management Report on pages 55 to 89 of the 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 2022.

Financial Statements of the Group and the Company

The Financial Statement of the Company and Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) 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 Bakertilly Edirisinghe & Company and approved by the Board of Directors and signed by the Deputy Chairman/Managing Director and Deputy

Managing Director. Report on the operations of AFC appears on pages 51 to 54 of this Annual Report.

Group Financial Statements as at 31st March 2022 were reviewed and recommended by the Board Audit Committee. The Balance Sheet and Income Statement and Notes to the Financial Statements appear on pages 158 to 256 of the Annual Report.

Independent Auditor's Report

The Company's Auditors, Bakertilly Edirisinghe & Company performed the audit of the consolidated Financial Statements for the year ended 31st March 2022 and the Auditors' Report issued thereon appears on Page 158 of the 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 170 to 193 and there have been no material changes. 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 2021 to 31st March 2022.

Financial Results and Appropriations

Interest Income

The total interest income of the Company for the year ended 31st March 2022 was LKR 7,852 Mn (LKR 7,172 Mn in 2020/21) A more descriptive analysis of the interest income is given in Note 7 to the financial statement on page 194.

Financial Results

The Company recorded a Profit Before Tax of LKR 2,364 Mn and Profit After Tax of LKR 1,463 Mn for the financial year ended 31st March 2022. The Company's performance and details of appropriation of profit relating to the Company are tabulated as follows:-

	Year ended 31.03.22 LKR Mn	Year ended 31.03.21 LKR Mn
Interest income	7,852	7,172
Retained earnings brought forward from previous year	2,296	1,778
Less : impact of adopting SLFRS 9	-	-
Add : Profit after Taxation	1,463	561
Earnings available for appropriation	3,759	2,339
Appropriations:		
Add: Other comprehensive income	-	-
Add: Net actuarial gain/(loss) on defined benefit plan	(87)	(19)
Add: Transfer of unrealized profit on Investment Property disposal to retained earnings	333	-
Less: Net Asset adjustments – Associate company	(4)	-
Less: Dividend paid for previous/current year	(404)	
Less: Transfer to Reserves	(96)	(24)
Total appropriation	(258)	(43)
Retained earnings carried forward	3,500	2,296

Taxation

The income tax rate applicable on the profits earned and rate of VAT on financial services during the year were 24% and 18% respectively. Accordingly, the current year income tax provision of the Company was LKR 901Mn compared to LKR 735 Mn for the year 2021/22. 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 declared in March 2022 an Interim Dividend of LKR.6.50 per share which amounted to LKR219.024Mn.

The Board of Directors recommend a Final Dividend of LKR 8.00 per share amounting to Rs.269,568,000 for the year 2021/22 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 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.

For both the Interim and Final Dividends the approval of the Central Bank of Sri Lanka was sought and obtained.

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

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 2022 amounted to LKR 238 Mn and LKR 80 Mn respectively (LKR117 Mn and LKR 12 Mn in 2020/2022). The details of property, plant and equipment are presented in Note 33 (Page 215 to 220 to the Financial Statements).

Extents, locations, valuations and the number of buildings of the Entity's land building and investment properties are detailed on pages 214 and 219 of this Annual Report.

The Company is investing in a state of the art core banking system, which would support AFC's future digital journey in the years to come.

During the year under review the Company disposed of part of its property situated at 190/1 Obeysekera Crescent for a value of LKR 525 Mn, with a per Tax gain of LKR 67 Mn Market disclosures were made on the disposal of the asset.

Directors' Interests in Shares

In compliance with section 200 of the Companies Act No 07 of 2007, the Directors have disclosed to the Board their shareholding in the Company. There were acquisitions made by the Directors during the year 2021/22 but there were no disposals of shares by the Directors. The changes in the shareholdings are depicted in the details given below.

The Director's individual shareholdings in the Company as at 31st March 2022 and 31st March 2021 are given below

Name of Director	Shareholding as at 31/03/2022	Shareholding as at 31/03/2021
Mrs. G.S.T. Dharmakirti-Herath	100	100
Mr. R.K.E.P.de Silva	11,335,291	11,035,291
Mr. J.M. Gunasekara	1,500	1,500
Mr. W.P.K.Jayawardana	42,750	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	100	100

Managing Director's Interest in Shares

The Managing Director, Mr. R.K.E.P.de Silva's individual shareholdings in the Company and also that of the Deputy Managing Director Mr.W.P.K. Jayawardana as at 31st March 2022 and 31st March 2021 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 92 of this Annual Report.

Corporate Governance

The Board of Directors is committed to adhering to 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 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. 5 of 2020. Recommendations and proposals of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka has been complied with as far as it is applicable.

- 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 the 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 90 to 131 of this Annual Report.

Board Sub-Committees

Board appointed Sub Committees are functioning and is comprised of Independent Non Executive Directors, excluding the Board Integrated Risk Management Committee where the members comprise of Executive Directors as well. The Sub Committees are Board Audit Committee, Board Integrated Risk Management Committee, Remuneration Committee and Related Party Transactions Review Committee. Composition of the said Committees is set out on the inner back cover of this Annual Report. All Sub-Committees are governed by the Terms of Reference which are approved by the Board of Directors.

Board Audit Committee

All three members of the Board Audit Committee are independent Non-Executive Directors. The Chairperson holds the required accounting qualifications to function as the Chair. Executive Directors, Senior Management members, Internal and External Auditors attended meetings by invitation. The Board Audit Committee's Report is given on Pages 140 of this Annual Report.

Board Integrated Risk Management Committee

The Board of Directors has established a comprehensive risk management system, policy and procedure 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 145 of this Annual Report.

Board Integrated Risk Management Committee comprises of two Independent Non Executive Directors and four Executive Directors and the Chairperson of the Committee is an Independent Non Executive Director.

Remuneration Committee

Composition of the Remuneration Committee has three Independent Non Executive Directors of which one functions as the Chair. Remuneration Committee report is given on Page 139 of this Annual Report.

Related Party Transactions Review Committee

The Committee carried out the functions mandated in the Terms of reference of the Committee and amongst other matters reviewed the related party transactions during the year 2021/22. There are three Independent Non Executive Directors in the Committee and it is Chaired by an Independent Non Executive Director. The Report of the Related Party Transactions Review Committee is given on Page 143 of the Annual Report.

Related Party Transactions

There were no related party transactions that exceeded 10% of the Equity or 5% of the total assets whichever is lower, being the thresholds set by the Colombo Stock Exchange, for transactions which would require shareholder's approval. 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 contained in 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 236 to 238 of this Annual Report.

All transactions with the related parties were conducted in an arms' length basis and no favourable terms were granted to them.

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 2022.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and Group which reflects 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 for the year ended 31st March 2022 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 148 and forms an integral part of the report.

Donations, CSR and Sustainability Expenses

The Company expended LKR 7.4 Mn for donations, Corporate Social Responsibility activities and sustainability initiatives during the year 2021/22 (LKR 6.36 Mn in 2020/21).

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

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 to the Company's Internal Auditors, to review and report on the effectiveness of financial, operations and compliance controls. The External Auditors too independently verify this and their certification appears on Page 158.

Investments

Details of investments held by the Company are disclosed in Notes 30 and 31 on Pages 212 to 213 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 LKR 614 Mn and LKR 6,067 Mn respectively as at 31st March 2022 (LKR 614 Mn and LKR 5,200 Mn as at 31st March 2021). During the financial year LKR 73 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 166 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 2021/2022. Thereby the market prices and movement is not recorded.

Minimum Capital Requirement

The Board of Directors is cognizant that it is required to maintain the statutory requirement on minimum 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 256 of the Annual Report.

The Company raised LKR 1,000 Mn subordinated debt during the financial year improving its total capital ratio.

Share Information

The ten-year summary appears on Pages 261 to 262 and shareholder information and information on trading are provided under the "Shareholder Information" and are on Pages 263 to 264 of the 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.
- 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 263 to 264.

Information to Shareholders

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

Board of Directors

Composition

Our Board of Directors have the qualifications, experience and expertise in finance, marketing, law, accounting and management. As at 31st March 2022, there were eight Directors on the Board of Alliance Finance Co. PLC of which four are Executive and four Independent Non Executive. The required balance in terms of the Corporate Governance is maintained. Chairperson of our Company is an Independent Non Executive Director, thereby no Independent Non Executive Director was appointed as the Senior Director.

The qualifications and experience of the Directors is provided on Pages 23 and 26 of this Annual Report. The following Directors held office as at the end of the financial year.

Mrs. G.S.T. Dharmakirti-Herath
Chairperson
(Independent Non Executive)

Mr. R.K.E.P. de Silva
Deputy Chairman & Managing Director
(Executive)

Mr. W.P.K. Jayawardana
Deputy Managing Director (Executive)

Mr. J.M. Gunasekara
Executive Director Sustainability
(Executive)

Mr. R.E. Rambukwelle
Executive Director Credit Marketing and
Operations (Executive)

Mrs. P. de Silva
Non Executive Director (Independent
Non Executive)

Mr. L.J.H. de Silva
Non Executive Director (Independent
Non Executive)

Mr. D.L.I. Hettiarachchi
Non Executive Director (Independent
Non Executive)

There were no changes effected to the Board of Directors during the Financial Year 2021/22.

Re-designation

Mr.W.P.K. Jayawardana was re-designated as the Deputy Managing Director of the Company with effect from 1st February 2022, formerly he functioned as Executive Director Finance and Operations. Required approval was obtained from the Central Bank of Sri Lanka.

Resignations and cessations

There were no resignations or cessations from the Board during 2021/22.

Retirement by Rotation

Mr.L.J.H. de Silva retires under Articles numbered 130 & 131 and being eligible

offer himself for re-election with the unanimous support of the Board of Directors.

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 the transactions of the Company. Details of the transactions disclosed therein are given on Pages 236 to 238 under related party transactions.

Directors' Declarations in terms of paragraph 7(3) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008

The Chairperson and the Directors of the Company have made declarations as per the requirements in Section 7(3) of the Finance Companies (Corporate Governance) Direction No.3 of 2008 (as amended), that there is no financial, business, family or other material/ relevant relationship(s) between the Chairperson and the Managing Director and/or amongst the members of the Board.

Directors' Remuneration and Related Expenditure

The consolidated details of Directors' Fees and Directors' Emoluments paid during the year are stated in Note 53.2 to the accounts.

Human Wealth

The Board considers its employees as its wealth and is committed to provide opportunities for continuous improvement and invests in career

enhancement, training of its employees and has implemented measures for the overall well-being of all employees with a holistic approach. 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 69 to 76 of this Annual Report. Our recruitment policy is structured in a manner that bears no bias to gender, religion or race and to give equal opportunity for all.

Employee Share Option

The Company has not adopted an Employee Shares Option Scheme.

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 77 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 89.

New IT System

The Company has produced a new IT system and the Implementation is

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

currently underway with the transition to the new system scheduled at the commencement at the next Financial Year.

Compliance with Laws and Regulations

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

New IT System

The Company has produced a new IT system and the Implementation is currently underway with the transition to the new system scheduled at the commencement at the next Financial Year.

Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the Government and other regulatory payments due to the Government and 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 48.1 to the Financial Statements on Page 229.

Events after the Reporting Date

Details of events after the reporting date are reflected in Notes 49 on Page 229 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 Bakertilly 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 LKR1,942,500 is payable by the Company to the Auditors for the year under review comprising LKR 1,652,000 as Audit Fees and LKR 290,500 as other assurance service related expenses.

Re-appointment

The retiring auditors, Bakertilly 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 LKR 2,438,000 for the audit for the Financial Year ended 31st March 2023 and work related to that inclusive at the assurance Report.

A non-receiving fee at LKR 2,116,000 to propose in regard to the new IT system

transition for the financial year ending 31st March 2023.

Their re-appointment rests with the Shareholders.

Annual General Meeting

The Alliance Finance AGM will be held on Tuesday, 20th September 2022 at 9.30 a.m. at 722 office.

Notice of Meeting

Notice of the meeting relating to the 66th Annual general Meeting is provided on Page 280 of this Annual Report.

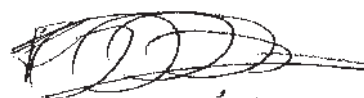
Acknowledgment of the Content of the Report

On behalf of the Board of Directors of the Company, the Deputy Chairman & Managing Director, Deputy Managing Director 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
Deputy Managing Director

(Sgd.)

**Alliance Management Services
(Pvt) Ltd.**

25th August 2022

Remuneration Committee Report

Composition of the Committee

Composition of the Remuneration Committee (RC)

Name

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

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 Rule 7.20.5 of the Listing Rules of the Colombo Stock Exchange, its composition and functions are in conformity with the provisions of the Listing Rules.

Meetings

The Committee met on three 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 Chairman considering the matters which were being deliberated 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 behaviour, thereby impacting business results. Therefore, the reward programs are designed to attract, retain and motivate employees to perform, by linking performance to measurable performed-based criteria. Variable

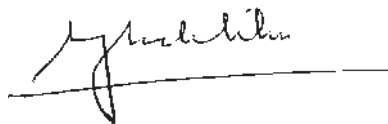
(bonus) pay plan of the Company is determined according to the overall achievements of the Company on an annual basis and on pre-agreed individual targets, which are based on comprehensive performance parameters. The level of variable pay is set to ensure that individual rewards reflect the performance. The Committee makes appropriate adjustments to the bonus pool upon the recommendations of the Executive Directors, 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.236 of the Annual Report.



L.J.H. de Silva.
Chairman
Remuneration Committee

08th June 2022

Report of the Board Audit Committee

Composition

Composition of the Board Audit Committee (BAC) comprises of three Independent Non Executive Directors and Mrs. Priyanthi de Silva, functions as the Chairperson.

The Board Audit Committee is appointed by and responsible to the Board of Directors of Alliance Finance Company PLC and the constituent members possess wide ranging financial, commercial and management experience.

The biographical details of the members of the Board Audit Committee are set out in the Board of Directors profiles section of the Annual Report. The Chairperson of the Committee is a fellow member of Institute of Management Accountants of UK.

- Ms Priyanthi de Silva: Independent Non-Executive Director
- Ms. G.S.T. Dharmakirti Herath: Independent Non-Executive Director
- Mr L.J.H. de Silva: Independent Non-Executive Director

Alliance Management Services (Pvt) Ltd., Company Secretaries, functioned as Secretary to the BAC.

Meetings

The Board Audit Committee meets on a regular basis and met on occasions over and above the stipulated requirement to facilitate the requirements of the Company.

Both the Managing Director and Executive Directors attended the BAC meetings by invitation and Senior Management staff too were invited to

attend the meetings consequent to the matters being considered at the specific BAC meeting.

External Auditors attended the BAC meetings on two occasions with only the members of the BAC being present. At these meetings the Managing Director nor Executive Directors were in attendance. Internal Auditors also attended the meetings by invitation.

Proceedings at meetings were as per the Agenda which is circulated to the BAC members. Matters considered were not in keeping with the role and functions outlined in the Terms of Reference of the BAC and also the Audit Charter.

Members of the BAC were briefed at the meetings on the impact the changes in the Directions issued by the Central Bank of Sri Lanka and other changes to the legislation would have on the functions of the Company.

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

Name	Attendance
Mrs. P.de Silva Chairperson	10/10
Mrs. G.S.T. Dharmakirti Herath Member	10/10
Mr. L.J.H. de Silva Member	10/10

Overview of the functions of the Committee during the financial year

Review of the Terms of Reference and Charter

The BAC reviewed the Terms of Reference and the Charter to ensure that it is in keeping with the regulations

applicable and also current in terms of the audit requirements of the Company in the changing demography. In addition the Audit Manual was reviewed and revised to facilitate an effective oversight of the operations of the Company in the context of the changing trends and modalities and also the challenges faced at the operational level.

Executive Functions

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

External Auditors and Audit

With regard to the External Auditors and the annual audit of the Company, BAC, carried out the undermentioned matters.

- Recommended the re-appointment of Bakertilly Edirisinghe & Company as External Auditors for the financial year ended 31st March 2023 upon expressing their willingness to continue as External Auditors which is subject to the approval of the shareholders at the Annual General Meeting.
- Recommended the external Auditor's terms of engagement and the audit fees payable for the ensuing financial year
- Reviewed and made recommendation on the audit scope and audit plan for the year under review and also the resources to be deployed for the audit function, prior to the commencement of the audit.

Evaluated the effectiveness of the audit with applicable standards and practices and had been advised that the Management and staff had extended their fullest co operation to the External Auditors in carrying out their functions.

- Reviewed the Management Letter and the Management's responses at a meeting with the External Auditors and briefed the Management on the recommendations specified for implementation.
- Obtained assurance from the Auditors that the independence was not impaired.
- The External Auditors were not called upon to provide non audit services.
- Apprised the External Auditors on the changes to the Directions issued by the Central Bank of Sri Lanka with regard to appointment of External Auditors.

In respect of Financial Statements

- Reviewed the interim and annual Financial Statements of the Company as well as the financial information and disclosures made to the public in relation to the said financials prior to its submission and approval by the Board.
- Reviewed the methodologies adopted in the determination of the significant estimates and judgments contained therein including the Expected Credit Loss (ECL) whether it was adequate considering the COVID 19 related implications
- 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 together with 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.
- 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 interim and Final Dividends for the year 2021/22 of the Company in terms of the regulatory requirements.
- Evaluated the systems and procedures in place for the recording of the financial transactions whether it was robust

In respect of Internal Control and Internal Audit

- In line with the Section 10 (2)(b) of the Finance Companies Direction No. 03 of 2008 as amended by the Direction No.06 of 2013, the Company is required to comply the said direction and assess the effectiveness of the Internal Control over Financial Reporting as at 31 March 2022.
- 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 the hugh periodic reviews. Adopted appropriate measures as and when required on the implementation of the audit plan arising from the disruptions caused by the pandemic.

- Sent reports to the Board on the functions of the Board Audit Committee and its recommendations at the conclusion of each BAC meeting. 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 effective internal control systems.
- Reviewed significant issues raised by the internal auditors an 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

Report of the Board Audit Committee

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 system controls 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 a fully-fledged Internal Audit Department and is adequately staffed with those who possess the required qualifications, experience and expertise and has the required independence and is able to function impartially and with professional care. Internal Audit Manual specifies the operatives, procedures and practices to be adopted by the Department to fulfil its role.

Regulatory Compliance

A compliance related framework is operational and the Compliance Officer is tasked with ensuring that the Company is compliant with all regulatory requirements and appraises the Board and Management of the changes on the regulatory requirements consistently and in a timely manner to ensure effective implementation and follow up. This process includes the implementation of the recommendations on the onsite examination report.

Operating procedures of the Company have been set up to encompass the regulatory requirements as well, for compliance.

As a monitoring mechanism, reporting system has been set up for periodic confirmations to be sent to the Board on the levels of compliance and if there are deviations. Thereby confirmations have been received on the compliance of the Company and it is in keeping with the regulatory requirements. Internal Audit Department of the Company independently carries out periodic review of the compliance function and on the regulatory reporting to the regulatory bodies.



Mrs. Priyanthi de Silva
Chairperson
Board Audit Committee

08th June 2022

Related Party Transactions Review Committee Report

Composition

The Related Party Transactions Review Committee (RPTRC) is composed of Board members and the Chairperson of the Committee is an independent Non-Executive Director and the Members are Independent Non Executive Directors. Composition is given below.

Mrs. G. S. T.Dharmakirti Herath
Chairperson

Mr. L. J. H. de Silva
Member

Mr. D. L. I. Hettiarachchi
Member

Company Secretaries functioned as the Secretary for the Committee.

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 also included activities under its Terms of Reference, which were regularly reported to the Board of Directors with its comments and observations.

The Managing Director, Executive Directors and others have been invited to the meetings as and when required.

Name	Attendance
Mrs. G. S. T.Dharmakirti Herath	5/5
Mr. L. J. H. de Silva	5/5
Mr. D. L. I. Hettiarachchi	5/5

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 Directions of the Central Bank of Sri Lanka and Accounting Standards. The mandate for the Committee and the Terms of Reference is stipulated in the Related Party Transactions Review Policy.

The Related Party Transactions Review Policy and the Terms of Reference was reviewed in 2021/22 and required changes were made to the procedures.

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 and ensure good governance in terms of managing the relationships with related parties to ensure that it is in the best interest of the Company. In carrying out the duties of the Committee, it is required to avoid conflict 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

The Committee's key focus is to review all Related Party Transactions and non recurrent transactions prior to the completion of the transaction according to the procedures laid down in the Related Party Transactions Review Policy which was approved by the Board of Directors. Key responsibilities of the

RPTRC are as follows:-

- Review the 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.
- Establish and review the mechanism for recurrent transactions to be carried with related parties and monitor its effectiveness
- Ensure that the appropriate framework is in place to evaluate for the provision of obtaining of services to and from related parties.
- Review any post quarter confirmations on related party transactions.
- Review the thresholds 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.
- Evaluate non recurrent transactions adopting the mechanism stipulated and if required obtain expert advice in making such recommendations.
- In evaluating the related party transactions to ensure that a Director who is an interested party does not participate in the decision making process unless expressly requested to do so.

Related Party Transactions Review Committee Report

Disclosures

- Information relating to all related parties, as extracted as at the end of each quarter, was presented to the RPTRC and the Board was apprised on the outcome of the review
- The non-recurrent related party transactions 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 and does not require disclosure in the Annual Report.
- The aggregate value of all Related Party Transactions during the year is disclosed in Note No.53 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.

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 2022.



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

08th June 2022

Board Integrated Risk Management Committee Report

Composition

The Board Integrated Risk Management Committee Reward as BIRMC comprises of two Independent Non Executive Directors, Executive Directors and AGM Risk and Compliance of the Company.

Mrs. G.S.T. Dharmakirti Herath

Chairperson - Independent Non Executive Director

Mrs. P. de Silva

Member
(Independent Non Executive Director)

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

Member (Deputy Chairman & Managing Director)

Mr. W.P.K. Jayawardana

Member (Deputy Managing Director)

Mr. J.M. Gunasekera

Member (Executive Director Sustainability)

Mr. R.E. Rambukwelle

Member (Executive Director Credit Marketing and Operations)

Mrs. Thamara Rathnayaka

AGM Risk Management & Compliance

The Company Secretaries functioned as the Secretary to the Committee

Meetings

The Committee held six meetings during the year under review and a summary of the proceedings was reported to the Board.

Attendance

Mrs. G.S.T. Dharmakirti Herath	6/6
Chairperson	
Mrs. P. de Silva	6/6
Member	
Mr. R.K.E.P. de Silva	6/6
Member	
Mr. W.P.K. Jayawardana	6/6
Member	
Mr. J.M. Gunasekera	6/6
Member	
Mr. R.E. Rambukwelle	6/6
Member	
Mrs. Thamara Rathnayaka	6/6
AGM Risk Management & Compliance	

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. 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.

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 to review all business risks on a monthly basis viz 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 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 make recommendations 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.
- Perform stress testing mechanisms and monitor outcomes through sensitivity analysis and its impact on the capital adequacy of the Company and apprise the Board of the outcome
- 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.

Board Integrated Risk Management Committee Report

- 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.
- On a quarterly basis to furnish a risk review report to the Board.

Significant Activities

- Carried out stress testing on different occasions for the core business products to assess the possible impact of the external factors on the lending and recoveries
- Risk Appetite framework was developed
- Operational Risk Management Policy and Procedure was formulated
- Policy and procedure for screening of customers was reviewed.
- Reviewed and revised as necessary the Anti Money Laundering and Combating Financing of Terrorism Policy, Procedures
- Formulated stress Testing Procedure
- Reviewed the Compliance Policy

The Integrated Risk Management framework and related matters are described in the Risk Management Report on pages 149 to 156 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

08th June 2022

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

Responsibility in line with the Section 10(2)(b) of the Finance Companies Direction No.3 of 2008 as amended by the Direction No.6 of 2013, the Board of Directors presents this Report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Alliance Finance Co. PLC, ("AFC"). In considering such adequacy and effectiveness, the Board recognizes that the business of financing requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting any deviations from the limits and indicators which comprise the risk appetite of the Company. In this light, the system of internal controls can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or against financial losses or fraud.

Process of Evaluation

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal control over financial reporting as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and is in accordance with the guidance for Directors of Licensed Finance Companies on the Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

The Company has adopted Sri Lanka Accounting Standards comprising of LKAS and SLFRS and the Board has assessed the internal control over financial reporting taking into account principles for the assessment of internal control system as given in that guidance. The

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

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting. The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance.

The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department and the Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. In assessing the internal control system over financial reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn were observed and checked by the Internal Audit Department for suitability of design and effectiveness on an ongoing basis.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide a reasonable

assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors, Messrs Bakertilly Edirisinghe & Company has reviewed the above Directors' Statement on internal control for the year ended 31st March 2022 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.



Thamara Dharmakeerthi
Chairperson



Romani de Silva
Deputy Chairman and Managing Director.



Priyanthi de Silva
Chairperson
Audit Committee

08th June 2022

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) and (2) of the Companies Act No 07 of 2007.

The Directors confirm that the Company's financial statements for the year ended 31st March 2022, are prepared and presented 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, Finance Business Act No 42 of 2011 and the Companies Act No. 07 of 2007. They believe that the financial statements present a true and fair view of the state of the affairs of the Company as at the end of the financial year. The financial statements comprise the statement of financial position as at 31st of March 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and notes thereto.

The Directors also accept the responsibility for the integrity and accuracy of the Financial Statements presented and confirm that the 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 on 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, Bakertilly 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 on the Financial Statements. The Report of the Auditors is set out on pages 158 to 161.

By order of the Board
Alliance Finance Co.PLC

(Sgd.)

Alliance Management Services (Pvt) Ltd.
Secretaries

08 June 2022

Risk Management Report

Risk Environment

Risk Environment of Sri Lanka is witnessed fragile state economy with lacking the necessary buffers to withstand shocks. Yet, the economy continued to suffer from long lasting effect of the easter Sunday attack in April 2019 and Covid 19 pandemic in March 2020 that continued to spread in several waves, FX crisis and energy crisis. In addition, high inflation rate, USD depreciation, supply side disruption and scarcity of the essential items have dampened the people's livelihood. The situation was further constrained by the changes introduced to the tax structure in late 2019. As widely speculated, the full social, economic and financial impact of these developments is yet to be seen. However, the first half of the financial year due to the easing monetary policy and ample liquidity available in the market increased the demand for financial products and services.

From a risk management perspective, the challenge during the year was to build resilience across existing and new dimension of risk, including risk associated with remote working arrangement, adherence to moratorium guideline issued by regulators, suspending execution of legal action and the continuing potential for rising defaults.

The company devoted more resources and efforts to carefully monitor such a risk and others, such as credit risk with respect to segments of the lending portfolio under moratorium and exposures to risk elevated sectors, market risk due to rising interest rates and equity price drops and operational risk arises due to the remote work arrangements. The company also successfully tested its business continuity plan and disaster recovery plan

during the year along with monitoring of ongoing health and safety risk to staffs and customers in the context of operating in the midst of the covid 19 pandemic.

The success of these efforts is evident from conservative risk profile the company has been able to maintain.

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.

Risk Management Report

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 AFC's risk management framework, which assess 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.

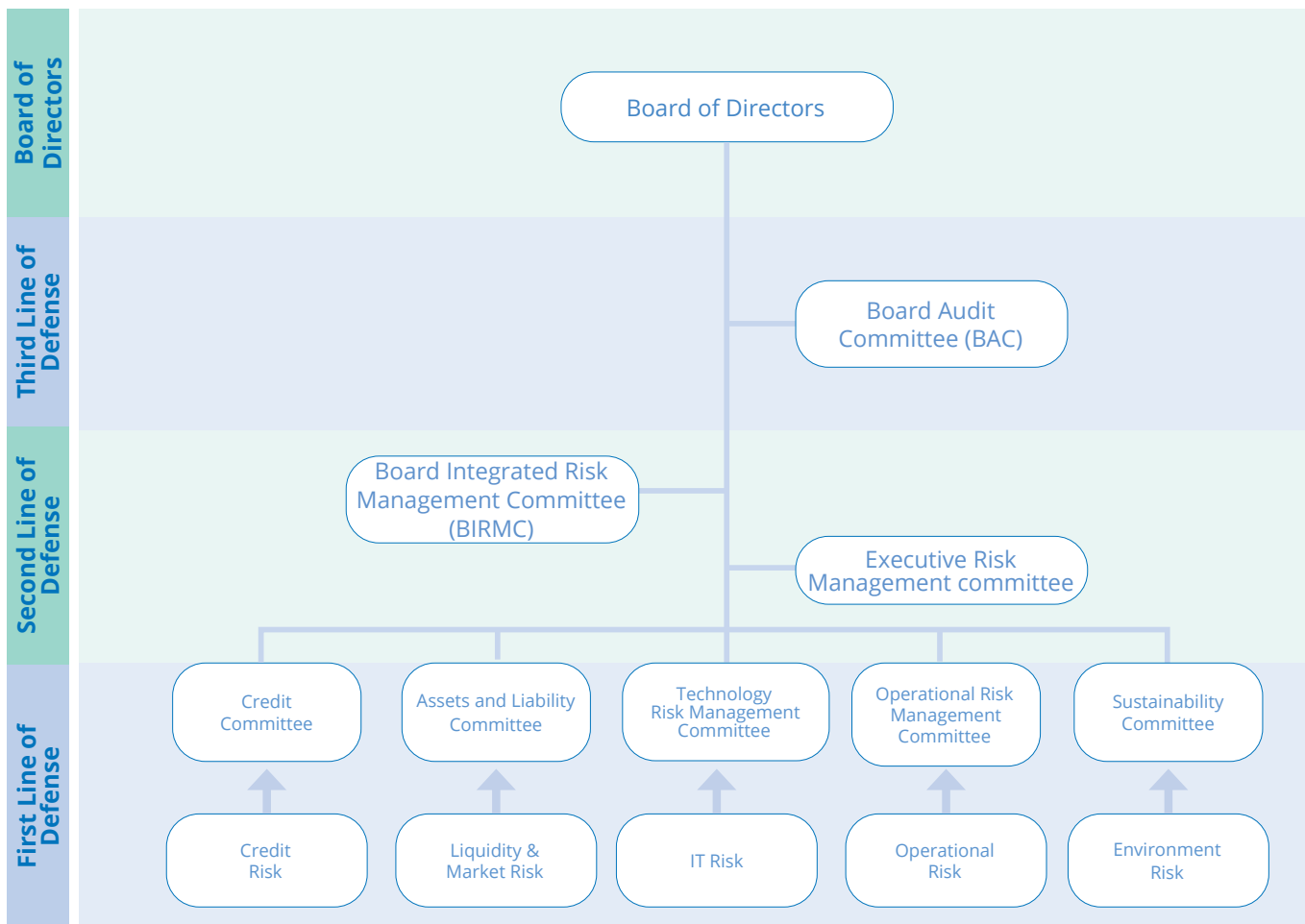
Risk Governance

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's 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, Technology Risk Management Committee, Operational Risk Management Committee (CMM) and Sustainability 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 improved during the year. Gross NPL ratios decreased from 11.29% to 9.11% and net NPL ratio decreased from 2.81% to 1.90% from March 2021 to 2022.

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.
- 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 of BIRMC through the Credit Committee, where discussions and actions are being primarily focused on proactive review of credit quality

and trends where diagnostic and 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 procedure to control new entrants to the non-performing loan baskets.
- The monthly plan of recovery takes place in the monthly meeting with

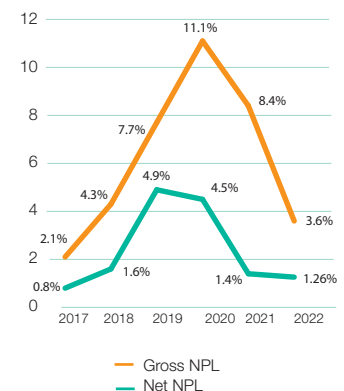
the recovery team of AFC, along with the action plan for non-achievements of previous month.

- 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.

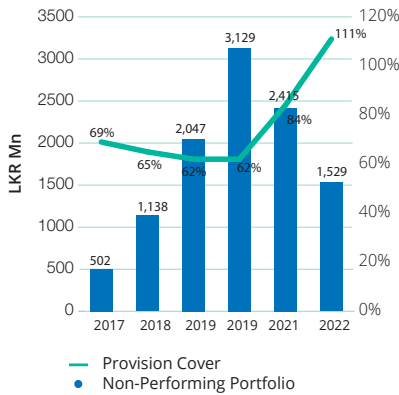
Gross NPL ratio and Net NPL ratio



End of the financial year, AFC's gross NPL ratio and net NPL ratio stand at 3.6% and 1.26% respectively. Gross NPL ratio of the company below the industry average of 9.11% for the year ended 2021/22.

Risk Management Report

Provisioning Coverage Ratio



Provisioning coverage ratio of the company remain at 111% compared to industry average of 69.4% recorded for end of March 2022

Concentration Risk

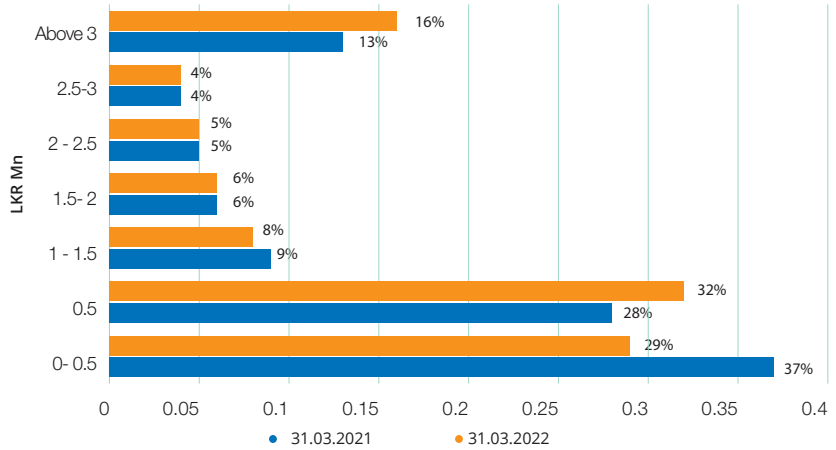
Concentration risk is the uneven distribution of the company's loans and advances amongst the borrowers, products, regions or collaterals. This arises due to lack of diversification of the portfolio.

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.

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

Exposure on borrowers



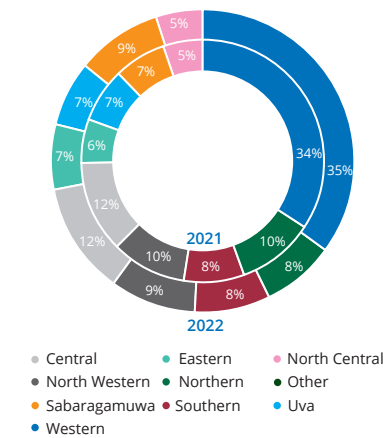
Concentration of borrowers managed by investing in small tickets

- 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

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.

Geographical distribution of the portfolio



Geographical concentration managed by expanding branch network outside the Western province

MARKET RISK

Market risk is the risk of loss in on and off-balance sheet position arising from

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. However, at the last quarter of the financial year interest rates started climb up on a quantum leap and by April 2022 interest rates are continuously increased to amid the Island nation's worst -ever economic and political crisis.

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.

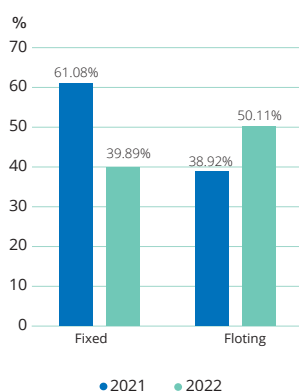
Assessment

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.

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

AFC Borrowings Fixed and Floating Mix



Variable rate borrowings Increased from 39% to 50% from 2021 to 2022. Respectively fixed rate borrowings has reduced from 61% to 39% from 2021 to 2022

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 rate 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.

Sri Lankan rupee continued to show a depreciating trend against the US dollar throughout the year of 2021/22 due to consecutive sovereign rate downgrades by global rating agencies. In order to mitigate the effect, the CBSL implemented several measures to prevent the outflow of foreign currency from the country also pursued a tightening monetary policy stance during the year.

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

Maturity Gap of Rate Sensitive Assets and Liabilities (LKR Mn)

Maturity bucket	0 to 3 Month	3 to 6 Months	6 to 12 Months	1 to 2 Year
Assets	11,689	4,468	6,877	7,925
Liabilities	10,464	4,456	7,291	6,046
Gap	1,225	12	(414)	1,879
Cum Gap	1,225	1,237	823	2,703

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

Magnitude of impact	2022	2021
	Increased / (Decreased) LKR Mn	Increased / (Decreased) LKR Mn
1%	112.35 / (112.35)	48.82 / (48.82)
2%	224.71 / (224.71)	97.63 / (97.63)
3%	337.06 / (337.06)	146.45 / (146.45)

Risk Management Report

of adverse movement in the local and international gold prices or exchange rates. The Gold Loan business reflects the 16% 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.

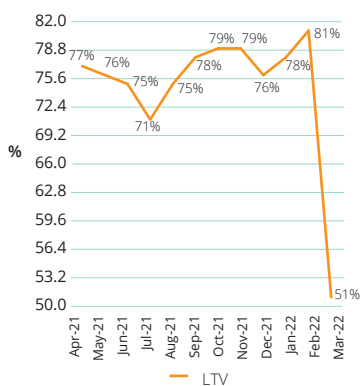
During the year under review world gold prices shows strong upward movement and it provided an opportunity to bolster the Company's Gold Loan business.

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.
- More stringent recovery process

Assessment of commodity risk

Gold loan LTV Ratio



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

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.

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 and also borrowed from the financial institutions at competitive rates. 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

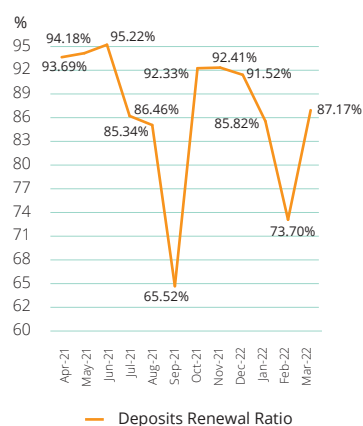
- The Company maintained statutory liquidity assets ratio well above the regulatory limit.
- Daily liquidity is monitored and stressed scenarios covering various market conditions.
- Strengthened the contingency funding arrangements using standby facilities.
- Regular ALCO meetings were held and the Committee monitors the liquidity position of the Company.
- 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 (LKR Mn)

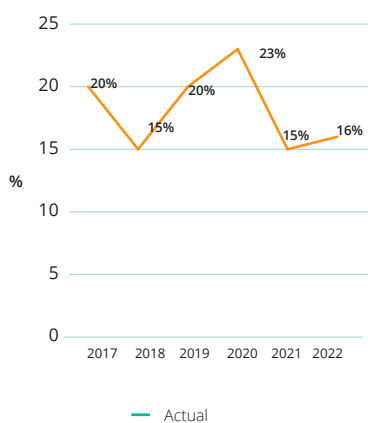
Maturity bucket	0 to 3 month	3 to 6 month	6 to 12 month	1 to 3 year	Over 3 year
Total Assets	13,074	4,671	7,239	14,329	8,759
Total Liabilities	12,202	5,125	7,704	10,699	12,341
Maturity Gap	872	(454)	(465)	3,630	(3,582)
Cumulative Gap	872	418	(47)	3,582	0

Deposit renewal ratio



Deposits renewal ratio is maintained at healthy level even in the recession period. Which range from 65% to 95%.

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 processes, systems and people or an 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 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 change, 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.

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

- 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

Risk Management Report

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 manages 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.

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 reviewed and updated
- Established a procedure to ensure effective verification/monitoring of CAR
- Developed a capital assessment procedure to determine the required level of capital to be maintained.
- Established a comprehensive capital planning procedure including the structure of capital planning process

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. The minimum capital adequacy ratios will be increased from 1st July 2022 as T I 8.5% and T II 12.5%.

Capital adequacy ratio

As at 31st March	2022		2021	
	Regulatory Limit	Actual	Regulatory Limit	Actual
Core capital ratio %	7	11.67	6.5	11.38
Total capital ratio %	11	15.07	10.5	14.00
Capital funds to deposit ratio %	10	33	10	38



PROFIT | Profitability is and will always be part of our fundamental status quo and we use our financial prowess to trigger sustainable nationwide development so as to raise Sri Lanka's socio-economic position in the long term.

Financial Reports

Independent Auditors' Report



**Edirisinghe & Co.
Chartered Accountants**

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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, 2022 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, 2022 and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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

Edirisinghe & Co., trading as Bakertilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Key audit matter

Impairment charges (expected credit losses/ECLs) for loans and advances, lease and hire purchase rental receivables

The accounting policy relating to the provisioning of impairment for loans and advances, lease rental receivables hire purchase rental receivables as described in note 4.5.7, the detail relating to impairment charges for the year ended 31 March 2022 is included in note 11, and details of provisions carried at 31 March 2022 are included in note 23, 24 and 25.

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 loans as non-performing advances (NPAs), the significance of the loans and receivables, lease and hire purchases receivables balances to these financial statements, the inherent complexity of the Company's ECL models used to measure impairment allowances and the level of required disclosures set out by the requirements of SLFRS 7 financial instruments: Disclosures, we determined this to be a matter of most significance to our audit.

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.

How our audit procedures addressed the key audit matter

We assessed whether the Company and the Group's impairment computations and underlying methodology align with the requirements of SLFRS 9 with consideration of worsened economic condition 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, including amongst others the following.

- 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 of Directors.
- We checked the completeness and accuracy of underlying data used in the computations.

In addition to the above, the following procedures were performed.

For individual impairment

- We tested control over the timely identification of potentially impaired loans and receivables.
- We tested a sample of loans and receivables to ascertain whether events causing a significant increase in credit risks were identified in a timely manner.
- Selected a sample of large customers based on quantitative thresholds where individually identified by management due to; a significant increase in credit risks, having signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering prevailing uncertain and volatile macro-economic environment and the impacts of COVID-19).
- 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.

Independent Auditors' Report

Key audit matter

For the collective impairment model (ECL 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 large numbers of accounts with relatively small individual balances. The key assumptions and judgments made by the Company underlie the calculation of impairment. A high degree of complexity and judgment is involved in estimating impairment. There are also several key assumptions made by the Company in applying the requirements of SLFRS 9 to the ECL model including the identification of the loss stage, probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required.

The prevailing uncertain and volatile macro-economic environment, continued disruption to economic activities caused by lack of power supply/fuel, union actions, and lack of availability of critical resources including raw materials for production have meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgment required by the Company and the Group in estimating impairment allowances.

How our audit procedures addressed the key audit matter

- Evaluated the associated reasonability of the provisions made with particular focus on the prevailing uncertain and volatile macro-economic environment and the impacts of COVID-19) on high-risk industries, strategic responsive actions are taken, collateral values, and the value and timing of recoveries.

For collective impairment

- Assessed the completeness of the underlying information in loans and advances used in the impairment calculations by agreeing with details to the Company and Group's sources of documents and information as well as re-performing the calculation of impairment allowance using computer-assisted audit techniques.
- Assessed the reasonableness of macro-economic and other factors used by management in their judgmental overlays. We evaluated the different macro-economic scenarios considered by management, the reasonableness of the scenario chosen, and the weightages applied.
- Assessed the reasonability of the basis for and data used by Management to determine overlays in consideration of the scenarios used.
- Recalculated the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD.
- We assessed the adequacy of the related financial statement disclosures set out in notes 2.11.3, 4.5.7, 11, 23, 24, 25, and 54.

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 auditor's 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 determines is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3337.



**Edirisinghe & Co.,
Chartered Accountants**

Colombo
08th June 2022

Statements of Profit or Loss

For the year ended 31st March		Company		Group	
		2022	2021	2022	2021
	Notes	LKR	LKR	LKR	LKR
Gross Income	6	8,697,463,749	7,799,463,274	8,776,702,341	7,863,173,738
Interest income		7,852,033,338	7,172,427,543	7,858,602,585	7,175,165,275
Interest expenses		(2,651,181,039)	(2,912,756,756)	(2,651,181,039)	(2,912,756,756)
Net Interest Income	7	5,200,852,299	4,259,670,787	5,207,421,546	4,262,408,519
Fee and commission income		267,503,991	191,518,532	341,843,804	252,491,264
Fee and commission expenses		(255,158,346)	(272,347,232)	(255,158,346)	(272,354,366)
Net Fee and Commission Income	8	12,345,645	(80,828,700)	86,685,458	(19,863,102)
Net gain/(loss) from trading	9	28,124,476	17,262,743	28,604,778	17,262,743
Other operating income (net)	10	549,801,944	418,254,456	547,651,174	418,254,456
Total Operating Income		5,791,124,364	4,614,359,286	5,870,362,956	4,678,062,616
Impairment charges for loans and other losses	11	(102,890,184)	(752,126,049)	(102,890,184)	(752,126,049)
Net Operating Income		5,688,234,180	3,862,233,237	5,767,472,772	3,925,936,567
Operating Expenses					
Personnel expenses	12	(1,193,004,228)	(923,854,826)	(1,203,890,498)	(934,266,544)
Other operating expenses	13	(1,455,233,111)	(1,204,412,964)	(1,462,637,445)	(1,211,268,151)
Depreciation and amortization	14	(127,463,057)	(132,270,692)	(127,957,310)	(132,376,288)
Total operating expenses		(2,775,700,396)	(2,260,538,482)	(2,794,485,253)	(2,277,910,983)
Operating Profit before Taxes on Financial Services		2,912,533,784	1,601,694,755	2,972,987,518	1,648,025,584
Taxes on financial services	15	(554,549,356)	(307,871,498)	(554,549,356)	(307,871,498)
Operating Profit after Taxes on Financial Services		2,357,984,428	1,293,823,257	2,418,438,162	1,340,154,086
Share of profit/(loss) from associate		5,946,770	2,129,344	5,946,770	2,129,344
Profit before Taxation from Operations		2,363,931,198	1,295,952,601	2,424,384,932	1,342,283,430
Provision for income taxation	16	(900,830,572)	(735,062,807)	(913,616,229)	(746,181,731)
Profit for the Year		1,463,100,626	560,889,794	1,510,768,703	596,101,699
Profit attributable to :					
Equity holders of the company		1,463,100,626	560,889,794	1,492,529,033	583,404,288
Non controlling interest		-	-	18,239,670	12,697,411
Profit for the Year		1,463,100,626	560,889,794	1,510,768,703	596,101,699
Basic Earnings Per Share	17	43.42	16.65	44.29	17.31
Dividend Per Share (Paid)	18	12.00	-	12.11	-

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 170 to 256 form an integral part of these Financial Statements.

Statements of Comprehensive Income

For the year ended 31st March		Company		Group	
		2022	2021	2022	2021
	Notes	LKR	LKR	LKR	LKR
Profit for the Year		1,463,100,626	560,889,794	1,510,768,703	596,101,699
Other Comprehensive Income					
Other Comprehensive Income not to be Reclassified to Profit or Loss					
Actuarial gains /(losses) on defined benefit plans	43	(114,165,613)	(25,068,189)	(113,377,667)	(25,070,165)
Deferred tax effect on above		27,399,747	6,016,365	27,399,747	6,016,365
		(86,765,866)	(19,051,824)	(85,977,920)	(19,053,800)
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 and disposal gain / (loss)		(103,157,996)	123,996,645	(101,670,914)	123,996,645
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		(189,923,862)	642,552,878	(187,648,834)	642,550,902
Total Comprehensive Income for the Year		1,273,176,764	1,203,442,672	1,323,119,869	1,238,652,601
Attributable to:					
Equity holders of the Company		1,273,176,764	1,203,442,672	1,304,880,199	1,225,955,190
Non controlling interest		-	-	18,239,670	12,697,411
Total Comprehensive Income for the Year		1,273,176,764	1,203,442,672	1,323,119,869	1,238,652,601

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 170 to 256 form an integral part of these Financial Statements.

Statements of Financial Position

		Company		Group	
As at 31st March		2022	2021	2022	2021
Notes		LKR	LKR	LKR	LKR
Assets					
Cash and cash equivalents	21	795,260,944	587,405,947	898,748,640	637,840,499
Repurchase agreements		250,000,000	400,203,715	250,000,000	400,203,715
Placements with banks & financial institutions		287,925,208	793,564,909	287,925,208	793,564,909
Financial assets recognised through profit or loss	22	1,502,280,225	1,177,459,993	1,502,280,225	1,177,459,993
Loans and advances - at amortised cost	23	14,797,772,357	6,626,972,697	14,797,772,357	6,626,972,697
Lease rentals receivable & stock out on hire - at amortised cost	24	25,503,747,256	19,978,211,851	25,503,747,256	19,978,211,851
Hire purchase rentals receivable & stock out on hire - at amortised cost	25	-	5,542,117	-	5,542,117
Financial assets- fair value through other comprehensive income	26	184,720,884	203,724,802	184,720,884	203,724,802
Other trading stocks	27	392,525,744	279,566,570	392,525,744	279,566,570
Other financial assets	28	636,340,449	492,931,228	630,656,592	564,090,869
Other non financial assets	29	243,886,129	163,285,409	244,361,452	163,760,732
Derivative financial assets	41	82,923,194	-	82,923,194	-
Investments in associates	30	49,838,348	47,756,062	83,092,843	96,563,532
Investments in subsidiaries	31	16,924,038	16,924,038	-	-
Investment property	32	159,590,100	574,254,000	245,250,516	574,254,000
Property, plant & equipment	33	2,502,324,245	2,377,684,658	2,503,442,359	2,377,956,161
Intangible assets	34	126,715,431	58,497,170	127,180,497	58,497,170
Right of use asset	35	397,784,021	193,321,481	397,784,021	193,321,481
Deferred tax assets	44	209,679,475	144,831,784	210,485,254	145,567,344
Total Assets		48,140,238,048	34,122,138,431	48,342,897,042	34,277,098,442
Liabilities					
Due to banks	36	22,558,061,981	13,214,241,102	22,558,061,981	13,214,241,102
Due to depositors - at amortised cost	37	14,681,375,682	12,918,786,478	14,681,375,682	12,918,786,478
Debt instruments issued and other borrowed funds	38	867,759,553	-	867,759,553	-
Other financial liabilities	39	1,670,249,511	883,877,701	1,704,808,662	899,693,781
Other non financial liabilities	40	184,106,172	60,188,110	184,106,173	60,188,110
Derivative financial liabilities	41	-	13,545,550	-	13,545,550
Income tax liabilities	42	865,153,792	646,313,080	869,537,847	649,705,208
Retirement benefit liabilities	43	121,428,671	12,924,029	124,326,196	15,988,862
Deferred tax liabilities	44	510,728,430	555,848,404	510,728,430	555,855,791
Total Liabilities		41,458,863,792	28,305,724,454	41,500,704,524	28,328,004,882

As at 31st March	Notes	Company		Group	
		2022 LKR	2021 LKR	2022 LKR	2021 LKR
Shareholders' Funds					
Stated capital	45	613,980,000	613,980,000	613,980,000	613,980,000
Retained earnings	46	3,500,238,368	2,295,549,890	3,588,577,822	2,374,274,468
Reserves	47	2,567,155,888	2,906,884,087	2,567,155,888	2,906,884,087
Total Equity Attributable to Equity Holders of the Company		6,681,374,256	5,816,413,977	6,769,713,710	5,895,138,555
Non controlling interest		-	-	72,478,808	53,955,005
Total Equity		6,681,374,256	5,816,413,977	6,842,192,518	5,949,093,560
Total Liabilities and Shareholders' Funds		48,140,238,048	34,122,138,431	48,342,897,042	34,277,098,442
Contingent liabilities and commitments	48	38,415,571	261,333,077	38,415,571	261,333,077
Net assets value per share	19	198	173	201	175

Accounting policies & notes to accounts on pages 170 to 256 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.

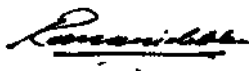


Dimuthu Tillekeratne
AGM-Finance

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
Deputy Managing Director



Romani De Silva
Deputy Chairman & Managing Director

8th June 2022
Colombo

Statements of Changes in Equity

Company	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
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 & disposal profit	-	-	-	-	123,996,645	-	-	123,996,645
Transfer of realised profit / (loss) on equity instrument disposal to retained earning	-	-	-	-	(4,014,065)	-	4,014,065	-
Transfer to statutory reserve	-	28,044,490	-	-	-	-	(28,044,490)	-
Balance 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
Balance as at 1st April 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
Profit for the year	-	-	-	-	-	-	1,463,100,626	1,463,100,626
Other comprehensive income, net of tax								
Net actuarial gain/(loss) on defined benefit plan	-	-	-	-	-	-	(86,765,866)	(86,765,866)
Revaluation surplus	-	-	-	-	-	-	-	-
Equity investments at FVOCI - net change in fair value & disposal profit	-	-	-	-	(103,157,996)	-	-	(103,157,996)
Transfer of realised profit / (loss) on equity instrument disposal to retained earning	-	-	-	-	22,902,218	-	(22,902,218)	-
Net Asset adjustment - Associate Company	-	-	-	-	-	-	(3,864,484)	(3,864,484)
Transfer of realized profit on investment property disposal to retained earnings	-	-	(332,627,451)	-	-	-	332,627,451	-
Transfer to statutory reserve	-	73,155,031	-	-	-	-	73,155,031	-
Dividend paid	-	-	-	-	-	-	(404,352,000)	(404,352,000)
Balance as at 31st March 2022	613,980,000	977,236,040	1,223,390,151	388,258,055	(21,728,358)	-	3,500,238,368	6,681,374,256

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 170 to 256 form an integral part of these Financial Statements.

Group	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
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	583,404,288	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 & disposal profit	-	-	-	-	123,996,645	-	-	123,996,645
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(4,014,064)	-	4,014,065	-
Transfer to statutory reserve	-	28,044,490	-	-	-	-	(28,044,490)	-
Balance as at 31st March 2021	613,980,000	904,081,009	1,556,017,602	388,258,055	58,527,420	53,955,005	2,374,274,468	5,949,093,560
Balance as at 1st April 2021	613,980,000	904,081,009	1,556,017,602	388,258,055	58,527,420	53,955,005	2,374,274,468	5,949,093,560
Profit for the year	-	-	-	-	-	18,239,670	1,492,529,033	1,510,768,703
Other comprehensive income, net of tax								
Net actuarial gain/(loss) on defined benefit plan	-	-	-	-	-	284,133	(86,262,053)	(85,977,920)
Revaluation surplus	-	-	-	-	-	-	-	-
Equity investments at FVOCI - net change in fair value & disposal profit	-	-	-	-	(103,157,996)	-	-	(103,157,996)
Transfer of realized profit / (loss) on equity instrument disposal to retained earning	-	-	-	-	22,902,218	-	(22,902,218)	-
Net Asset adjustment - Associate Company	-	-	-	-	-	-	(20,372,399)	(20,372,399)
Transfer of realized profit on investment property disposal to retained earnings	-	-	(332,627,451)	-	-	-	332,627,451	-
Transfer to statutory reserve	-	73,155,031	-	-	-	-	73,155,031	-
Dividend paid	-	-	-	-	-	-	(408,161,429)	(408,161,429)
Balance as at 31st March 2022	613,980,000	977,236,040	1,223,390,151	388,258,055	(21,728,358)	72,478,808	3,588,577,822	6,842,192,518

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 170 to 256 form an integral part of these Financial Statements.

Statements of Cash Flows

As at 31st March		Company		Group	
		2022	2021	2022	2021
	Note	LKR	LKR	LKR	LKR
Cash Flows from / (Used in) Operating Activities					
Profit before income tax expense		2,363,931,198	1,295,952,601	2,424,384,932	1,342,283,430
Adjustments for;					
Depreciation of property, plant & equipment		14 116,431,961	123,282,161	116,816,283	123,387,757
Amortization of intangible assets		14 11,031,096	8,988,531	11,141,027	8,988,531
Intangible asset writeoff		1,014,204	(753,265)	1,014,204	(753,265)
Depreciation adjustment		(10,505,851)	-	(10,505,851)	-
Amortization of right of use asset		35 104,584,448	71,961,239	104,584,448	71,961,239
Impairment (reversal)/provision		11 (133,250,305)	279,399,091	(133,250,305)	279,399,091
Interest on fixed deposits, commercial paper & treasury bills		(67,058,063)	(123,297,343)	(73,627,310)	(126,035,075)
Fair value (gain)/loss on investments (FVTPL)		(275,394)	2,031,684	(275,394)	2,031,684
Fair value gain on investment property		32 (27,009,600)	(25,254,000)	(27,009,600)	(25,254,000)
Bad debt written-off		11 236,140,489	472,726,958	236,140,489	472,726,958
Diminution/(appreciation) in value of treasury bonds		(4,043)	4,222,979	(4,043)	4,222,979
Loss/(profit) on disposal of property, plant & equipment		(13,729,654)	(42,278,926)	(13,729,654)	(42,278,926)
Loss/(profit) on disposal of investment property		(67,140,000)	-	(67,140,000)	-
Profit from sale of vehicles		(111,492,609)	(42,430,107)	(111,492,609)	(42,430,107)
Profit from disposal of financial instrument (Quoted shares)		-	-	(480,302)	-
Provision/(reversal) for defined benefit plans		43 43,803,310	31,822,498	44,423,948	32,594,083
Dividend received		(16,809,063)	(6,825,336)	(11,610,626)	(6,825,336)
Share of loss/(profit) from associates		30 (5,946,770)	(2,129,344)	(5,946,770)	(2,129,344)
Operating Profit before Working Capital Changes		2,423,715,354	2,047,419,421	2,483,432,867	2,091,889,699
(Increase)/decrease in trading stock		(1,043,219,266)	(442,760,279)	(1,043,219,266)	(442,760,279)
(Increase)/decrease in loans and advances		23 (8,268,070,660)	(772,080,576)	(8,268,070,660)	(772,080,576)
(Increase)/decrease in lease rentals receivable & stock out on hire		24 (5,531,357,034)	(348,913,589)	(5,531,357,034)	(348,913,589)
(Increase)/decrease in hire purchase rentals receivable & stock out on hire		25 5,744,562	(796,750)	5,744,562	(796,750)
(Increase)/decrease in fixed deposits & repurchase agreements		655,843,416	72,237,395	655,843,416	72,237,395
(Increase)/decrease in other financial assets		(143,409,221)	(30,248,360)	(150,179,199)	(25,594,154)
(Increase)/decrease in other non financial assets		(222,002,020)	78,542,359	(222,002,020)	78,542,351
Increase/(decrease) in amounts due to depositors		37 1,762,589,204	571,489,629	1,762,589,204	571,489,629
Increase/(decrease) in derivative financial liabilities		(96,468,744)	(46,290,727)	(96,468,744)	(46,290,727)
Increase/(decrease) in other financial liabilities		786,371,811	92,173,788	805,114,883	89,339,863
Increase/(decrease) in other non financial liabilities		142,278,241	48,712,361	142,278,241	48,712,361
Cash Generated from/(used in) Operations		(9,527,984,357)	1,269,484,672	(9,456,293,750)	1,315,775,224
Retirement benefit liabilities paid		43 (10,155,107)	(11,433,290)	(10,155,107)	(11,433,290)
Investment in gratuity fund		43 (39,309,174)	(31,486,681)	(39,309,174)	(31,486,681)
Taxes paid		42 (782,917,956)	(243,453,026)	(794,789,292)	(254,286,674)
Net cash generated from/(used in) operating activities		(10,360,366,594)	983,111,675	(10,300,547,323)	1,018,568,579

As at 31st March		Company		Group	
		2022	2021	2022	2021
	Note	LKR	LKR	LKR	LKR
Cash Flows from Investing Activities					
Acquisition of property, plant & equipment	33	(238,188,743)	(116,837,204)	(239,659,582)	(117,093,104)
Acquisition of right of use asset	35	(60,536,000)	6,434,908	(60,536,000)	6,434,908
Acquisition of intangible assets	34	(80,263,561)	(12,230,194)	(80,838,558)	(12,230,194)
Investment in unquoted equities		-	-	(954,940)	-
Proceeds from sales of property, plant & equipment		21,352,700	61,048,800	21,352,700	61,048,800
Proceeds from sales of investment property		508,813,500	-	508,813,500	-
Proceeds from sale of vehicles		1,041,752,701	413,012,005	1,041,752,701	413,012,005
Purchase of equipment relating to the investment property		-	-	(1,807,034)	-
Net sales/ (purchases) of financial investments -FVTPL/FVOCI		(408,694,873)	424,735,963	(408,214,571)	424,735,963
Dividend received		16,809,063	6,825,336	11,610,626	6,825,336
Interest on fixed deposits, commercial paper & treasury bills		67,058,063	123,297,343	73,627,310	126,035,075
Net Cash Generated from Investing Activities		868,102,850	906,286,958	865,146,152	1,018,568,579
Cash Flows from / (used in) Financing Activities					
Settlement of operating lease liabilities	35	(107,109,688)	(77,981,423)	(107,109,688)	(77,981,423)
Increase/(decrease) in borrowed funds		867,759,550	-	867,759,550	-
Net increase /(decrease) in other borrowings		9,087,499,254	(2,045,470,065)	9,087,499,254	(2,045,470,066)
Dividend paid		(404,352,000)	-	(408,161,429)	-
Net Cash Generated from/(used in) Financing Activities		9,443,797,116	(2,123,451,488)	9,439,987,687	(2,123,451,489)
Net Increase/(Decrease) in Cash and Cash Equivalents		(48,466,628)	(234,052,855)	4,586,516	(196,114,120)
Cash and cash equivalents at the beginning of the year		478,258,687	712,311,542	528,693,239	724,807,359
Cash and cash equivalents at the end of the year		429,792,059	478,258,687	533,279,755	528,693,239
Movement in Cash and Cash Equivalent		(48,466,628)	(234,052,855)	4,586,516	(196,114,120)

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 170 to 256 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 2022 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

Details of the Subsidiary as at 31st March 2022 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

Details of the Associate in operation as at 31st March 2022 is given below.

Macbertan (Private) Limited	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 %	07th 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 cash flows 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 2022 were approved and authorized for issue in accordance with a resolution of the Board of Directors on 08th June 2022.

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 43).
- 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 54.3.

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.

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.

2.8 Comparative Information

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

2.9 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 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.

Significant Accounting Policies

2.10 Changes in Accounting Policies

The group has consistently applied accounting policies as set out in Note 6 to Note 54 to all periods presented in the Financial Statements.

2.11 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 current economic crisis of the country 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 economic crisis resulted in application of further judgement within those areas due to the 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:

2.11.1 Going Concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future and, do not foresee a need for liquidation or cessation of business, taking into account all available information about the future.

In assessing the appropriateness of the use of going concern assumption, Board of Directors have considered the effects of the ongoing economic crisis on the Company's operations. Although it is expected that the business will have to absorb losses that would arise from deteriorating credit, increasing unemployment, declines in demand for credit, disruptions to the business due to shortages on fuel, materials etc in the medium term, effects of the economic downturn is largely dependent on the time and duration the country takes to revive. Having understood the same, the company has taken steps to remain focused on asset backed lending, applying strict credit guidelines to minimize credit risk and having adequate buffers on liquidity, continuous monitoring on the portfolio and cash flow positions of the Company and cost rationalizations where possible towards mitigating this risk. Based on these proactive analyses and the Company's operating model, the management is confident that the company has no impact on its

business continuity and expects to manage the above challenges effectively.

2.11.2 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 52.

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 52. Determination of the fair value of financial instruments of the Group was impacted by the current economic situation of the country.

2.11.3 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 associations 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.

2.11.4 Impairment of Non-Financial Assets

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.

Significant Accounting Policies

2.11.5 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'.

2.11.6 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 recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months.
- did not recognize 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 changers 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.

2.11.7 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.

Company is liable to pay Crop Insurance Levy as per the section 14 of Finance Act No: 12 of 2013, 1% from the profit after tax.

2.11.8 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.

2.11.9 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 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.

2.11.10 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.

2.11.11 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.

2.11.12 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

Significant Accounting Policies

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.

2.11.13 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 48.

2.12 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 49 where necessary.

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

The amendments to Sri Lanka Accounting Standard - SLFRS 16 (Leases): COVID-19 Related Rent Concessions, did not have a material impact on the Consolidated / Separate Financial Statements of the Group.

Apart from the above there were no new accounting standards/amendments to existing accounting standards that became effective during the year. The Group has applied all relevant accounting standards which have been issued up to 31st March 2022 in the preparation of the Financial Statements for the year ended 31st March 2022.

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 form 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 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

Significant Accounting Policies

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.

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, and
- 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 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.

Significant Accounting Policies

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 banks and other customers

Loans and advances to other customers include amounts due from banks, loans and advances and lease receivables of the Group. Details of "Loans and advances to banks and 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 Rquivalents

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 2022.

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.

Significant Accounting Policies

The Group did not reclassify any of its financial assets as at 31st March 2022.

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 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.

4.5.5.4 Modification of Financial Assets and Financial Liabilities.

Modification of Financial Assets.

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. Subsequently the Group recognizes the interest income on recalculated gross carrying amount based on the Original EIR from the commencement of terms modification date to the end of the lifetime of the instrument.

Modification of Financial Liabilities.

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a

derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

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

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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.

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

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- 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
- Secured against lease receivables

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
- Interest 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, IMF, ADB, UN and etc).

To reflect these uncertainties in the calculation of expected credit losses, the Group also revisited the weightages assigned for multiple economic scenarios during the year. Weightages assigned for each scenario is given below along with the weightages used in 2021/22.

	2021/22	2020/21
Base Case	50%	33%
Best Case	5%	7%
Worst Case	45%	60%

During the financial year 2021/22 the Company made significant amount of additional provisions by way of Management overlays along with modelled impairment provisions to reflect current economic downturn and its effect on ECL provisions.

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.

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 45% of weighting when determine the forward looking and probability of default.

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 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 and its fair value in the same way as a revaluation in accordance with LKAS 16, 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.

Significant Accounting Policies

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 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

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.

The Group is in the process of implementing new system to replace its core banking system. The development cost incurred up to 31st March 2022, was presented as an addition to the intangible assets (WIP).

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

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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 2022 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 2022 fair value of plan assets is Rs. 356,598,097/- (2021-Rs. 341,535,006/-).

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 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.

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.

4.8 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,

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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.

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 into 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 shareholders.

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, 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 different 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 2022

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 2022. 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).
- Sri Lanka Accounting Standard – SLFRS 03 The amendment intends to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.
- Sri Lanka Accounting Standard – LKAS 37 Amendment specifies the costs that an entity needs to include when assessing whether a contract is onerous or loss-making.
- Sri Lanka Accounting Standard – LKAS 16 Amendment prohibits entities from deducting any proceeds from selling items produced, while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from the cost of an item of property, plant and equipment.

Notes to the Financial Statements

	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
6 GROSS INCOME				
Interest income (Note 7.1)	7,852,033,338	7,172,427,543	7,858,602,585	7,175,165,275
Fee & commission income (Note No. 8)	267,503,991	191,518,532	341,843,804	252,491,264
Net trading income (Note No 9)	28,124,476	17,262,743	28,604,778	17,262,743
Other operating income (Note No. 10)	549,801,944	418,254,456	547,651,174	418,254,456
	8,697,463,749	7,799,463,274	8,776,702,341	7,863,173,738
7 NET INTEREST INCOME				
7.1 Interest Income				
Financial assets- recognised through profit or loss	76,965,903	94,140,871	76,965,903	94,140,871
Loans and advances (Note No. 7.1.1)	1,961,110,912	1,324,799,571	1,961,110,912	1,324,799,571
Lease rentals receivable	5,866,509,497	5,640,314,789	5,866,509,497	5,640,314,789
Hire purchase & consumer durables	43,361	-	43,361	-
Repurchase agreements	7,711,482	12,744,542	7,711,482	12,744,542
Placements with banks & other financial institutions	49,144,777	91,526,967	55,714,024	94,264,699
Interest income accrued on impaired loans & receivables	(109,452,594)	8,900,803	(109,452,594)	8,900,803
Total interest income	7,852,033,338	7,172,427,543	7,858,602,585	7,175,165,275
7.1.1 Interest Income from Loans & Advances				
Interest income from loans	834,252,777	573,550,002	834,252,777	573,550,002
Interest income from pledge loan	29,124,628	90,377,656	29,124,628	90,377,656
Interest income from gold loan	1,059,862,417	638,922,370	1,059,862,417	638,922,370
Interest income from micro finance	37,871,090	21,949,543	37,871,090	21,949,543
	1,961,110,912	1,324,799,571	1,961,110,912	1,324,799,571
7.2 Interest Expenses				
Securitization borrowings	693,808,948	857,418,034	693,808,948	857,418,034
Bank borrowings	791,671,403	633,766,758	791,671,403	633,766,758
Bank overdraft	9,561,402	7,096,689	9,561,402	7,096,689
Due to depositors	1,211,366,877	1,313,363,152	1,211,366,877	1,313,363,152
Other financial liabilities (Note 7.2.1)	(55,227,591)	101,112,123	(55,227,591)	101,112,123
Total interest expenses	2,651,181,039	2,912,756,756	2,651,181,039	2,912,756,756
Net interest income	5,200,852,299	4,259,670,787	5,207,421,546	4,262,408,519

7.2.1 An amount of Rs. 84,373,428/- on a favorable SWAP arrangement is included in this amount.

	Company		Group	
For the year ended 31st March	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
8 FEE AND COMMISSION INCOME				
8.1 Fees and Commission Income				
Commission income	-	-	74,339,813	60,972,732
Service charges	165,987,179	130,493,200	165,987,179	130,493,200
Transfer fees	53,056,250	49,689,424	53,056,250	49,689,424
Other fees	48,460,562	11,335,908	48,460,562	11,335,908
Total Fee and Commission Income	267,503,991	191,518,532	341,843,804	252,491,264
8.2 Fee and Commission Expenses				
Brokerage	(165,330,102)	(179,525,687)	(165,330,102)	(179,525,687)
Credit related fees	(89,828,244)	(92,821,545)	(89,828,244)	(92,828,679)
Total Fee and Commission Expenses	(255,158,346)	(272,347,232)	(255,158,346)	(272,354,366)
Net Fee and Commission Income	12,345,645	(80,828,700)	86,685,458	(19,863,102)
9 NET GAINS /(LOSSES) FROM TRADING				
Profit /(loss) on sale of foreign currencies	16,757,983	4,863,809	16,757,983	4,863,809
Income from trust investment	11,366,493	12,398,934	11,366,493	12,398,934
Profit from disposal of financial instrument (Quoted shares)	-	-	480,302	-
	28,124,476	17,262,743	28,604,778	17,262,743
10 OTHER OPERATING INCOME				
Income from financial investment - Quoted shares	16,809,063	6,825,336	11,610,626	6,825,336
Fair value gain/(loss) on financial investments - FVTPL	275,394	(2,031,684)	275,394	(2,031,684)
Fair value gain / (loss) on treasury bonds	4,043	(4,222,979)	4,043	(4,222,979)
Profit/(loss) on disposal of property, plant & equipment	13,729,654	42,278,926	13,729,654	42,278,926
Profit/(loss) on disposal of investment property	67,140,000	-	67,140,000	-
Fair value gain on investment property	27,009,600	25,254,000	27,009,600	25,254,000
Profit on sale of vehicles	111,492,609	42,430,107	111,492,609	42,430,107
Rental income from hiring vehicles	29,451,970	26,156,190	29,451,970	26,156,190
Income from sale of tiles & furniture	4,490,517	5,010,436	4,490,517	5,010,436
Bad debt recoveries	78,415,916	47,407,290	78,415,916	47,407,290
Recovery of charges on settlements	169,827,842	192,685,632	169,827,842	192,685,632
Others	31,155,336	36,461,202	34,203,003	36,461,202
Total Other Operating Income	549,801,944	418,254,456	547,651,174	418,254,456

Notes to the Financial Statements

	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
11 IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES				
Impairment Charges / (Reversal)				
Lease rentals receivable	(170,635,323)	18,683,785	(170,635,323)	18,683,785
Hire purchase rentals receivable	(202,445)	(1,500,966)	(202,445)	(1,500,966)
Loans and advances (Note 11.1)	37,587,463	262,216,272	37,587,463	262,216,272
Impairment Charges / (Reversal) (Note 11.2)	(133,250,305)	279,399,091	(133,250,305)	279,399,091
Bad Debts Written off				
Lease rentals receivable	176,456,952	407,561,794	176,456,952	407,561,794
Hire purchase rentals receivable	-	1,283,574	-	1,283,574
Loans and advances (Note 11.1)	59,683,537	63,881,590	59,683,537	63,881,590
	236,140,489	472,726,958	236,140,489	472,726,958
Total impairment charges for loans and other losses	102,890,184	752,126,049	102,890,184	752,126,049
11.1 Impairment Charge on Loans and advances				
Term loans receivable	85,419,991	183,952,695	85,419,991	183,952,695
Gold loan receivable	(138,740,133)	125,607,365	(138,740,133)	125,607,365
Microfinance receivable	74,869,008	(73,848,670)	74,869,008	(73,848,670)
Pledged loan & speed cash loan receivable	16,038,597	26,504,882	16,038,597	26,504,882
	37,587,463	262,216,272	37,587,463	262,216,272
Bad Debts Written off charge on Loans & Advances				
Term loans receivable	23,224,217	29,652,655	23,224,217	29,652,655
Micro finance	25,956,186	-	25,956,186	-
Pledged loan & speed cash loan receivable	10,503,134	34,228,935	10,503,134	34,228,935
	59,683,537	63,881,590	59,683,537	63,881,590

		IFRS 09 - Expected Credit Loss Charge for the Year			
For the year ended 31st March 2022		Stage 01	Stage 02	Stage 03	Total
		LKR	LKR	LKR	LKR

11.2 Impairment Charge/ (Reversal) to Income Statement

Loans and advances - at amortised cost	- Collective impairment	169,659,090	(16,962,691)	(175,974,013)	(23,277,614)
	- Individual impairment	-	-	60,865,077	60,865,077
Lease rentals receivable & stock out on hire - at amortised cost	- Collective impairment	142,898,963	13,371,677	(244,407,354)	(88,136,714)
	- Individual impairment	-	-	(82,498,609)	(82,498,609)
Hire purchase rentals receivable & stock out on hire - at amortised cost	- Individual impairment	-	-	(202,445)	(202,445)
		312,558,053	(3,591,014)	(442,217,344)	(133,250,305)

		Company		Group	
For the year ended 31st March		2022	2021	2022	2021
		LKR	LKR	LKR	LKR

12 PERSONNEL EXPENSES

Salaries and bonus	900,412,281	726,225,107	909,051,337	734,305,221
Gratuity charge for the year	43,803,310	31,822,498	44,423,948	32,594,083
Employer's contribution to EPF	135,413,627	112,332,100	136,302,022	113,140,965
Employer's contribution to ETF	20,312,044	16,849,815	20,534,143	17,052,031
Staff welfare	25,014,123	18,728,347	25,530,205	19,277,285
Other allowances & staff related expenses	68,048,843	17,896,959	68,048,843	17,896,959
	1,193,004,228	923,854,826	1,203,890,498	934,266,544

13 OTHER OPERATING EXPENSES

Auditor's remuneration				
Audit fee	1,652,000	1,552,000	1,787,000	1,681,000
Non audit fees and expenses	290,500	182,000	355,500	243,000
Directors emoluments and other expenses (13.1)	90,124,700	73,408,644	91,724,700	75,008,644
Professional fees	13,990,137	11,764,045	14,052,138	11,764,045
Office administration & establishment expenses	447,589,920	421,246,675	449,615,370	423,220,163
Advertising & business promotion expenses	135,886,232	72,085,540	135,971,232	72,085,540
Motor vehicle running & maintenance	577,085,234	535,979,543	580,517,118	539,071,242
Others	188,614,387	88,194,517	188,614,387	88,194,517
	1,455,233,111	1,204,412,964	1,462,637,445	1,211,268,151

- 13.1 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	
For the year ended 31st March	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
14 DEPRECIATION AND AMORTIZATION				
Depreciation of property, plant and equipment	116,431,961	123,282,161	116,816,283	123,387,757
Amortization of intangible assets	11,031,096	8,988,531	11,141,027	8,988,531
	127,463,057	132,270,692	127,957,310	132,376,288
15 TAXES ON FINANCIAL SERVICES				
Value added tax	554,549,356	307,871,498	554,549,356	307,871,498
	554,549,356	307,871,498	554,549,356	307,871,498
16 TAXATION				
Income tax expense for the year (Note 16.1)	775,963,726	603,122,417	788,749,383	614,241,341
Provision for contingent tax liabilities	124,866,846	131,940,390	124,866,846	131,940,390
Total income tax expense for the year	900,830,572	735,062,807	913,616,229	746,181,731
16.1 The Major Components of Income Tax Expense				
Current Income Tax Expenses				
Current tax on profit for the year (Note No. 16.2)	858,531,644	564,646,012	871,394,908	575,951,624
Under/ (over) provision of current taxes in respect of prior years	-	26,249,355	-	26,249,355
	858,531,644	590,895,367	871,394,908	602,200,979
Deferred Tax Expenses				
Deferred taxation charge/ (reversal) (Note No. 16.4)	(82,567,918)	12,227,050	(82,645,525)	12,040,362
	775,963,726	603,122,417	788,749,383	614,241,341

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	
For the year ended 31st March	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Accounting profit before income taxation	2,363,931,198	1,295,952,601	2,424,384,932	1,342,283,430
Total value of non deductible expenses	1,532,586,849	2,650,256,781	1,533,701,740	2,651,133,962
Total value of other allowable credits	(263,895,736)	(1,310,116,472)	(264,399,569)	(1,310,217,765)
Total value of exempt income	(130,763,967)	(99,583,300)	(135,199,402)	(99,583,300)
Total value of tax losses claimable	(4,345,950)	(187,799,340)	(4,345,950)	(187,799,340)
	3,497,512,394	2,348,710,270	3,554,141,751	2,395,816,987
Income tax for the year (@ 24%)	839,402,975	563,690,465	852,994,020	574,996,077
Tax on dividend income (@ 14%)	2,353,269	955,547	1,625,488	955,547
Capital gain tax on investment property disposal (@ 10%)	16,775,400	-	16,775,400	-
Total income tax for the year	858,531,644	564,646,012	871,394,908	575,951,624

For the year ended 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Effective tax rate (with defferd tax)	32.83%	44.51%	-	-
Effective tax rate (without defferd tax)	36.32%	43.57%	-	-

When computing the effective tax rate has not included the income tax provision on contingent liabilities.

16.3 Applicable Income Tax Rates

Alfinco Insurance Brokers (Pvt) Ltd	-	-	24%	24%
Macbertan (Pvt) Ltd	-	-	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.

For the year ended 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Deferred Tax Liabilities				
Lease rentals	40,952,334	156,666,678	40,952,334	156,666,678
Accelerated depreciation - own assets	4,167,640	(12,468,740)	4,175,028	(12,467,707)
	45,119,974	144,197,938	45,127,362	144,198,971
Deferred Tax Assets				
Accelerated depreciation - own assets	(12,149,487)	(9,041,878)	(12,149,487)	(9,041,878)
Defined benefit obligation - profit or loss	(26,015,314)	(3,101,767)	(26,085,533)	(3,287,422)
Other temporary differences	716,857	168,568,633	716,857	168,568,633
	(37,447,944)	156,424,988	(37,518,163)	156,239,333
Total Deferred Tax Expense / (Reversal)	(82,567,918)	12,227,050	(82,645,525)	12,040,362
Other Comprehensive Income				
Defined benefit obligation	(27,399,747)	(6,016,365)	(27,399,747)	(6,015,365)
Revaluation	-	169,770,965	-	169,770,965
Deferred tax expense adjusted through profit or loss / OCI	(109,967,665)	175,981,650	(110,045,272)	175,794,962

Notes to the Financial Statements

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 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Amounts Used as the Numerators:				
Net profit for the year attributable to equity shareholders for basic earnings per ordinary share	1,463,100,626	560,889,794	1,492,529,033	583,404,288
Number of Ordinary Shares Used as Denominators for Basic Earnings per share				
Number of ordinary shares in issue	33,696,000	33,696,000	33,696,000	33,696,000
Basic earnings per ordinary share (LKR)	43.42	16.65	44.29	17.31

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.

For the year ended 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
18 DIVIDENDS				
18.1 Declared and Paid During the Year				
Dividends on ordinary shares:				
Final dividend paid for 2021 Rs. 5.50/- per share	185,328,000	-	185,328,000	-
Interim dividend paid for 2022 Rs. 6.50/- per share	219,024,000	-	222,833,429	-
	404,352,000	-	408,161,429	-
Dividend per share (LKR)	12.00	-	12.11	-

For the computation of Dividend Per Share, Company has only considered the dividend paid during the financial year.

19 NET ASSETS VALUE PER ORDINARY SHARE

Total equity attributable to equity holders of the Company	6,681,374,256	5,816,413,977	6,769,713,710	5,895,138,555
Total number of ordinary shares	33,696,000	33,696,000	33,696,000	33,696,000
Net assets value per ordinary share	198	172	201	175

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

	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
As at 31st March 2022	LKR	LKR	LKR	LKR

Financial Assets

Cash and cash equivalents	-	795,260,944	-	795,260,944
Repurchase agreements	-	250,000,000	-	250,000,000
Placements with banks & financial institutions	-	287,925,208	-	287,925,208
Financial assets recognised through profit or loss - measured at fair value	1,502,280,225	-	-	1,502,280,225
Loans and advances - at amortised cost	-	14,797,772,357	-	14,797,772,357
Lease rentals receivable - at amortised cost	-	25,503,747,256	-	25,503,747,256
Financial assets - fair value through other comprehensive income	-	-	184,720,884	184,720,884
Derivative financial assets	82,923,194	-	-	-
Other financial assets	-	636,340,449	-	636,340,449
Total Financial Assets	1,585,203,419	42,271,046,214	184,720,884	44,040,970,517

	Other Financial Liabilities at amortised cost	Total
As at 31st March 2022	LKR	LKR

Financial Liabilities

Due to banks	22,558,061,981	22,558,061,981
Due to depositors	14,681,375,682	14,681,375,682
Other financial liabilities	1,670,249,511	1,670,249,511
Total Financial Liabilities	38,909,687,174	38,909,687,174

20.2 Company

	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
As at 31st March 2021	LKR	LKR	LKR	LKR

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	-	6,626,972,697	-	6,626,972,697
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	-	492,931,228	-	492,931,228
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
As at 31st March 2021	LKR	LKR

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	883,877,701	883,877,701
Total Financial Liabilities	27,030,450,831	27,030,450,831

20.3 Group

	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
As at 31st March 2022	LKR	LKR	LKR	LKR

Financial Assets

Cash and cash equivalents	-	898,748,640	-	898,748,640
Repurchase agreements	-	250,000,000	-	250,000,000
Placements with banks & financial institutions	-	287,925,208	-	287,925,208
Financial assets recognised through profit or loss - measured at fair value	1,502,280,225	-	-	1,502,280,225
Loans and advances - at amortised cost	-	14,797,772,357	-	14,797,772,357
Lease rentals receivable - at amortised cost	-	25,503,747,256	-	25,503,747,256
Financial assets - fair value through other comprehensive income	-	-	184,720,884	184,720,884
Derivative financial assets	82,923,194	-	-	82,923,194
Other financial assets	-	630,656,592	-	630,656,592
Total Financial Assets	1,585,203,419	42,368,850,053	184,720,884	44,138,774,356

	Other Financial Liabilities at amortised cost	Total
As at 31st March 2022	LKR	LKR

Financial Liabilities

Due to banks	22,558,061,981	22,558,061,981
Due to depositors	14,681,375,682	14,681,375,682
Other financial liabilities	1,704,808,662	1,704,808,662
Total Financial Liabilities	38,944,246,325	38,944,246,325

20.3 Group

	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
As at 31st March 2021	LKR	LKR	LKR	LKR

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	-	6,626,972,697	-	6,626,972,697
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	-	564,090,869	-	564,090,869
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
As at 31st March 2021	LKR	LKR

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

Notes to the Financial Statements

	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
As at 31st March				
21 CASH AND CASH EQUIVALENTS				
Cash in hand	131,836,806	90,259,953	131,836,806	90,259,953
Balances with banks	663,424,138	497,145,994	766,911,834	547,580,546
	795,260,944	587,405,947	898,748,640	637,840,499

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	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
As at 31st March				
22 FINANCIAL ASSETS - RECOGNISED THROUGH PROFIT OR LOSS				
Government of Sri Lanka treasury bills - at fair value	1,395,566,214	905,162,506	1,395,566,214	905,162,506
Government of Sri Lanka treasury bonds - at fair value	106,714,011	272,297,487	106,714,011	272,297,487
	1,502,280,225	1,177,459,993	1,502,280,225	1,177,459,993

	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
As at 31st March				
23 LOANS AND ADVANCES - MEASURED AT AMORTISED COST				
Term loan receivable	8,642,803,991	3,653,267,844	8,642,803,991	3,653,267,844
Gold loans	6,402,550,988	3,096,578,160	6,402,550,988	3,096,578,160
Pledge loans	212,118,789	427,068,346	212,118,789	427,068,346
Micro finance loans	48,708,310	336,025,221	48,708,310	336,025,221
Loans against fixed deposits	244,027,663	59,559,149	244,027,663	59,559,149
Gross loans and advances receivable	15,550,209,741	7,572,498,720	15,550,209,741	7,572,498,720
Less: Interest adjustment on NPLs using credit adjusted EIR (Note 23.1 (a))	(79,005,464)	(54,898,878)	(79,005,464)	(54,898,878)
Outstanding loans and advances receivable	15,471,204,277	7,517,599,842	15,471,204,277	7,517,599,842
Less : Allowance for impairment losses (Note 23.1 (b), 23.2, 23.3 & 23.4)	(673,431,920)	(890,627,145)	(673,431,920)	(890,627,145)
Net loans and advances	14,797,772,357	6,626,972,697	14,797,772,357	6,626,972,697

23.1	a) Interest adjustment on NPLs using credit adjusted EIR				
	As at 01st April	54,898,878	44,546,516	54,898,878	44,546,516
	Reversed / (Credited) to interest income	24,106,586	10,352,362	24,106,586	10,352,362
	As at 31 st March	79,005,464	54,898,878	79,005,464	54,898,878
	b) Allowances for impairment losses				
	As at 01st April	890,627,145	839,028,961	890,627,145	839,028,961
	Charge / (Reversal) for the year	37,587,463	51,598,184	37,587,463	51,598,184
	Writeoff	(254,782,688)	-	(254,782,688)	-
	As at 31 st March	673,431,920	890,627,145	673,431,920	890,627,145

As at 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
23.2 Loan Category wise Allowances for Impairment Losses				
Term loan receivable	522,710,208	437,249,130	522,710,208	437,249,130
Gold loans	9,513,437	148,253,570	9,513,437	148,253,570
Pledge loans	123,672,220	107,674,711	123,672,220	107,674,711
Micro finance loans	17,536,055	197,449,733	17,536,055	197,449,733
	673,431,920	890,627,145	673,431,920	890,627,145

23.3 Analysis of the Impairment for Expected Credit Losses, Based on the Staging of the Underlying Loans is Given Below:

	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Outstanding loans and advances 31st March 2022	14,261,117,335	347,303,855	862,783,087	15,471,204,277
Less: Provision for collective impairment	(152,424,620)	(23,325,111)	(54,976,511)	(230,726,242)
Less: Provision for individual impairment	-	-	(442,705,678)	(442,705,678)
Net loans and advances	14,108,692,715	323,978,744	365,100,898	14,797,772,357
Outstanding loans and advances 31st March 2021	5,970,651,339	279,285,828	1,267,662,676	5,17,599,842
Less: Provision for collective impairment	(237,548,218)	(40,287,803)	(230,909,284)	(508,745,305)
Less: Provision for individual impairment	-	-	(381,881,840)	(381,881,840)
Net loans and advances	5,733,103,121	238,998,025	654,871,552	6,626,972,697

Term loan receivables include receivables amounting to Rs. 3,348,257,470/- that have been assigned under a securitization funding arrangement.

As at 31st March 2022	Within one year	1-5 Years	Over 5 years	Total
	LKR	LKR	LKR	LKR

23.4 Company & Group

Outstanding rentals receivables				
Loan rentals	10,104,885,510	2,656,306,437	3,533,403	12,764,725,350
Amounts receivable from hirers	2,706,478,927	-	-	2,706,478,927
	12,811,364,437	2,656,306,437	3,533,403	15,471,204,277
Less : Allowance for impairment losses				(673,431,920)
Net loans and advances				14,797,772,357

Notes to the Financial Statements

	Company		Group	
As at 31st March	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
24 LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE				
Lease rentals	35,882,459,006	27,597,551,276	35,882,459,006	27,597,551,276
Amounts receivable from hirers	1,397,321,276	1,646,166,122	1,397,321,276	1,646,166,122
Gross rentals receivables	37,279,780,282	29,243,717,398	37,279,780,282	29,243,717,398
Less: Unearned income	(10,829,520,674)	(8,177,616,007)	(10,829,520,674)	(8,177,616,007)
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 24.1 (a))	(88,417,977)	(59,159,842)	(88,417,977)	(59,159,842)
Outstanding rentals receivables	26,361,841,631	21,006,941,549	26,361,841,631	21,006,941,549
Less : Allowance for impairment losses (Note 24.1 (b) & 24.3)	(858,094,375)	(1,028,729,698)	(858,094,375)	(1,028,729,698)
Total net rentals receivable (Note 24.2 & 24.3)	25,503,747,256	19,978,211,851	25,503,747,256	19,978,211,851
24.1				
a) Interest Adjustment on NPLs using credit adjusted EIR				
As at 01st April	59,159,842	52,333,738	59,159,842	52,333,738
Reversed / (Credited) to interest income	29,258,135	6,826,104	29,258,135	6,826,104
As at 31st March	88,417,977	59,159,842	88,417,977	59,159,842
b) Allowances for Impairment Losses				
As at 01st April	1,028,729,698	1,010,045,913	1,028,729,698	1,010,045,913
Charge / (Reversal) for the year	(170,635,323)	18,683,785	(170,635,323)	18,683,785
As at 31st March	858,094,375	1,028,729,698	858,094,375	1,028,729,698
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
	LKR	LKR	LKR	LKR
Outstanding lease and receivables 31st March 2022	22,856,771,235	2,456,572,337	1,048,498,059	26,361,841,631
Less: Provision for collective impairment	(247,287,732)	(109,914,800)	(59,583,556)	(416,786,088)
Less: Provision for individual impairment	-	-	(441,308,287)	(441,308,287)
Total net rentals receivable	22,609,483,503	2,346,657,537	547,606,216	25,503,747,256
Outstanding lease and receivables 31st March 2021	16,286,717,125	2,215,853,322	2,563,530,944	21,066,101,391
Less: Provision for collective impairment	(104,388,771)	(96,543,122)	(303,701,678)	(504,633,571)
Less: Provision for individual impairment	-	-	(583,255,969)	(583,255,969)
Total net rentals receivable	16,182,328,354	2,119,310,200	1,676,573,297	19,978,211,851

As at 31st March 2022	Within one year	1-5 Years	Over 5 years	Total
	LKR	LKR	LKR	LKR

24.3 Company & Group

Lease rentals	12,671,662,827	23,197,508,541	13,287,638	35,882,459,006
Amounts receivable from hirers	1,308,903,299	-	-	1,308,903,299
Gross rentals receivables	13,980,566,126	23,197,508,541	13,287,638	37,191,362,305
Less: Unearned income	(5,012,009,155)	(5,816,375,283)	(1,136,235)	(10,829,520,674)
Outstanding rentals receivables	8,968,556,971	17,381,133,258	12,151,403	26,361,841,631
Less : Allowance for impairment losses				(858,094,375)
Total net rentals receivable (Note 24.2 & 24.3)				25,503,747,256

As at 31st March 2021	Within one year	1-5 Years	Over 5 years	Total
	LKR	LKR	LKR	LKR

Company & Group

Lease rentals	10,803,779,586	16,793,771,689	-	27,597,551,275
Amounts receivable from hirers	1,587,006,280	-	-	1,587,006,280
Gross rentals receivables	12,390,785,866	16,793,771,689	-	29,184,557,555
Less: Unearned income	(4,086,870,153)	(4,090,745,853)	-	(8,177,616,006)
Outstanding rentals receivables	8,303,915,713	12,703,025,836	-	21,006,941,549
Less : Allowance for impairment losses				(1,028,729,698)
Total net rentals receivable (Note 24.2 & 24.3)				19,978,211,851

Lease rental receivables include receivables amounting to Rs. 22,447,682,581/- that have been assigned under a securitization funding arrangement.

As at 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR

25 HIREPURCHASE RENTALS RECEIVABLE & STOCK OUT ON HIRE

Rentals Receivables	-	-	-	-
Amounts receivable from hirers	3,968,823	3,979,022	3,968,823	3,979,022
Gross rentals receivables	3,968,823	3,979,022	3,968,823	3,979,022
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 25.1 (a))	(190,579)	5,543,784	(190,579)	5,543,784
Outstanding rentals receivables	3,778,244	9,522,806	3,778,244	9,522,806
Less : Allowance for impairment losses (Note 25.1 (b))	(3,778,244)	(3,980,689)	(3,778,244)	(3,980,689)
Total net rentals receivable (Note 25.2 & 25.3)	-	5,542,117	-	5,542,117

Notes to the Financial Statements

	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
25.1	a) Interest Adjustment on NPLs using credit adjusted EIR			
As at 01st April	(5,543,784)	(5,301,670)	(5,543,784)	(5,301,670)
Reversed / (Credited) to interest income	5,734,363	(242,114)	5,734,363	(242,114)
As at 31 st March	190,579	(5,543,784)	190,579	(5,543,784)
b) Allowance for Impairment Losses				
As at 01st April	3,980,689	5,481,655	(1,320,981)	179,985
Charge / (Reversal) for the year	(202,445)	(1,500,966)	(202,445)	(1,500,966)
As at 31 st March	3,778,244	3,980,689	(1,523,426)	(1,320,981)

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
	LKR	LKR	LKR	LKR
Outstanding rental receivable 31st March 2022	-	-	3,778,244	3,778,244
Less: Provision for individual impairment	-	-	(3,778,244)	(3,778,244)
Total net rentals receivable	-	-	-	-

Outstanding rental receivable 31 March 2021	-	-	9,522,806	9,522,806
Less: Provision for individual impairment	-	-	(3,980,689)	(3,980,689)
Total net rentals receivable	-	-	5,542,117	5,542,117

As at 31st March 2022	Within one year	1-5 Years	Over 5 years	Total
	LKR	LKR	LKR	LKR

25.3 Company & Group

Hire purchase rentals	-	-	-	-
Amounts receivable from hirers	3,778,244	-	-	3,778,244
Outstanding rentals receivables	3,778,244	-	-	3,778,244
Less: Unearned income	-	-	-	-
Net rentals receivables	3,778,244	-	-	3,778,244

As at 31st March 2021	Within one year	1-5 Years	Over 5 years	Total
	LKR	LKR	LKR	LKR

Company & Group

Hire purchase rentals	-	-	-	-
Amounts receivable from hirers	9,522,806	-	-	9,522,806
Outstanding rentals receivables	9,522,806	-	-	9,522,806
Less: Unearned income	-	-	-	-
Net rentals receivables	9,522,806	-	-	9,522,806

26 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Quoted equity securities (Note 26.1)	184,141,634	203,145,552	184,141,634	203,145,552
Unquoted equities (Note 26.2)	579,250	579,250	579,250	579,250
	184,720,884	203,724,802	184,720,884	203,724,802

26.1 Quoted Equities

As at 31st March	2022			2021		
	Company & Group			Company & Group		
	No of Shares	Cost of Investment	Fair Value	No of Shares	Cost of Investment	Fair Value
		LKR	LKR		LKR	LKR
Banks, Finance & Insurance						
Sanasa Development Bank	3,516,310	182,085,425	103,731,145	2,066,310	107,410,425	117,366,407
Seylan Bank PLC	-	-	-	111,080	11,841,684	5,442,920
Softlogic Life Insurance	-	-	-	47,133	1,662,224	1,437,557
		182,085,425	103,731,145		120,914,333	124,246,884
Hotels & Travels						
Aitken PLC	45,608	3,666,849	3,361,310	-	-	-
Ceylon Hotels Corporation PLC	52,475	2,105,616	477,523	53,331	2,139,964	565,309
Jetwing Symphony PLC	270,000	2,970,000	2,835,000	750,000	8,250,000	6,750,000
Mahaweli Reach Hotels PLC	71,686	2,960,739	860,232	71,928	2,970,734	935,064
Sigiriya Village Hotels PLC	-	-	-	64,902	6,779,287	2,323,492
Tal Lanka Hotels PLC	16,611	931,237	219,265	17,800	997,893	218,940
		12,634,440	7,753,330		21,137,878	10,792,805
Manufacturing						
Kelani Tyres PLC	-	-	-	47,778	4,131,201	3,726,684
Teejay Lanka PLC	355,000	15,121,519	14,129,000	-	-	-
JAT Holding PLC	389,400	10,513,800	6,191,460			
Hela Apparel Holdings Limited	150,000	2,250,000	1,935,000	-	-	-
Tokyo Cement PLC	-	-	-	5,971	175,557	361,843
Tokyo Cement PLC - non voting	91,971	5,601,917	2,418,837	-	-	-
		33,487,236	24,674,297		4,306,758	4,088,527

Notes to the Financial Statements

As at 31st March	2022			2021		
	Company & Group			Company & Group		
	No of Shares	Cost of Investment	Fair Value	No of Shares	Cost of Investment	Fair Value
	LKR	LKR		LKR	LKR	
Investment Trusts						
Lee Hedges PLC	-	-	-	284,799	17,621,482	18,511,935
Renuka Holdings PLC	-	-	-	169,529	5,796,143	2,441,218
					23,417,625	20,953,153
Diversified Holdings						
Aitken Spence PLC	-	-	-	546,700	45,947,578	30,341,850
Hemas Holdings PLC	-	-	-	40,000	4,000,000	3,336,000
Hayleys PLC	493,609	57,423,573	37,958,532	-	-	-
		57,423,573	37,958,532		49,947,578	33,677,850
Plantations						
Kegalle Plantations PLC	-	-	-	10,658	2,374,779	1,035,958
					2,374,779	1,035,958
Construction & Engineering						
Access Engineering PLC	401,622	9,869,736	6,024,330	-	-	-
		9,869,736	6,024,330		-	-
Motors						
Diesel & Motor Engineering PLC	-	-	-	15,748	17,227,215	8,350,377
					17,227,215	8,350,377
Telecommunications						
Dialog Axiata PLC	400,000	5,077,540	4,000,000	-	-	-
		5,077,540	4,000,000		-	-
Total Investment		300,577,951	184,141,634		239,326,169	203,145,552

26.2 Unquoted Equities

As at 31st March	Company		Group	
	2022		2021	
	Cost of Investment	Fair Value	Cost of Investment	Fair Value
	LKR	LKR	LKR	LKR
Company & Group				
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 2022 and concluded that the carrying value as at that date is a reasonable approximation of fair value.

As at 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
27 OTHER TRADING STOCKS				
Real estates	10,688,250	21,301,500	21,376,500	21,301,500
Vehicles stock	381,837,494	258,265,070	371,149,244	258,265,070
	392,525,744	279,566,570	392,525,744	279,566,570

During the financial year, the Company was acquire & transfer the vehicle from Company's lending customer of LKR 18Mn. (2021 - LKR 25Mn)

28 OTHER FINANCIAL ASSETS				
Collaboration debtors	58,441,360	48,889,858	58,441,360	48,889,858
Deferred expenses	440,564,990	293,837,741	440,564,990	293,837,741
Other receivables	137,334,099	150,203,629	131,650,242	221,363,270
	636,340,449	492,931,228	630,656,592	564,090,869
29 OTHER NON FINANCIAL ASSETS				
Pre-paid expenses	232,523,694	158,593,103	232,523,694	158,593,103
Stationery stock account	11,362,435	4,692,306	11,362,435	4,692,306
VAT recoverable	-	-	475,323	475,323
	243,886,129	163,285,409	244,361,452	163,760,732

Notes to the Financial Statements

30 INVESTMENT IN ASSOCIATES

Company

	% Holding	Carrying Value 01.04.2021	Share of Profit/(loss)	Other Movements	Carrying Value 31.03.2022
		LKR	LKR	LKR	LKR

a) Equity Method

Macbertan (Pvt) Ltd	22.45%	47,756,062	5,946,770	(3,864,484)	49,838,348
		47,756,062	5,946,770	(3,864,484)	49,838,348

Group

	% Holding	Carrying Value 01.04.2021	Share of Profit/(Loss)	Other Movements	Carrying Value 31.03.2022
		LKR	LKR	LKR	LKR
Macbertan (Pvt) Ltd	22.45%	96,563,532	5,946,770	(19,417,459)	83,092,843
		96,563,532	5,946,770	(19,417,459)	83,092,843

	No. of Ordinary Shares	Cost of Investment 2022	Cost of Investment 2021
As at 31st March		LKR	LKR

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	5,706,241	66,962,410	66,007,470
		66,962,410	66,007,470

Summarized Financial Information of Associate Company

As at 31st March	2022	2021
	LKR	LKR
Macbertan Pvt Ltd		
Revenue	739,432,043	490,170,702
Profit / (Loss) for the period	28,844,224	9,484,827
Current assets	365,858,086	267,911,598
Non current assets	350,241,413	366,590,626
Current liabilities	323,899,070	256,725,600
Non current liabilities	28,215,286	39,570,368
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 2022 and 2021.

31 INVESTMENT IN SUBSIDIARIES

As at 31st March	Principal Activity	% Holding	Cost of Investment
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 Associate Company

As at 31st March	2022	2021
	LKR	LKR
Alfinco Insurance Brokers (Pvt) Ltd		
Net operating income	159,342,823	116,412,229
Less: operating expenses	(87,732,570)	(70,081,406)
Profit before taxes	71,610,253	46,330,823
Less: Taxes	(16,625,358)	(11,118,923)
Profit after tax	54,984,895	35,211,900
Assets	280,654,637	199,136,569
Liabilities	62,352,077	43,869,956
Equity	218,302,560	155,266,613

32 INVESTMENT PROPERTY

Company

Gross Carrying Amounts	Balance as at 01.04.2021	Fair value gain	Addition	Disposals	Balance as at 31.03.2022
	LKR	LKR	LKR	LKR	LKR
Land	574,254,000	27,009,600	-	(441,673,500)	159,590,100
	574,254,000	27,009,600	-	(441,673,500)	159,590,100

During the year Company had been partially disposed its investment property at No.199/11, Rajagiriya Road, Rajagiriya and the details are as follows,

Description	Sold Extent (Perch)	Purchase Cost	Sale Price	Expenses Incurred	Total Disposal Profit
No.199/11, Rajagiriya Road, Rajagiriya	140.75	30,243,643	524,550,000	32,536,500	461,769,857

Total disposal profit on investment property disposal is recorded under following sections in the financial statements.

Description	Revaluation Reserve	Retained Earnings	Current Year Profit	Total Disposal Profit
No.199/11, Rajagiriya Road, Rajagiriya	332,627,451	62,002,406	67,140,000	461,769,857

Notes to the Financial Statements

Group

Gross Carrying Amounts	Balance as at 01.04.2021	Fair value gain	Addition	Disposals	Balance as at 31.03.2022
	LKR	LKR	LKR	LKR	LKR
Land	574,254,000	27,009,600	85,660,416	(441,673,500)	245,250,516
	574,254,000	27,009,600	85,660,416	(441,673,500)	245,250,516

During the year the Subsidiary Company has transferred the value of the property which was previously identified under other non financial asset to investment property category after getting the title of the property.

32.1 Revaluation of Investment property

The Company revalued its investment properties as at 31st March 2022, 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

Company & Group	Date of Valuation	Net Book Value before Valuation	Revaluation Amount	Revaluation Gain Recognised in P & L
Location		LKR	LKR	LKR
No.199/11, Rajagiriya Road, Rajagiriya	31.03.2022	55,856,400	67,640,000	11,783,600
No.199/10, Rajagiriya Road, Rajagiriya	31.03.2022	-	87,400,000	15,226,000
		128,030,400	155,040,000	27,009,600

32.2 Details of investment properties as at 31st March 2022

Location	Land extent (perches)	No: of Buildings	Extent of the building	Value LKR
No.199/11, Rajagiriya Road, Rajagiriya	19.25	-	-	72,190,100
No.199/10, Rajagiriya Road, Rajagiriya	23	-	-	87,400,000
Colombo City Center	-	-	1654 Square feet	85,660,416

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 2022.

32.4 Rental income earned and expenses incurred on Investment Property

The Company has rented out the investment property during the financial year until the date of disposal. The rental income earned from this property was Rs. 1,862,007/-

33 PROPERTY, PLANT AND EQUIPMENT

33.1 Company

Gross Carrying Amounts	Balance As At 01.04.2021 LKR	Additions LKR	Disposals LKR	Transfers / Adjustments LKR	Balance As At 31.03.2022 LKR
Cost / Valuation					
Freehold Assets					
Land	1,817,902,940	-	-	-	1,817,902,940
Buildings	245,234,499	1,346,644	-	-	246,581,143
Furniture & fittings	84,140,023	10,444,101	(1,355,478)	-	93,228,646
Equipment	306,338,099	75,998,050	(799,068)	(53,100)	381,483,981
Motor vehicles & accessories	316,930,269	115,386,250	(15,674,791)	-	416,641,728
Computers	146,122,965	35,013,698	(1,527,080)	-	179,609,583
Antiques	25,580	-	-	-	25,580
	2,916,694,375	238,188,743	(19,356,417)	(53,100)	3,135,473,601
Depreciation					
Freehold Assets					
Land	-	-	-	-	-
Buildings	-	12,329,057	-	-	12,329,057
Furniture & fittings	47,237,498	10,913,901	(960,585)	(2,920,517)	54,270,297
Equipment	212,925,113	40,882,095	(736,553)	(7,638,434)	245,432,221
Motor vehicles & accessories	151,406,746	36,612,573	(8,510,041)	-	179,509,278
Computers	127,440,360	15,694,335	(1,526,192)	-	141,608,503
Antiques	-	-	-	-	-
	539,009,717	116,431,961	(11,733,371)	(10,558,951)	633,149,356
Net Book Value					
Land	1,817,902,940				1,817,902,940
Buildings	245,234,499				234,252,086
Furniture & fittings	36,902,525				38,958,349
Equipment	93,412,986				136,051,760
Motor vehicles & accessories	165,523,523				237,132,450
Computers	18,682,605				38,001,080
Antiques	25,580				25,580
	2,377,684,658				2,502,324,245

Notes to the Financial Statements

33 PROPERTY, PLANT AND EQUIPMENT (Continued)

33.2 Group

Gross Carrying Amounts	Balance As at 01.04.2021	Additions	Disposals	Transfers / Adjustments	Balance As at 31.03.2022
	LKR	LKR	LKR	LKR	LKR
Cost / Valuation					
Freehold Assets					
Land	1,817,902,940	-	-	-	1,817,902,940
Buildings	245,234,500	1,346,644	-	-	246,581,144
Furniture & fittings	85,385,077	10,444,101	(1,355,478)	-	94,473,700
Equipment	308,698,072	75,998,050	(799,068)	(53,100)	383,843,954
Motor vehicles & accessories	316,930,269	115,386,250	(15,674,791)	-	416,641,728
Computers	147,290,195	36,484,537	(1,527,080)	(255,900)	181,991,752
Antiques	25,580	-	-	-	25,580
	2,921,466,633	239,659,582	(19,356,417)	(309,000)	3,141,460,798
Depreciation					
Freehold Assets					
Land	-	-	-	-	-
Buildings	-	12,329,057	-	-	12,329,057
Furniture & fittings	48,241,048	10,914,901	(960,585)	(2,936,511)	55,258,853
Equipment	215,322,187	40,882,095	(736,553)	(7,638,434)	247,829,295
Motor Vehicles & accessories	151,406,745	36,612,573	(8,510,041)	-	179,509,277
Computers	128,540,492	16,077,657	(1,526,192)	-	143,091,957
Antiques	-	-	-	-	-
	543,510,474	116,816,283	(11,733,371)	(10,574,945)	638,018,439
Net book value					
Land	1,817,902,940				1,817,902,940
Buildings	245,234,500				234,252,087
Furniture & fittings	37,144,029				39,214,847
Equipment	93,375,885				136,014,659
Motor vehicles & accessories	165,523,524				237,132,451
Computers	18,749,703				38,899,795
Antiques	25,580				25,580
	2,377,956,161				2,503,442,359

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
				LKR	LKR	LKR
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
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 Value Before valuation	Revaluation amount	Revaluation Gain/(Loss) Recognised in OCI
				LKR	LKR	LKR
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

Notes to the Financial Statements

Location	Valuer	Date of valuation	Method of valuation	Net book Value Before valuation	Revaluation amount	Revaluation Gain/(Loss) Recognised in OCI
				LKR	LKR	LKR
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	69,006,046

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 2022	Cost	Accumulated Depreciation	Net Book Value
	LKR	LKR	LKR
Freehold lands	558,712,624	-	558,712,624
Freehold buildings	408,703,877	59,187,048	349,516,829
	967,416,501	59,187,048	908,229,453

33.3.5 Carrying Value at Revaluation

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 2022	Cost	Accumulated Depreciation	Net Book Value
	LKR	LKR	LKR
Land	1,817,902,940	-	1,817,902,940
Building	246,581,143	12,329,057	234,252,086
	2,064,484,083	12,329,057	2,052,155,026

33.4 Details of Freehold Land and Buildings as at 31st March 2022

Location	Land Extent (Perches)	Cost or	No of Buildings	Buildings (Square Feet)	Cost or	Total Value
		Revaluation of Land			Revaluation of Building	
		LKR.			LKR	LKR
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	133,615,143	291,759,883
No.383, Kotugoda Road, Seeduwa	80.00	41,840,000	1	2,712	8,136,000	49,976,000
Freehold Lands and Buildings		1,817,902,940			246,581,143	2,064,484,083

33.5 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 238,188,743 /- (2020/21 - Rs. 123,282,161/-) 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:

As at 31st March	Company		Group	
	2022 LKR	2021 LKR	2022 LKR	2021 LKR
Motor vehicles	43,941,359	44,044,086	43,941,359	44,044,086
Office equipment	149,956,541	120,232,899	152,353,615	122,629,973
Furniture & fittings	471,565	468,510	1,452,718	1,449,663
Computers	123,556,376	108,967,034	124,596,506	110,007,164
Software - Intangible Assets	5,153,427	3,225,075	6,706,427	4,778,075
	323,079,268	276,937,605	329,050,624	282,908,962

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 2022.

33.8 Property Plant and Equipment Pledged as Security for Liabilities

Property	Mortgaged with	Value
No.722, Kotte Road, Rajagiriya	Public Bank	LKR 550 Mn

Notes to the Financial Statements

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 current macro economic situation and each business unit functions under the respective business continuity plans.

34 INTANGIBLE ASSETS

34.1 Company

Gross Carrying Value	Balance as at 01.04.2021	Additions	Transfers / Disposals	Balance as at 31.03.2022
	LKR	LKR	LKR	LKR
Cost / Valuation				
Computer software - Freehold	116,035,205	11,858,849	(2,970,819)	124,923,235
Computer software - WIP	-	68,404,712	-	68,404,712
	116,035,205	80,263,561	(2,970,819)	193,327,947
Amortization				
Computer software - Freehold	57,538,035	11,031,096	(1,956,615)	66,612,516
Computer software - WIP	-	-	-	-
	57,538,035	11,031,096	(1,956,615)	66,612,516
Net Book Value				
Computer software - Freehold	58,497,170			58,310,719
Computer software - WIP	-			68,404,712
	58,497,170			126,715,431

34.2 Group

Gross Carrying Value	Balance as at 01.04.2021	Additions	Transfers / Disposals	Balance as at 31.03.2022
	LKR	LKR	LKR	LKR
Cost / Valuation				
Computer software - Freehold	117,588,205	12,433,846	(2,970,819)	127,051,232
Computer software - WIP	-	68,404,712	-	68,404,712
	117,588,205	80,838,558	(2,970,819)	195,455,944
Amortization				
Computer software - Freehold	59,091,035	11,141,027	(1,956,615)	68,275,447
Computer software - WIP	-	-	-	-
	59,091,035	11,141,027	(1,956,615)	68,275,447
Net book value				
Computer software - Freehold	58,497,170			58,775,785
Computer software - WIP	-			68,404,712
	58,497,170			127,180,497

35 RIGHT TO USE ASSETS

	Company		Group	
	LKR		LKR	
35.1 Cost of Right to Use Asset				
Cost				
Balance as at 01st April 2021	341,864,121		341,864,121	
Additions and improvements	309,673,888		309,673,888	
Balance as at 31st March 2022	651,538,009		651,538,009	
Accumulated Amortisation				
Balance as at 01st April 2021	148,542,640		148,542,640	
Charge for the Year	104,584,448		104,584,448	
Other movements	626,900		626,900	
Balance as at 31st March 2022	253,753,988		253,753,988	
Net book value as at 31st March 2022	397,784,021		397,784,021	
Net book value as at 31st March 2021	193,321,481		193,321,481	

35.2 Operating Lease Liability

Balance as at 01st April 2021	206,736,861		206,736,861	
Additions and improvements	246,675,205		246,675,205	
Accretion of interest	33,752,349		33,752,349	
Payments made during the year	(106,766,488)		(106,766,488)	
Balance as at 31st March 2022	380,397,927		380,397,927	
Balance as at 31st March 2021	206,736,861		206,736,861	

36 DUE TO BANKS

	Company		Group	
For the year ended 31st March	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Bank overdrafts	365,468,885	109,147,260	365,468,885	109,147,260
Securitized borrowings and other facilities (Note 36.1)	22,192,593,096	13,105,093,842	22,192,593,096	13,105,093,842
	22,558,061,981	13,214,241,102	22,558,061,981	13,214,241,102

Notes to the Financial Statements

36.1 Securitized and Other Borrowings

Company and Group	As at 31.03.2021	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2022	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Securitized Borrowings							
HNB securitization -02	182,387,742	-	-	182,387,742	-	24 months	Lease receivables
HNB Securitization -03 - III	398,782,924	-	26,695,723	425,478,647	-	24 months	Lease receivables
HNB securitization -03 -II	44,636,429	-	193,252	44,829,681	-	15 months	Lease receivables
HNB securitization -04	455,090,699	-	44,170,661	237,408,337	261,853,023	36 months	Lease receivables
HNB securitization -05	1,113,585,827	-	84,901,628	835,840,916	362,646,539	24 months	Lease receivables
Seylan Trust 02	786,869,224	-	61,076,622	225,085,419	622,860,427	30 months	Lease receivables
Peo-Trust 01 part 01	208,275,322	-	5,140,540	213,415,862	-	24 months	Lease receivables
Peo-Trust 01 part 02	86,452,586	-	2,171,596	88,624,182	-	17 months	Lease receivables
Securitization 06 - 01	-	740,074,484	39,101,801	12,000,000	767,176,285	48 months	Lease receivables
Securitization 06 Part 02	-	171,068,993	8,339,365	-	179,408,358	30 months	Lease receivables
Securitization 07	-	583,100,000	17,589,648	-	600,689,648	24 months	Lease receivables
Securitization 07 Part 02	-	250,000,000	7,872,392	-	257,872,392	24 months	Lease receivables
Securitization 08-1	-	65,000,000	24,041	-	65,024,041	04 months	Lease receivables
Securitization 08-2	-	10,000,000	3,699	-	10,003,699	04 months	Lease receivables
Securitization 08-3	-	400,000,000	147,945	-	400,147,945	06 months	Lease receivables
	3,276,080,753	2,219,243,477	297,428,913	2,265,070,786	3,527,682,357		

Company and Group	As at 31.03.2021	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2022	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Direct Bank Borrowings							
Term Loans							
DFCC bank - PCI loan	38,621,724	-	2,937,801	17,295,599	24,263,926	70 Months	Nil
Hattion national bank	333,320,000	1,000,000,000	44,440,585	261,220,585	1,116,540,000	48 months	Lease receivables
Sampath bank	611,100,000	2,250,000,000	117,553,949	1,301,377,785	1,677,276,164	36 months	Lease receivables
Public bank	400,536,275	-	33,953,211	130,358,700	304,130,786	60 months	Land & Buildings
Union bank	988,095,245	5,900,000,000	59,467,949	6,047,563,194	900,000,000	60 months	Lease receivables
Commercial bank	374,999,700	436,000,000	28,046,011	435,597,567	403,448,144	36 months	Lease receivables
DFCC bank	497,222,211	500,000,000	54,656,361	384,313,225	667,565,347	96 months	Lease receivables
NDB bank	1,649,298,766	4,950,000,000	202,370,445	3,030,357,431	3,771,311,780	03 Months	Lease receivables
Seylan bank	700,000,032	3,900,000,000	107,380,685	2,923,676,219	1,783,704,498	48 Months	Fixed Deposits
Bank of Ceylon	521,188,194	575,000,000	35,389,354	623,244,186	508,333,362	12 Months	Lease receivables
Cargills Bank	-	750,000,000	1,885,479	-	751,885,479	48 months	Lease receivables
NTB	250,000,000	450,000,000	29,698,377	417,198,634	312,499,743	06 Months	Lease receivables
Reverse Repo on T-Bills	-	75,053,425	-	75,053,425	-	07 Days	T-Bills
National Savings Bank	168,305,971	-	10,583,744	94,858,886	84,030,829	36 months	Lease receivables
Syndication 02	-	1,000,000,000	57,704,384	57,184,139	1,000,520,245	60 Months	Lease receivables
	6,532,688,118	21,786,053,425	786,068,335	15,799,299,575	13,305,510,303		

Notes to the Financial Statements

Company and Group	As at 31.03.2021	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2022	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Foreign Currency Borrowings							
Triods Loan	754,400,000	92,833,333	85,295,288	354,628,621	577,900,000	72 Months	Nil
DWM	341,701,165	-	1,429,853	343,131,018	-	36 Months	Lease receivables
IFC	512,701,473	-	49,034,466	254,154,610	307,581,329	60 Months	Lease receivables
FMO	1,687,522,332	2,270,557,989	201,995,645	716,670,540	3,443,405,426	60 Months	Lease receivables
Enabling Qapital Ltd	-	1,005,950,000	24,563,681	-	1,030,513,681	60 Months	Lease receivables
	3,296,324,970	3,369,341,322	362,318,933	1,668,584,789	5,359,400,436		
	13,105,093,842	27,374,638,224	1,445,816,181	19,732,955,150	22,192,593,096		

	Company		Group	
As at 31st March	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
37 DUE TO DEPOSITORS				
Fixed deposits	14,209,386,348	12,558,378,736	14,209,386,348	12,558,378,736
Savings deposits	471,989,334	360,407,742	471,989,334	360,407,742
	14,681,375,682	12,918,786,478	14,681,375,682	12,918,786,478
38 DEBT INSTRUMENTS ISSUED AND OTHER BORROWED FUNDS				
Commercial paper	867,759,553	-	867,759,553	-
	867,759,553	-	867,759,553	-
39 OTHER FINANCIAL LIABILITIES				
Accrued expenses	281,359,487	171,737,615	300,235,599	164,966,781
Trade creditors	364,995,886	243,012,089	364,995,886	243,012,089
Others	1,023,894,138	469,127,997	1,039,577,177	491,714,911
	1,670,249,511	883,877,701	1,704,808,662	899,693,781
40 OTHER NON FINANCIAL LIABILITIES				
FVAT payable	156,528,048	43,148,490	156,528,049	43,148,490
Other taxes payables	27,578,124	17,039,620	27,578,124	17,039,620
	184,106,172	60,188,110	184,106,173	60,188,110
41 DERIVATIVE FINANCIAL LIABILITIES				
Foreign currency swaps	-	13,545,550	-	13,545,550
	-	13,545,550	-	13,545,550

	Company		Group	
As at 31st March	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
DERIVATIVE FINANCIAL ASSETS				
Foreign currency swaps	82,923,194	-	82,923,194	-
	82,923,194	-	82,923,194	-
42 INCOME TAX LIABILITY				
Tax refunds and self assessment payments	(535,611,975)	(260,036,730)	(544,091,184)	(267,950,214)
Current tax liability	858,531,644	564,646,012	871,394,908	575,951,624
Provision for contingent tax liabilities	542,234,123	341,703,798	542,234,123	341,703,798
	865,153,792	646,313,080	869,537,847	649,705,208
42.1 Movement of Income Tax Liability				
Balance as at 01st April	646,313,080	152,139,514	649,705,208	155,059,678
Current tax based on profit for the year	858,531,644	564,646,012	871,394,908	575,951,624
(Over)/under provision in respect of previous years	(93,019,943)	26,249,356	(93,019,943)	26,249,356
Provision for contingent liabilities	236,246,967	131,940,390	236,246,967	131,940,390
Provision for contingent liabilities - FVAT	-	14,790,834	-	14,790,834
Payment of tax	(782,917,956)	(243,453,026)	(794,789,292)	(254,286,674)
	865,153,792	646,313,080	869,537,847	649,705,208
43 RETIREMENT BENEFIT OBLIGATIONS				
Gratuity Liability				
43.1 Liability Recognized in the Statement of Financial Position				
Balance as at 01st April	12,924,029	(1,046,687)	15,988,862	1,244,584
Amount charged / (reversed) for the year (Note - 43.2)	157,968,923	56,890,687	157,801,615	57,664,249
Transfer to gratuity trust fund	(39,309,174)	(31,486,681)	(39,309,174)	(31,486,681)
Payments made during the year	(10,155,107)	(11,433,290)	(10,155,107)	(11,433,290)
Balance as at 31st March (Note 43.2 & 43.3)	121,428,671	12,924,029	124,326,196	15,988,862
43.2 Amount Charged/(Reversed) for the Year				
Current service cost for the year	42,906,153	31,937,917	43,178,052	32,575,469
Interest cost for the year	24,804,607	29,584,585	25,153,346	29,718,619
Expected return on plan assets	(23,907,450)	(29,700,004)	(23,907,450)	(29,700,004)
	43,803,310	31,822,498	44,423,948	32,594,084
Amount Recognised in Other Comprehensive Income				
Net actuarial (gains)/ losses	114,165,613	25,068,189	113,377,667	25,070,165
Amount Charged for the Year	157,968,923	56,890,687	157,801,615	57,664,249

Notes to the Financial Statements

As at 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR

43.3 Changes in the Present Value of Obligation

Present value obligation as at 01st April	354,459,035	295,781,549	355,567,387	296,118,315
Interest cost	24,804,607	29,584,585	25,153,346	29,718,619
Current service cost	42,906,153	31,937,917	43,178,052	32,575,469
Benefits paid / payable	(10,155,107)	(11,433,290)	(10,155,107)	(11,433,290)
Actuarial (gain) / Loss	66,012,080	8,588,274	66,012,080	8,588,274
Present Value Obligation as at 31st March	478,026,768	354,459,035	479,755,758	355,567,387

43.4 Movement in the Present Value of Plan Assets

Value of plan assets as at 01st April	341,535,006	297,000,040	339,578,525	295,045,535
Expected return on the plan assets for the period	23,907,450	29,700,004	23,907,450	29,700,004
Contribution paid to the plan	39,309,174	31,486,681	39,309,174	31,486,681
Actuarial gain/(loss) on plan assets	(48,153,533)	(16,651,719)	(47,365,587)	(16,653,695)
Value of Plan Assets as at 31st March	356,598,097	341,535,006	355,429,562	339,578,525
Retirement Benefit Liability as at 31st March	121,428,671	12,924,029	124,326,196	15,988,862

43.5 Assumptions

Discount rate	15%	7%	15%	7%
Salary scale	13.0%	6.0%	13.0%	6.0%
Mortality table	A 67/70	A 67/70	A 67/70	A 67/70
Staff turnover	12%	21%	12%	21%

Retirement age: Normal retirement age, or age on valuation date, if greater.

An actuarial valuation of the gratuity was carried out as at 31st March 2022 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.

As at 31st March	2022	2021
	LKR	LKR

Sensitivity Analysis of Present Value of Defined Benefit Obligation

A one percentage point increase (+1%) in the discount rate	453,066,378	340,082,785
A one percentage point decrease (-1%) in the discount rate	505,677,973	9,516,350
A one percentage point increase (+1%) in the salary/wage increment rate	507,676,378	428,767,007
A one percentage point decrease (-1%) in the salary/wage increment rate	450,896,313	338,534,851

44 DEFERRED TAX ASSETS AND LIABILITIES

As at 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Deferred tax liability				
Balance as at 01st April	555,848,404	530,275,377	555,855,791	530,283,797
Recognised in profit & loss	(45,119,974)	(144,197,938)	(45,127,362)	(144,198,971)
Recognised in other comprehensive income	-	169,770,965	-	169,770,965
Balance as at 31st March	510,728,430	555,848,404	510,728,430	555,855,791
Deferred tax asset				
Balance at 01st April	144,831,784	295,240,407	145,567,344	295,790,312
Recognised in profit & loss	37,447,944	(156,424,988)	37,518,163	(156,239,333)
Recognised in other comprehensive income	27,399,747	6,016,365	27,399,747	6,016,365
Balance as at 31st March	209,679,475	144,831,784	210,485,254	145,567,344
Net Deferred Tax Liability / (Asset)	301,048,955	411,016,620	300,243,176	410,288,447

44.1 Composition of Deferred Tax Assets and Liabilities

Liabilities				
Accelerated depreciation - Own assets	5,348,710	9,516,350	5,348,710	9,523,737
Lease rentals	76,612,713	117,565,047	76,612,713	117,565,047
Recognised in revaluation surplus	428,767,007	428,767,007	428,767,007	428,767,007
	510,728,430	555,848,404	510,728,430	555,855,791
Assets				
Accelerated depreciation - Own assets	21,191,365	9,041,878	21,191,365	9,227,533
Defined benefit obligation	29,117,081	3,101,767	29,922,860	3,651,672
Others	125,954,917	126,671,774	125,954,917	126,671,774
Recognised in other comprehensive income	33,416,112	6,016,365	33,416,112	6,016,365
	209,679,475	144,831,784	210,485,254	145,567,344

45 STATED CAPITAL

45.1 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

45.2 Number of Shares

Balance as at 31st March	33,696,000	33,696,000	33,696,000	33,696,000
	33,696,000	33,696,000	33,696,000	33,696,000

45.3 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.

Notes to the Financial Statements

46 RETAINED EARNINGS

As at 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
As at 01st April	2,295,549,890	1,777,742,345	2,374,274,468	1,833,953,692
Dividend paid	(404,352,000)	-	(408,161,429)	-
Profit for the year	1,463,100,626	560,889,794	1,492,529,033	583,404,287
Transfer of realised share disposal profit from FVTOCI	(22,902,218)	4,014,065	(22,902,218)	4,014,065
Adjustment on actuarial gain / (losses) on defined benefit plan	(86,765,866)	(19,051,824)	(86,262,053)	(19,053,087)
Transfer of realised gain on investment property	332,627,451	-	332,627,451	-
Net asset adjustment - Associate Company	(3,864,484)	-	(20,372,399)	-
Transfers to statutory reserve fund	(73,155,031)	(28,044,490)	(73,155,031)	(28,044,490)
As at 31st March	3,500,238,368	2,295,549,890	3,588,577,822	2,374,274,468

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.

47 RESERVES

As at 31st March	Company			Group		
	2021	Transfers	2022	2021	Transfers	2022
	LKR	LKR	LKR	LKR	LKR	LKR
Fair Value Through OCI	58,527,420	(80,255,778)	(21,728,358)	58,527,420	(80,255,778)	(21,728,358)
Capital reserve (Note 47.1)	1,556,017,602	(332,627,451)	1,223,390,151	1,556,017,602	(332,627,451)	1,223,390,151
General reserve	388,258,055	-	388,258,055	388,258,055	-	388,258,055
Statutory reserve fund (Note 47.2)	904,081,009	73,155,031	977,236,040	904,081,009	73,155,031	977,236,040
	2,906,884,087	(339,728,198)	2,567,155,888	2,906,884,087	(339,728,198)	2,567,155,888

47.1 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.

47.2 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 2022 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.

48 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.

For the year ended 31st March	Company		Group	
	2022	2021	2022	2021
	LKR	LKR	LKR	LKR
Financial guarantees				
Tax Appeal Commission	-	26,984,181	-	26,984,181
Bank Guarantees	-	75,000,000	-	75,000,000
Hotel Developers (Lanka) Ltd	500,000	-	500,000	-
SMCC-SANKEN JV-Behalf of Thuru Viyana	3,433,521	-	3,433,521	-
Sri Lanka Air Lines	826,200	826,200	826,200	826,200
	4,759,721	102,810,381	4,759,721	102,810,381
Tax Assessments				
Income Tax 2014/15	121,253,215	121,253,215	121,253,215	121,253,215
Income Tax 2017/18	241,413,983	241,413,983	241,413,983	241,413,983
Less: Provisions made as at 31st March	(329,011,348)	(204,144,502)	(329,011,348)	(204,144,502)
	33,655,850	158,522,696	33,655,850	158,522,696
Total	38,415,571	261,333,077	38,415,571	261,333,077

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. 329,011,348/- stated on Note 48.

48.1 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.

49 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 rupee depreciated steeply after March 2022, as an attempt was made to free float the currency amidst the shortage of foreign exchange liquidity in the domestic foreign exchange market.

Market interest rates notably adjusted upwards reflecting the significant monetary policy tightening measures taken by the Central Bank in April 2022. The interest rates on deposit and lending products of financial institutions adjusted upwards considerably, correcting some anomalies that prevailed in the market interest rate structure.

Notes to the Financial Statements

Anxieties among the general public in relation to the political unrest, shortages of essential items resulted peaceful protests to commence island wide, subsequently these protests at times turned violent creating a greater uncertainty. Economic activity is expected to be affected considerably by the ongoing supply shortages, energy related issues and social tensions, as reflected by several leading indicators.

Sri Lankan government suspended the servicing of certain foreign debts including international sovereign bonds for an interim period pending an orderly and consensual restructuring of those obligations in a manner consistent with an economic adjustment program supported by the IMF.

On the backdrop of the above, international rating agencies downgraded Sri Lanka's long term Issuer Debt Rating and International Institutions such as World Bank, IMF, UN and ADB revised Sri Lanka's economic growth projections substantially.

While the Central Bank of Sri Lanka and the government attempts to introduce series of fiscal and monetary measures to address the current crisis including tax restructuring, IMF program negotiations and intervening to manage currency, Management has considered the current economic situation of the country in preparing these financial statements as far as applicable specially in the computations of Expected credit costs. Accordingly, a significant amount of additional impairment provisions were incorporated in by way of Management overlays.

50 Comparative Changes

Comparatives of the following notes were changed for better representation purpose;

	Amount	Current year classified under	Comparative year classified under
a). Staff loans	3,314,995	Loans & Advances	Other Financial Assets
b). During the year, the company changed the presentation of the following notes relating to; Loans and advances (note 23), Lease rentals receivable & stock out on hire (note 24), and Hire purchase rentals receivable & stock out on hire (note 25) in order to match the disclosures with the accounting policy (note 4.8.1) relating to the recognition of interest income on credit-impaired financial assets which are classified under Stage 3 (NPLs). Accordingly, the comparatives were also changed to match the improved presentation.			

Group

31st March 2022	Leasing		Hire Purchase & Consumer Durables		Loans		Gold Loans		Hire of Vehicles		Investing in Shares		Investing in Government Securities		Collaboration Finance		Others		Total	
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	
REVENUE																				
External sales	15,941,431,171	2,245,907	916,049,739	1,076,701,563	29,510,470	12,090,928	84,956,822	13,832,166	547,570,581	18,624,389,347										
Total revenue	15,941,431,171	2,245,907	916,049,739	1,076,701,563	29,510,470	12,090,928	84,956,822	13,832,166	547,570,581	18,624,389,347										
Total income	6,117,930,794	(3,445,131)	893,399,856	1,076,701,562	29,510,470	12,090,928	96,323,315	17,986,459	536,204,088	8,776,702,341										
RESULTS																				
Segment results	4,449,926,943	(3,440,708)	310,674,488	771,076,098	4,564,381	11,672,187	92,262,791	17,986,459	487,607,524	6,142,330,163										
Unallocated company expenses																				(1,072,710,961)
Operating profit																				5,069,619,202
Interest expenses	(1,537,507,727)	-	(509,905,311)	(385,162,597)	(8,059,886)	(11,135,998)	(105,637,198)	(3,523,170)	(90,249,153)	(2,651,181,039)										
Share of profits of associates																				5,946,770
Income taxes																				(913,616,229)
Net profit																				1,510,768,703
OTHER INFORMATION																				
Segment assets	25,503,747,256	-	8,458,166,393	6,388,969,206	133,695,138	184,720,810	1,752,280,225	58,441,360	1,497,027,636	43,977,048,024										
Investment in associates																				83,092,843
Unallocated company assets																				4,282,756,175
Total assets																				48,342,897,042
Segment liabilities	22,403,945,850	-	7,014,723,551	5,298,648,747	110,879,165	153,196,964	1,453,241,848	48,467,950	1,241,549,826	37,724,653,901										
Unallocated company liabilities																				3,776,050,623
Total liabilities																				41,500,704,524

Notes to the Financial Statements

SEGMENT REPORT (Continued)

Group

31st March 2021	Leasing	Hire Purchase & Consumer Durables	Loans	Gold Loans	Hire of Vehicles	Investing in Shares	Investing in Government Securities	Collaboration Finance	Others	Total Restated
LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
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										
Unallocated company expenses	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	5,822,067,576
Operating profit	(1,921,138,803)	(532,939)	(354,135,052)	(283,459,051)	(9,337,117)	(19,590,523)	(151,710,823)	(4,701,332)	(168,151,119)	(2,912,756,759)
Interest expenses										
Share of profits of associates before tax										2,129,344
Income taxes										(746,181,731)
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										96,563,532
Unallocated company assets										3,890,338,572
Total assets										34,277,098,442
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										3,240,138,218
Total liabilities										28,328,004,882

52 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.

52.1 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

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 2022		Level 1	Level 2	Level 3	Total
	Note	LKR	LKR	LKR	LKR
Financial Assets					
Financial Assets- Recognised Through Profit or Loss					
Government of Sri Lanka treasury bills / bonds	22	-	1,502,280,225	-	1,502,280,225
Financial Investments - Fair Value Through Other Comprehensive Income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	184,141,634	-	-	184,141,634
Total Financial Assets		184,141,634	1,502,280,225	579,250	1,687,001,109

As at 31st March 2021		Level 1	Level 2	Level 3	Total
	Note	LKR	LKR	LKR	LKR
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

Notes to the Financial Statements

Group

As at 31st March 2022		Level 1	Level 2	Level 3	Total
	Note	LKR	LKR	LKR	LKR

Financial Assets

Financial Assets- Recognised Through Profit or Loss

Government of Sri Lanka treasury bills /bonds	22	-	1,502,280,225	-	1,502,280,225
Investments in Unit Trusts	22	-	-	-	-

Financial Investments - Fair Value Through Other Comprehensive Income

Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	184,141,634	-	-	184,141,634
Total Financial Assets		184,141,634	1,502,280,225	579,250	1,687,001,109

As at 31st March 2021		Level 1	Level 2	Level 3	Total
	Note	LKR	LKR	LKR	LKR

Financial Assets

Financial Assets- Recognised Through Profit or Loss

Government of Sri Lanka treasury bills	22	-	1,177,459,993	-	1,177,459,993
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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

52.2 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

As at 31st March	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	795,260,944	795,260,944	587,405,947	587,405,947
Repurchase agreement	250,000,000	250,000,000	400,203,715	400,203,715
Placement with banks & other financial institutions	287,925,208	287,925,208	793,564,909	793,564,909
Loans and advances	14,797,772,357	15,353,859,752	6,626,972,697	6,984,865,437
Lease rentals receivables	25,503,747,256	26,161,165,177	19,978,211,851	19,061,683,706
Hire purchase receivables	-	-	5,542,117	5,542,117
Other financial assets	636,340,449	636,340,449	492,931,228	492,931,228
Total Financial Assets	42,271,046,214	43,484,551,530	28,884,832,464	28,326,197,059
Financial Liabilities				
Due to banks	22,558,061,981	22,558,061,981	13,214,241,102	13,214,241,102
Due to customers	14,681,375,682	14,662,520,854	12,918,786,478	12,953,194,241
Debt instruments issued and other borrowed funds	867,759,553	867,759,553	-	-
Financial liabilities	1,670,249,512	1,670,249,512	883,877,701	883,877,701
Total Financial Liabilities	39,777,446,727	39,758,591,899	27,016,905,281	27,051,313,044

Group

As at 31st March	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	898,748,640	898,748,640	637,840,499	637,840,499
Repurchase agreement	250,000,000	250,000,000	400,203,715	400,203,715
Placement with banks & other financial institutions	287,925,208	287,925,208	793,564,909	793,564,909
Loans and advances	14,797,772,357	15,353,859,752	6,626,972,697	6,984,865,437
Lease rentals receivables	25,503,747,256	26,161,165,177	19,978,211,851	19,061,683,706
Hire purchase receivables	-	-	5,542,117	5,542,117
Other financial assets	630,656,592	630,656,592	564,090,869	564,090,869
Total Financial Assets	42,368,850,053	43,582,355,369	29,006,426,656	28,447,791,252
Financial Liabilities				
Due to banks	22,558,061,981	22,558,061,981	13,214,241,102	13,214,241,102
Due to customers	14,681,375,682	14,662,520,854	12,918,786,478	12,953,194,241
Debt instruments issued and other borrowed funds	867,759,553	867,759,553	-	-
Financial liabilities	1,704,808,662	1,704,808,662	899,693,781	810,353,917
Total Financial Liabilities	39,812,005,878	39,273,192,362	27,032,721,361	26,977,789,260

Notes to the Financial Statements

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued.)

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.

53 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,

53.1 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.

53.2 Compensation to Key Management Personnel

For the year ended 31st March	2022	2021
	LKR	LKR
KMP's emoluments (other than directors)		
Short term	135,232,958	95,034,452
Long term	24,738,216	31,909,652
	159,971,174	126,944,104
Remuneration and other expenses of directors		
Short term	79,160,550	64,674,378
Long term & post employment benefits	13,572,413	11,866,620
	92,732,963	76,540,998

53.3 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 KMP's domestic partner.

53.4 Transactions involving Key Management Personnel (KMPs) and their Close Family Members (CFMs)

Statement of Financial Position - Company and Group

For the year ended 31st March	2022	2021
	LKR	LKR
Liabilities		
Financial Liabilities Measured at Amortised Cost - Due to Depositors		
Fixed deposits	275,992,066	127,325,904
Savings deposits	140,967,004	60,900,657
Assets		
Financial assets measured at amortised cost - Loans and advances to customers	20,429,848	20,073,388
Financial assets measured at amortised cost - Lease rentals receivable & stock out of hire	216,051	-
Statement of Profit or Loss		
Interest income	1,566,925	1,009,271
Interest expenses	18,148,227	13,668,396
No of Shares held by KMPs		
Ordinary shares	11,699,631	11,051,366

53.5 Transaction, Arrangements and Agreements Involving with Entities Which are Controlled, and /or Jointly Controlled by the Kmp's and Their CFMs .

As at 31st March	Nature of the Relationship	Nature of Transaction / Facility	Company	
			2022	2021
			LKR	LKR
Alfinco Insurance Brokers (Pvt) Ltd	Subsidiary	Saving deposits	743,893	711,220
		Insurance referral income	41,662,844	63,934,249
		Shared service fee income	22,177,631	-
Alliance Management Services (Pvt) Ltd	Other related parties	Fixed deposits	1,921,453	1,861,025
		Secretarial fees	849,551	752,961
		Saving deposits	25,164	24,059

Notes to the Financial Statements

As at 31st March	Nature of the Relationship	Nature of Transaction / Facility	Company	
			2022	2021
			LKR	LKR
Alliance Travel Services Ltd	Other related parties	Fixed deposits	4,267,960	4,247,198
		Saving deposits	331,924	308,424
Alliance Tech Trading (Pvt) Ltd	Other related parties	Fixed deposits	14,572,855	14,113,592
Alliance Ventures (Pvt) Ltd	Other related parties	Fixed deposits	954,973	983,945
		Saving deposits	22,491	10,194
Alliance Agencies Ltd	Other related parties	Fixed deposits	10,000,000	10,000,000
		Saving deposits	929,183	160,015
Alliance Graphic Services (Pvt) Ltd	Other related parties	Fixed deposits	7,831,513	4,982,256
Heshia Shipping (Pvt) Ltd	Other related parties	Fixed deposits	4,385,238	4,185,153

53.6 Parent and Ultimate Controlling Party

The Company does not have an identifiable Parent of its own.

54 FINANCIAL RISK MANAGEMENT

54.1 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, Company 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.

54.2 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.

The Board of Directors has delegated responsibility for the overseeing of credit risk to its Company Credit Committee. The Credit department, reporting to the Company's Credit Committee.

Risk management practices adopted by the Company has been explained under the Risk Management Report in page 149 and 150 under credit risk.

54.2.1 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.

The methodology used in the determination of expected credit losses is explained in Note 4.5.7 (Page 183-187) to Financial Statements. As explained in the Note 4.5.7 the Company has made allowances for overlays where required to address the uncertainties and potential implications of current economic instability of the country.

The group was adequately active in cash inflow from customers to avoid the 180-day arrears barrier and retaining the facility in the performing category.

Impairment Assessment

For accounting purposes, the Company uses an Expected Credit Loss (ECL) 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. (Note 4.5.7 and Page 183-187)

All amounts were written-off during the financial year 2021/22 are still subject to enforcement activity.

Notes to the Financial Statements

Analysis of Credit Risk Exposure

The following tables shows the maximum exposure to credit risk by class of financial asset.

Maximum Exposure to Credit Risk

As at 31st March	Note	Company		Group	
		2022	2021	2022	2021
		LKR	LKR	LKR	LKR
Cash and cash equivalents	21	795,260,944	587,405,947	898,748,640	637,840,499
Repurchase agreements		250,000,000	400,203,715	250,000,000	400,203,715
Placements with banks & financial institutions		287,925,208	793,564,909	287,925,208	793,564,909
Financial assets recognised through profit or loss	22	1,502,280,225	1,177,459,993	1,502,280,225	1,177,459,993
Loans and advances (Gross)	23	15,550,209,741	7,572,498,720	15,550,209,741	7,572,498,720
Lease rentals receivable & stock out on hire (Gross)	24	26,450,259,608	21,066,101,391	26,450,259,608	21,066,101,391
Hire purchase rentals receivable & stock out on hire (Gross)	25	3,968,823	3,979,022	3,968,823	3,979,022
Financial assets- fair value through other comprehensive income	26	184,720,884	203,724,802	184,720,884	203,724,802
		45,024,627,455	31,804,940,520	45,128,115,151	31,855,375,072

The following table shows the classification of Financial Assets based on the three stage approach.

As at 31st March 2022						
Company	Note	12 Month Expected Credit Losses	Life Time Expected Credit Losses - Not Credit Impaired	Life Time Expected Credit Losses - Credit Impaired	Unclassified	Total
		LKR	LKR	LKR	LKR	LKR
Cash and cash equivalents	21	795,260,944	-	-	-	795,260,944
Repurchase agreements		250,000,000	-	-	-	250,000,000
Placements with banks & financial institutions		287,925,208	-	-	-	287,925,208
Financial assets recognised through profit or loss	22	1,502,280,225	-	-	-	1,502,280,225
Loans and advances (Gross)	23	14,261,117,335	347,303,855	941,788,550	-	15,550,209,741
Less :ECL Allowance	23	(152,424,621)	(23,325,111)	(576,687,652)	-	(752,437,384)
Lease rentals receivable & stock out on hire (Gross)	24	22,856,771,236	2,456,572,337	1,136,916,036	-	26,450,259,608
Less :ECL Allowance	24	(247,287,732)	(109,914,800)	(589,309,820)	-	(946,512,351)
Hire purchase rentals receivable & stock out on hire	25	-	-	3,968,823	-	3,968,823
Less :ECL Allowance	25	-	-	(3,968,823)	-	(3,968,823)
Financial assets- fair value through other comprehensive income	26	184,141,634	-	-	579,250	184,720,884
		39,737,784,229	2,670,636,281	912,707,114	579,250	43,321,706,875

The following table shows the classification of Financial Assets based on the three stage approach.

As at 31st March 2021						
Company	Note	12 Month Expected Credit Losses	Life Time Expected Credit Losses - Not Credit Impaired	Life Time Expected Credit Losses - Credit Impaired	Unclassified	Total
		LKR	LKR	LKR	LKR	LKR
Cash and cash equivalents	21	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	22	1,177,459,993	-	-	-	1,177,459,993
Loans and advances (Gross)	23	5,970,651,337	279,285,829	1,322,561,554	-	7,572,498,720
Less :ECL Allowance	23	(237,548,218)	(40,287,803)	(667,690,002)	-	(945,526,022)
Lease rentals receivable & stock out on hire (Gross)	24	16,286,932,865	2,215,853,322	2,563,315,204	-	21,066,101,391
Less :ECL Allowance	24	(104,388,770)	(96,543,123)	(886,957,647)	-	(1,087,889,540)
Hire purchase rentals receivable & stock out on hire	25	-	-	3,979,022	-	3,979,022
Less :ECL Allowance	25	-	-	1,563,095	-	1,563,095
Financial assets- fair value through other comprehensive income	26	203,145,552	-	-	579,250	203,724,802
		25,077,427,330	2,358,308,225	2,336,771,226	579,250	29,773,086,032

ECL allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of Loan portfolio.

Movement in Allowance for Expected Credit Losses (Stage Transition)

As at 31st March 2022	Note	Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total ECL
		LKR	LKR	LKR	LKR
Balance as at the beginning of the year	23,24 & 25	341,936,987	136,830,925	1,553,084,555	2,031,852,467
Transferred from 12 Month ECL		(21,128,719)	18,789,503	2,339,216	-
Transferred from LifeTime ECL not-credit impaired		38,290,106	(52,975,066)	14,684,960	-
Transferred from LifeTime ECL credit impaired		238,987,427	108,348,630	(347,336,057)	-
Interest accrued / (reversals) on impaired loans and advances		-	-	59,099,083	59,099,083
Write Off		(65,027,854)	(163,456)	(189,591,376)	(254,782,686)
Net remeasurement of loss allowance		(91,152,097)	(77,590,626)	35,492,417	(133,250,306)
Balance as at the end of the year	23,24 & 25	441,905,849	133,239,911	1,127,772,798	1,702,918,558

Notes to the Financial Statements

As at 31st March 2021	Note	Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total ECL
		LKR	LKR	LKR	LKR
Balance as at the beginning of the year	23,24 & 25	548,221,003	233,203,309	1,164,710,799	1,946,135,111
Transferred from 12 Month ECL		(101,933,748)	43,928,735	58,005,013	-
Transferred from LifeTime ECL not-credit impaired		27,664,102	(77,760,435)	50,096,334	-
Transferred from LifeTime ECL credit impaired		71,336,568	112,308	(71,448,876)	-
Interest accrued / (reversals) on impaired loans and advances		-	-	16,936,352	16,936,352
Net remeasurement of loss allowance		(203,350,937)	(62,652,992)	334,784,932	68,781,004
Balance as at the end of the year	23,24 & 25	341,936,987	136,830,925	1,553,084,555	2,031,852,467

Stage Transition on Lending Portfolio

The following tables show reconciliations from the opening to the closing balance of the lending portfolio (gross) based on three stage approach.

As at 31st March 2022	Note	Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total Portfolio (Gross)
		LKR	LKR	LKR	LKR
Balance as at the beginning of the year	23,24 & 25	22,257,583,975	2,495,139,151	3,889,856,007	28,642,579,133
Transferred from 12 Month ECL		(1,836,208,147)	1,716,462,367	119,745,780	-
Transferred from LifeTime ECL not-credit impaired		764,433,748	(1,016,180,197)	251,746,450	-
Transferred from LifeTime ECL credit impaired		537,461,549	206,969,185	(744,430,734)	-
Financial Assets that have been derecognised		(65,027,854)	(163,456)	(189,591,376)	(254,782,686)
Other Changes in the portfolio		15,459,644,789	(598,350,857)	(1,244,652,206)	13,616,641,725
Balance as at the end of the year	23,24 & 25	37,117,888,059	2,803,876,192	2,082,673,921	42,004,438,172

As at 31st March 2021	Note	Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total Portfolio (Gross)
		LKR	LKR	LKR	LKR
Balance as at the beginning of the year	23,24 & 25	22,579,027,201	2,825,516,023	2,783,908,619	28,188,451,844
Transferred from 12 Month ECL		(3,303,820,830)	1,643,909,898	1,659,910,932	-
Transferred from LifeTime ECL not-credit impaired		382,381,919	(866,211,663)	483,829,744	-
Transferred from LifeTime ECL credit impaired		136,507,774	791,546	(137,299,320)	-
Financial Assets that have been derecognised		-	-	-	-
Other Changes in the portfolio		2,463,487,910	(1,108,866,653)	(900,493,968)	454,127,289
Balance as at the end of the year	23,24 & 25	22,257,583,975	2,495,139,151	3,889,856,007	28,642,579,133

Overview of rescheduled/restructured loans & advances

An analysis of rescheduled/restructured loans and advances of the Company which are in stage1, 2 and stage 3 is given below along with the impairment for ECL.

As at 31st March 2022	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Rescheduled/ Restructured facilities (Gross)	359,345,458	11,912,171	14,318,380	385,576,009
Expected Credit Loss	(10,334,716)	(790,337)	(2,563,694)	(13,688,747)
Net Carrying Value	349,010,741	11,121,834	11,754,686	371,887,261

As at 31st March 2021	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Rescheduled/ Restructured facilities (Gross)	54,818,112	4,251,717	23,001,541	82,071,369
Expected Credit Loss	(777,920)	(135,261)	(2,303,220)	(3,216,401)
Net Carrying Value	54,040,192	4,116,456	20,698,320	78,854,968

Notes to the Financial Statements

54.2.2 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.

Sector wise Breakdown	Cash and Bank Balances	Financial Assets - Fair Value Through Profit or Loss	Financial Assets - Fair Value Through OCI	Other Financial Assets	Total Financial Assets
As at 31st March 2022	LKR	LKR	LKR	LKR	LKR
Financial services	795,260,944	-	-	287,925,208	1,083,186,152
Government	-	1,502,280,225	-	250,000,000	1,752,280,225
Services	-	-	-	636,340,449	636,340,449
Other	-	-	184,720,884	-	184,720,884
Total	795,260,944	1,502,280,225	184,720,884	1,174,265,657	3,656,527,710

Segment Concentration

Concentration of net loans and advances by Segment is given below as at 31st March 2022.

Segment	Net Portfolio
	LKR
Equipment	19,228,927
Heavy vehicles and motor lorry	2,070,135,011
Agricultural equipments	6,548,596
Tractor	220,535,313
Two - Wheelers -2W	1,320,936,765
Three Wheelers -3W	13,430,239,242
Transport vehicles: W-4_<=1Mn	2,427,883,709
Transport vehicles: W-4_>1Mn	5,951,183,910
Mortgage loans_<=2.5Mn	117,690,614
Mortgage loans_>2.5Mn	471,994,000
Personal loans (Guarantees & Other)	3,476,555,249
Speed cash	4,050,306,332
Gold loans	6,388,969,206
Pledge loans	74,985,210
Micro finance loans	30,299,865
Loans against fixed deposits	244,027,663
	40,301,519,614

Geographical Concentration

Concentration of net loans and advances by location is given below as at 31st March 2022.

Province	Balance	%
	LKR	
Western	13,429,754,587	34%
Central	5,062,260,958	13%
North Western	4,176,362,713	10%
Sabaragamuwa	3,008,245,180	7%
Southern	3,156,083,679	8%
Northern	4,066,934,869	10%
Uva	2,733,700,544	7%
Eastern	2,531,192,327	6%
North Central	2,136,984,757	5%
	40,301,519,614	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.

Products Concentrations of Gross Portfolio

As at 31st March	2022		2021	
	LKR	%	LKR	%
Lease	26,450,698,847	62.97%	21,065,885,650	73.55%
Loan	8,903,932,455	21.20%	4,416,576,925	15.42%
Hire Purchase	3,969,335	0.01%	3,979,249	0.01%
Gold Loan	6,402,550,988	15.24%	3,096,578,160	10.81%
Fixed Deposit Against Loan	244,027,663	0.58%	59,559,149	0.21%
	42,005,179,289	100.00%	28,642,579,133	100.00%

Collateral held as security and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types financial assets.

Type of Credit Exposure	Percentage of exposure that is subject to collateral requirements		Principal type of Collateral Held
	2022	2021	
As at 31st March			
Loans and Receivables to Other Customers			
Loans & Other Advances	100	100	Property and equipment
Loans against Fixed Deposits	100	100	Fixed Deposits
Pledged Loans	100	100	Mortgages
Micro Finance Loans	100	100	Personal Guarantees
Gold Loans	100	100	Gold articles
Lease Rental and Hire Purchase Receivables			
Lease Rental Receivables	100	100	Property and equipment
Hire Purchase Receivables	100	100	Property and equipment

There was no change in the Company's collateral policy during the year. Further, the Company did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The Company does not provide for any allowances for ECL against financial assets secured by deposits held within the Company. Further, no allowance for ECL has been recognised for government securities, treasury bills, treasury bonds and placement in financial institutions. Except for the above, Company has recognised ECL for all other financial assets classified at amortised cost.

Notes to the Financial Statements

54.2.3 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. The Group's internal control policy prohibits to purchase or originate the credit-impaired financial assets. The Company doesn't have significant financial guarantee contracts as of the year ended 31st March 2022 & 31st March 2021.

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.

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.

Credit quality analysis of Placements with Banks and other Finance Companies

The following table sets out the credit quality of Placements with Banks and other Finance Companies. The analysis is based on Fitch and ICRA Lanka ratings.

As at 31st March	2022	2021
	LKR	LKR
Placements with Banks		
Rated AA- to AA+	64,204,330	49,657,811
Rated A- to A+	123,797,265	648,451,011
Rated BBB + and below	99,923,614	95,456,086
	287,925,208	793,564,908

54.3 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.

Notes to the Financial Statements

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:

- 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.
- The Company also has committed lines of credit that it can access to meet liquidity needs.
- The Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.
- 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.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the Statement of Financial Position against internal and regulatory requirements and gaps are reviewed at Assets and Liability Committee.
- Managing the concentration and profile of debt maturities.
- 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.
- 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.

54.3.1 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,
 - (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 2022, the Company maintained Statutory Liquid Asset ratio at 15.93% (2021 : 14.68 %).

54.3.2 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturity

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2022.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns

As at 31st March 2022	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets							
Cash and cash equivalents	795,260,944	-	-	-	-	-	795,260,944
Repurchase agreements	-	250,000,000	-	-	-	-	250,000,000
Placements with banks & financial institutions	-	48,659,053	239,266,155	-	-	-	287,925,208
Financial assets recognised through profit or loss	-	1,230,678,725	271,601,501	-	-	-	1,502,280,225
Loans and advances - at amortised cost	-	7,206,213,007	5,033,620,292	1,753,312,333	801,962,140	2,664,585	14,797,772,357
Lease rentals receivable & stock out on hire - at amortised cost	-	3,117,959,547	5,542,580,940	12,020,569,375	4,810,817,435	11,819,959	25,503,747,256
Derivative Financial Asset	-	57,573,394	25,349,800	-	-	-	82,923,194
Financial assets- fair value through other comprehensive income	-	-	80,989,739	-	-	103,731,145	184,720,884
Other financial assets	-	52,095,019	251,121,882	127,906,958	155,748,619	49,467,971	636,340,449
Total Financial Assets	795,260,944	11,963,178,744	11,444,530,310	13,901,788,666	5,768,528,193	167,683,660	44,040,970,517
Financial Liabilities							
Due to banks & other borrowings	365,468,885	4,496,559,365	5,427,605,948	8,160,920,433	4,975,266,903	-	23,425,821,534
Due to depositors - at amortised cost	-	5,706,799,590	6,850,204,987	1,865,800,145	258,570,961	-	14,681,375,682
Other financial liabilities	-	1,192,935,329	175,230,121	228,896,071	43,043,559	30,144,430	1,670,249,511
Total Financial Liabilities	365,468,885	11,396,294,285	12,453,041,056	10,255,616,649	5,276,881,423	30,144,430	39,777,446,727
Total Net Financial Assets/ (Liabilities)	429,792,059	566,884,459	(1,008,510,746)	3,646,172,017	491,646,771	137,539,230	4,263,523,790

Notes to the Financial Statements

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
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
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	946,758,535	101,017,921	-	-	1,177,459,993
Loans and advances - at amortised cost	-	3,550,238,418	1,606,633,950	1,066,251,104	403,450,612	398,613	6,626,972,697
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
Financial assets - fair value through other comprehensive income	-	203,724,802	-	-	-	-	203,724,802
Other financial assets	-	37,527,479	256,015,150	107,292,831	92,095,768	-	492,931,228
Total Financial Assets	587,405,947	6,674,528	8,530,815,100	11,069,172,821	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	6,674,263,528	10,182,739,348	8,652,245,143	930,241,323	16,597,498	27,030,450,831
Total Net Financial Assets/ (Liabilities)	118,230,230	(105,188,274)	(1,651,924,248)	2,416,927,678	2,473,719,927	(16,198,885)	3,235,566,428

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:

- Cash and balances with central banks;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- secondary sources of liquidity in the form of highly liquid instruments in the Company's trading portfolios.

54.4 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.

54.5 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.

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	Sensitivity of Net Interest Income	
		2022	2021
		LKR ('000).	LKR ('000)
Borrowing at floating rate	+100/ (-100)	(112,352)/112,352	(48,817)/48,817

54.5.1 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.

Notes to the Financial Statements

As at 31st March 2022	Up to 03 Months	3-12 Months	01-05 Years	Over 05 Years	Non Interest Bearing	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and cash equivalents	663,424,138	-	-	-	131,836,806	795,260,944
Repurchase agreements	250,000,000	-	-	-	-	250,000,000
Placements with banks & financial institutions	48,659,053	239,266,155	-	-	-	287,925,208
Financial assets recognised through profit or loss	1,230,678,725	271,601,501	-	-	-	1,502,280,225
Loans and advances - at amortised cost	7,206,213,007	5,033,620,292	2,555,274,472	2,664,585	-	14,797,772,357
Lease rentals receivable & stock out on hire - at amortised cost	3,117,959,547	5,542,580,940	16,831,386,810	11,819,959	-	25,503,747,257
Financial assets- fair value through other comprehensive income	-	-	-	-	184,720,884	184,720,884
Other financial assets	52,095,019	251,121,882	283,655,577	49,467,971	-	636,340,449
Total Financial Assets	12,569,029,488	11,338,190,771	19,670,316,859	63,952,515	316,557,690	43,958,047,323
Financial Liabilities						
Due to banks	4,862,028,250	5,427,605,948	13,136,187,336	-	-	22,558,061,977
Due to depositors - at amortised cost	5,706,799,590	6,850,204,987	2,124,371,105	-	-	14,681,375,682
Other financial liabilities	1,192,935,329	175,230,121	271,939,630	30,144,430	-	1,670,249,511
Total Financial Liabilities	11,761,763,170	12,453,041,056	15,532,498,072	30,144,430	-	39,777,446,727
Interest Sensitivity Gap	807,266,318	(1,114,850,285)	4,137,818,788	33,808,085	316,557,690	4,180,600,596

54.5.2 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 exchange rates were applied during the year

Currency of Borrowings/ Advance	Average Rate	Reporting date spot rate	
	2022	2022	2021
	LKR	LKR	LKR
USD/ LKR	205.36	299.00	200.50

The Company's exposure to foreign currency risk is as follows;

As at 31st March 2022		USD / LKR	Total
	LKR	.	USD
Cash & Cash Equivalents	50,974,221	299.00	170,482
Borrowings	5,051,819,106	212.48	23,775,326
	5,102,793,327		23,945,810

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 2022.

	Effect on Profit or Loss (LKR)	Effect on Equity (LKR)
USD depreciated against LKR by 5%	255,139,666	255,139,666
USD appreciated against LKR by 5%	(255,139,666)	(255,139,666)

54.5.3 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.

54.5.4 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

54.5.5 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.

Notes to the Financial Statements

54.6 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.

Tire 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

1. 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).
2. The Company carefully analyses the CARs against increases in risk-weighted assets underlying the budgeted expansion of business volumes.
3. 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.
4. 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.
5. 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)
- 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.

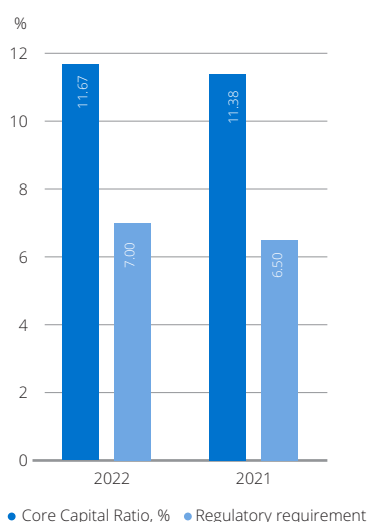
The table below summarises the composition of regulatory capital and the ratios of the Company for the years ended 31 March 2022 and 2021. During those two years, the Company has complied with all of the externally imposed capital requirements to which they are subject.

Notes to the Financial Statements

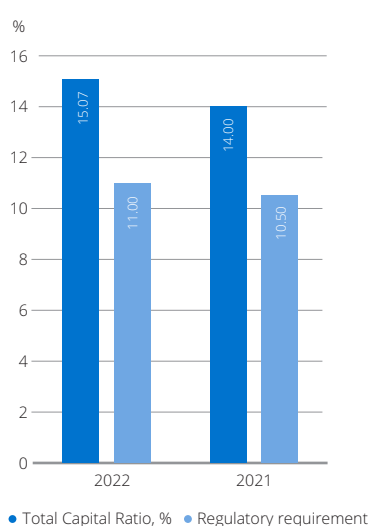
Capital Adequacy Ratios

As at 31st March	2022	2021
	LKR (000)	LKR (000)
Tier 1 Capital	5,259,722	3,942,172
Total Capital	6,794,427	4,851,067
Total Risk Weighted Amount	45,074,737	34,640,612
Risk Weighted Amount for Credit Risk	38,457,868	28,626,311
Risk Weighted Amount for Operational Risk	6,616,869	6,014,301
Core Capital Ratio, %	11.67	11.38
Regulatory requirement, %	7.00	6.50
Total Capital Ratio, %	15.07	14.00
Regulatory requirement, %	11.00	10.50

Core Capital Ratio, %



Total Capital Ratio, %



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:

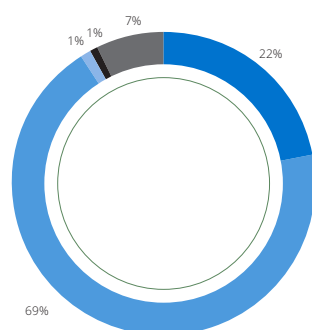
CBSL deferred the Capital Adequacy requirement by LFCs, which will be to meet the minimum Capital Adequacy Requirement by 01.07.2020 and 01.07.2021 in terms of the Finance Business Act Direction No.03 of 2018 – Capital Adequacy requirements until 01.07.2021 and 01.07.2022 respectively.

Contribution to National Economy

Sources and Utilisation of Income - Company

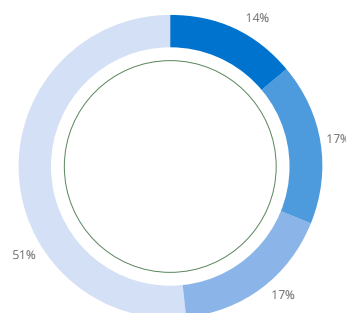
For the year ended 31st March	2022		2021	
	LKR	%	LKR	%
Sources of Income				
Loans and Advances	1,851,658,318	22%	1,333,700,374	18%
Lease, Hire purchases and Consumer Durables	5,866,552,858	69%	5,640,314,789	75%
Government Securities	76,965,903	1%	94,140,871	1%
Placements with Banks & Financial Institutions	49,144,777	1%	91,526,967	1%
Other Investments	7,711,482	0%	12,744,542	0%
Other Income	590,272,065	7%	354,688,499	5%
Total Income	8,442,305,403	100%	7,527,116,042	100%
To Employees				
Personnel Expenses	1,193,004,228	14%	923,854,826	12%
To suppliers				
Interest paid	2,651,181,039	31%	2,912,756,756	39%
Other Expenses	1,455,233,111	17%	1,204,412,964	16%
Depreciation	127,463,057	2%	132,270,692	2%
Impairment for loans and other losses	102,890,184	1%	752,126,049	10%
	4,336,767,391	51%	5,001,566,461	66%
To Government				
Value added Tax & Other Taxes	554,549,356	7%	307,871,498	4%
Income Tax	900,830,572	11%	735,062,807	10%
	1,455,379,928	17%	1,042,934,305	14%
To Shareholders				
Dividend Paid	404,352,000	5%	-	0%
Invested in the business	1,052,801,856	12%	558,760,450	7%
	1,457,153,856	17%	558,760,450	7%
	8,442,305,403	100%	7,527,116,042	100%

Sources of Income - 2021/22



- Loans and Advances
- Lease, Hire purchases and Consumer Durables
- Government Securities
- Placements with Bank & Financial Institutions
- Other Investments
- Other income

Value Distribution- 2021/22



- To Employees
- To Government
- To Shareholders
- To Suppliers

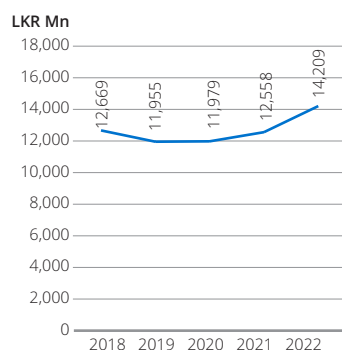
Depositors Information

Analysis of Deposit Base

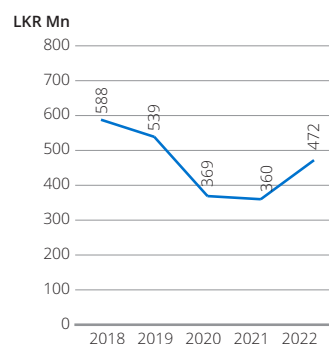
a) Value of Deposit Base

	2018	2019	2020	2021	2022
	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000
Value of Term Deposits	12,669,074	11,954,633	11,978,777	12,558,379	14,209,386
Value of Savings Deposits	587,878	539,050	368,520	360,408	471,989
	13,256,951	12,493,683	12,347,297	12,918,786	14,681,376

Value of Term Deposits



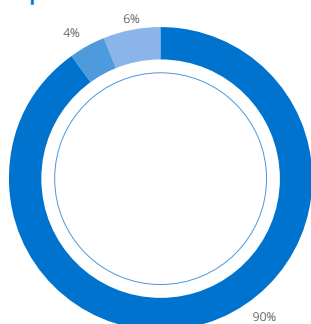
Value of Savings Deposits



b) Rate of Interest Basis on Term Deposits

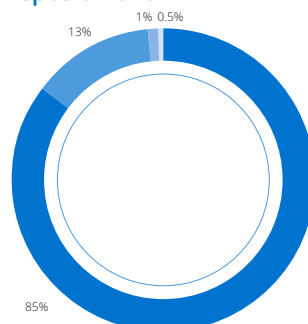
	As at 31st March 2022			As at 31st March 2021		
	No. of Deposits	Value	% of Total	No. of Deposits	Value	% of Total
		LKR' 000			LKR' 000	
Less than 13%	8,533	12,737,092	90%	7,631	10,721,342	85%
More than or equal to 13% and less than 15%	351	629,065	4%	996	1,612,747	13%
More than or equal to 15% and less than 17%	247	843,229	6%	108	166,133	1%
More than or equal to 17% and less than 19%	-	-	0.0%	15	58,157	0.5%
Total	9,131	14,209,386	100%	8,750	12,558,379	100%

Rate of interest on Term Deposit 2021/22



- Less than 13%
- More than or equal to 13% and less than 15%
- More than or equal to 15% and less than 17%
- More than or equal to 17% and less than 19%

Rate of interest on Term Deposit 2020/21

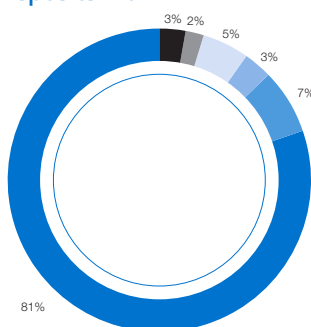


- Less than 13%
- More than or equal to 13% and less than 15%
- More than or equal to 15% and less than 17%
- More than or equal to 17% and less than 19%

c) Capital Range on Term Deposits

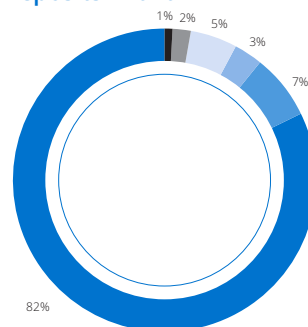
	As at 31st March 2022			As at 31st March 2021		
	No. of Deposits	Total Deposits	%	No. of Deposits	Value	% of
		LKR' 000			LKR' 000	
1 - 100,000	1,873	379,819	3%	1,884	106,937	1%
100,000 - 250,000	1,383	250,464	2%	1,386	250,027	2%
250,001 - 500,000	1,618	655,514	5%	1,560	630,082	5%
500,001 - 750,000	648	404,022	3%	604	378,109	3%
750,001 - 1,000,000	1,041	993,106	7%	948	901,432	7%
Over 1,000,000	2,568	11,526,461	81%	2,368	10,291,792	82%
	9,131	14,209,386	100%	8,750	12,558,379	100%

Capital Range of Term Deposits- 2021/22



- 1 - 100,000
- 100,000 - 250,000
- 250,001 - 500,000
- 500,001 - 750,000
- 750,001 - 1,000,000
- Over 1,000,000

Capital Range of Term Deposits - 2020/21



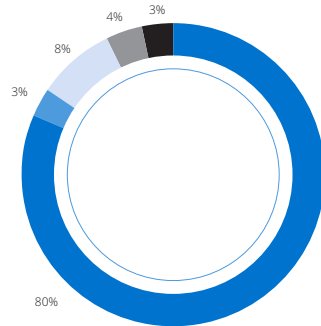
- 1 - 100,000
- 100,000 - 250,000
- 250,001 - 500,000
- 500,001 - 750,000
- 750,001 - 1,000,000
- Over 1,000,000

Depositors Information

d) Deposits Analysis

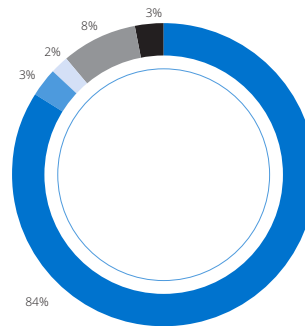
	As at 31st March 2022		As at 31st March 2021	
	LKR' 000	%	LKR' 000	%
Individuals	11,774,008	80%	10,891,242	84%
Shareholders	416,959	3%	391,974	3%
Subsidiaries / Associate Companies	43,934	0%	51,372	0%
Other Companies	1,147,691	8%	232,963	2%
Pensions, Provident Funds, Clubs etc.	553,164	4%	990,256	8%
Savings	471,989	3%	360,980	3%
	14,681,376	100%	12,918,786	100%

Deposit Holders' Analysis- 2021/22



- Individuals
- Shareholders
- Subsidiaries / Associate Companies
- Other Companies
- Pensions, Provident Funds, Clubs etc.
- Savings

Deposit Holders' Analysis- 2020/21



- Individuals
- Shareholders
- Subsidiaries / Associate Companies
- Other Companies
- Pensions, Provident Funds, Clubs etc.
- Savings

Ten Year Summary - Company

For the Year Ended 31 March	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000
OPERATING RESULTS										
Income	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	8,442.31
Profit Before Tax	586.18	261.27	277.45	530.31	834.13	810.10	600.27	531.63	1,295.95	2,363.93
Income Tax	75.06	(35.22)	74.54	111.12	184.67	81.60	294.10	323.00	735.06	900.83
Profit After Tax	511.12	296.49	202.91	419.19	649.46	728.50	306.17	208.63	560.89	1,463.10
BALANCE SHEET										
Assets										
Cash, Cash Equivalent & Deposits	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	1,333.19
Receivables	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	3,176.13
Stocks	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	40,265.90
Investments	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	862.69
Property, Plant & Equipment	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	2,502.32
Total Assets	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	48,140.24
Liabilities										
Term Deposit	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	14,681.376
Bank Overdraft/ Loans	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	25,096.071
Provisions & Other Liabilities	357.37	187.70	282.91	382.89	715.18	1,080.67	937.26	768.52	1,288.82	1,681.417
Total Liabilities	15,372.44	16,335.16	17,460.35	23,122.64	25,957.16	27,481.79	27,621.41	29,332.33	28,305.72	41,458.864
Shareholders' Funds	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	6,681.374
CHANGES IN FINANCIAL POSITION										
Sources of Funds										
Operations	820.61	(904.12)	541.03	876.95	795.93	1,534.11	37.99	782.21	1,973.22	2,324.56
Sale of Fixed Assets	36.01	21.44	8.06	47.62	25.23	39.95	6.99	7.73	(23.66)	1,379.56
Term Deposits	2,269.07	2,199.71	(857.52)	120.08	(376.33)	3,169.13	(763.27)	(146.39)	571.49	1,762.59
Bank Overdraft/ Loans	1,812.02	(1,103.21)	1,547.46	5,258.86	2,890.35	(1,571.60)	727.87	1,935.22	(2,123.45)	9,848.15
Others	(105.27)	(165.36)	(108.48)	(153.38)	(101.67)	(119.67)	(105.93)	(118.95)	(123.30)	(67.06)
Grand Total	4,832.44	48.45	1,130.55	6,150.13	3,233.52	3,051.92	(96.35)	2,459.83	274.30	15,247.80
Application of Funds										
Capital Expenditure	158.35	137.36	106.74	450.67	70.49	208.09	207.31	98.61	122.63	378.99
Portfolio Disbursements	4,654.30	20.34	1,071.33	5,952.84	2,848.00	2,179.29	191.25	704.94	418.41	14,761.30
Deposits	10.17	66.37	400.92	(73.28)	37.27	(334.01)	(94.58)	477.54	(243.83)	(357.49)
Income Tax	1.89	1.14	0.93	19.57	180.12	125.60	147.74	412.75	254.89	793.07
Dividends	109.35	36.45	48.60	126.36	183.00	213.97	75.82	33.70	-	404.35
Other	(130.93)	(199.30)	(479.01)	(351.44)	(191.58)	398.81	(395.11)	27.32	(43.75)	(683.96)
Changes in Available Resources	29.31	(13.93)	(18.96)	25.41	106.21	260.17	(228.78)	704.97	(234.05)	(48.47)
Grand Total	4,832.44	48.45	1,130.55	6,150.13	3,233.52	3,051.92	(96.35)	2,459.83	274.30	15,247.80
No. of Shares	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	33,696,000

Ten Year Summary - Company

For the Year Ended 31 March	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000	LKR' 000
INDICATORS OF PERFORMANCE										
Return on Shareholders Funds % (After Tax)	28.50	13.15	8.38	16.21	19.14	17.42	6.95	4.57	10.76	23.41
Return on Total Assets % (After Tax)	3.39	1.64	1.05	1.83	2.33	2.36	0.96	0.63	1.65	3.56
Earnings per Share LKR	210.33	122.01	83.50	172.51	19.85	21.62	9.09	6.19	16.65	43.42
Market Value per Share LKR	800.10	769.80	770.00	740.00	55.00	65.70	53.60	34.40	49.50	70.40
Price Earning Ratio %	3.80	6.31	9.22	4.29	2.77	3.04	5.90	5.56	2.97	1.62
Rate of Dividend %	400.00	200.00	230.00	530.00	32.38	35.12	5.49	-	30.18	65.86
Dividend per Share LKR	40.00	20.00	23.00	53.00	5.90	6.40	1.00	-	5.50	14.50
Gross Dividend LKR Mn	97.20	48.60	55.89	128.79	198.81	215.65	33.70	-	185.33	488.59
Dividend Cover (times)	5.26	6.10	3.63	3.25	3.36	3.38	9.09	-	3.03	2.99
Dividend Payout %	19.02	16.39	27.55	30.72	29.73	29.60	11.01	-	33.04	33.39
Net Assets per Share LKR	872.05	984.08	1,007.96	1,120.19	120.63	127.58	133.85	136.90	172.61	198.28
MARKET VALUE PER SHARE DURING THE YEAR										
Highest Value Recorded During the Year LKR Mn.	702.00	820.00	929.00	1,000.00	1,300.00	79.40	72.50	54.50	59.00	116.50
Lowest Value Recorded During the Year LKR Mn.	849.00	730.00	810.00	732.00	52.30	53.00	50.00	30.00	30.00	59.10
Market Value as at 31st March LKR Mn.	800.10	769.80	770.00	740.00	55.00	65.70	53.60	34.40	49.50	70.40
FINANCIAL HIGHLIGHTS										
Assets LKR Mn	17,492	18,726	19,910	25,845	30,022	31,781	32,132	33,945	34,122	48,140
Liabilities LKR Mn	15,372	16,335	17,460	23,123	25,957	27,482	27,621	29,332	28,306	41,459
Shareholders Funds LKR Mn	2,119	2,391	2,449	2,722	4,065	4,299	4,510	4,613	5,816	6,681

Shareholder Information

DISTRIBUTION OF SHARES

Holdings	31st March 2022			31st March 2021		
	No. of Holders	Total	%	No. of Holders	Total	%
1 - 1,000	975	235,590	0.70	734	172,350	0.51
1,001 - 10,000	420	1,415,953	4.20	350	1,244,595	3.69
10,001 - 100,000	151	4,516,971	13.41	131	3,761,121	11.16
100,001 - 1,000,000	25	6,074,340	18.03	28	6,276,147	18.63
Over 1,000,000	5	21,453,146	63.67	6	22,541,787	66.01
	1,576	33,696,000	100.00	1,249	33,996,000	100.00

The shares in the hands of the public 31.03.2022 were 17,399,792 representing 51.64% of the Issued Share Capital of the Company and as at 31.03.2021 were 18,076,775 representing 53.65% of the Issued Share Capital of the Company.

Float adjusted Market Capitalization

The float adjusted market capitalization as at 31st March 2022 was Rs.1,225,003,254 and 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 2022 was 1566.

20 MAJOR SHAREHOLDERS

No.	Name of Shareholder	31st March 2022		Name of Shareholder	31st March 2021	
		No. of Shares	%		No. of Shares	%
1	Mr.R.K.E.P. de Silva	11,635,291	34.53	Mr.R.K.E.P. de Silva	11,035,291	32.75
2	Motor Service Station (Pvt) Ltd.,	4,576,553	13.58	Motor Service Station (Pvt) Ltd.,	4,542,220	13.48
3	Mrs D.M.E.P. Perera	2,501,443	7.42	Mrs D.M.E.P. Perera	2,501,443	7.42
4	Mr.D.F.W.S.K. Perera & Mr.D.F.W. Perera	1,381,536	4.10	Mr.D.D. Wijemanne	1,422,974	4.22
5	Orient Hotels Ltd.,	1,358,323	4.03	Mr.D.F.W.S.K. Perera & Mr.D.F.W. Perera	1,381,536	4.10
6	Hatton National Bank PLC/ Mr.K.R.E.M.Y.D.M.B. Jayasundara	631,672	1.87	Orient Hotels Ltd.,	1,358,323	4.03
7	Mrs.S.E. Canekeratne	612,268	1.82	Mrs.S.E. Canekeratne	612,268	1.82
8	Mr.D.L.S.R. Perera	553,556	1.64	Mr.D.L.S.R. Perera	553,556	1.64
9	Mrs.C.R. de Silva	374,400	1.11	Mrs.C.R. de Silva	374,400	1.11
10	Hatton National Bank PLC/Mr.K.K. Shujeevan	355,142	1.05	Elgin Investments Ltd.	311,877	0.93
11	Mr. D.F.W. Perera	310,560	0.92	Mr. D.F.W. Perera	310,560	0.92
12	Ms.D.D.P.T. Perera	309,384	0.92	Ms.D.D.P.T. Perera	309,384	0.92
13	Ms.D.C.M.A. Perera	303,634	0.90	Mrs.P. Weththasinghe	299,975	0.89
14	Mrs.P. Weththasinghe	299,975	0.89	Mrs.A.S. Wijewardena	259,200	0.77
15	Mrs.A.S. Wijewardena	259,200	0.77	Mutiara Holdings (Pvt) Ltd.	250,000	0.74
16	Mr.G.P. Kapilasena	201,180	0.60	Hatton National Bank PLC/Mr.K.K. Shujeevan	238,786	0.71
17	Mrs.K.G.G.S.L. Perera	201,066	0.60	Ms.D.C.M.A. Perera	236,632	0.70
18	Mrs.N.U. Silva	172,105	0.51	Mr.G.P. Kapilasena	201,180	0.60
19	Mrs.C. Yogagopalakrishnan	155,920	0.46	Mrs.K.G.G.S.L. Perera	201,066	0.60
20	Mr.A.J.M. Jinadasa	140,000	0.42	Miss R.H. Abdulhussein	180,000	0.53
		26,333,208	78.15		26,580,671	78.88

Shareholder Information

	31st March 2022			31st March 2021		
	No of shareholders	No. of shares	%	No of shareholders	No. of shares	%
Institutions	32	6,329,845	18.79	14	5,008,263	14.86
Individuals	1544	27,366,155	81.21	1235	28,687,737	85.14
	1576	33,696,000	100.00	1249	33,696,000	100.00

GRI Index Table

Section	GRI Standard No.	Disclosure	Page reference	Remarks
Organizational Profile	GRI 102-1	Name of the organization	6, inner back cover	
	GRI 102-2	Activities, brands, products, and services	6, 51, 52, 54	
	GRI 102-3	Location of headquarters	Inner back cover	
	GRI 102-4	Location of operations	6, Inner back cover	
	GRI 102-5	Ownership and legal form	8, Inner back cover	
	GRI 102-6	Markets served	6	
	GRI 102-7	Scale of the organization	7	
	GRI 102-8	Information on employees and other workers	7	
	GRI 102-41	Collective bargaining agreements	-	The Company does not have any collective bargaining agreements
	GRI 102-9	Supply chain	78	
	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	4, 69, 77	
	GRI 102-12	External initiatives	4	
	GRI 102-13	Membership of associations	Inner back cover	
Strategy and Analysis	GRI 102-14	Statement from senior decision-maker	19-22	
	GRI 102-15	Key impacts, risks, and opportunities	46-49	
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	39-41	
	GRI 103-1	Explanation of the material topic and its Boundary	39-41	
	GRI 102-48	Restatements of information	4	
	GRI 102-49	Changes in reporting	4	
Stakeholder Engagement	GRI 102-40	List of stakeholder groups	35	
	GRI 102-42	Identifying and selecting stakeholders	36-38	
	GRI 102-43	Approach to stakeholder engagement	36-38	
	GRI 102-44	Key topics and concerns raised	36-38	

GRI Index Table

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	4	
	GRI 102-55	GRI content index	265-273	
	GRI 102-56	External assurance	5	
Governance	GRI 102-18	Governance structure	91	
	GRI 102-19	Delegating authority	105-106	
	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	91	
	GRI 102-23	Chair of the highest governance body	92, Inner back cover	
	GRI 102-24	Nominating and selecting the highest governance body	119	
	GRI 102-25	Conflicts of interest	96	
	GRI 102-26	Role of highest governance body in setting purpose, values, and strategy	88-89	
	GRI 102-27	Collective knowledge of highest governance body	91	
	GRI 102-28	Evaluating the highest governance body's performance	120	
	GRI 102-29	Identifying and managing economic, environmental, and social impacts	93	
	GRI 102-30	Effectiveness of risk management processes	95	
	GRI 102-31	Review of economic, environmental, and social topics	93	
	GRI 102-32	Highest governance body's role in sustainability reporting	95-96	

Section	GRI Standard No.	Disclosure	Page reference	Remarks
	GRI 102-33	Communicating critical concerns		No significant critical concerns were reported or recorded during the financial year.
	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	139	
	GRI 102-36	Process for determining remuneration	121, 122, 139	
	GRI 102-37	Stakeholders' involvement in remuneration	121, 122	
Ethics and Integrity	GRI 102-16	Values, principles, standards, and norms of behavior	6, 66, 68	
	GRI 102-17	Mechanisms for advice and concerns about ethics	68, 74	
Management Approach	GRI 103-1	Explanation of the material topic and its Boundary	4, 39-41	
	GRI 103-2	The management approach and its components	8, 9, 32, 35-38, 44-49	
	GRI 103-3	Evaluation of the management approach	8, 9, 32, 35-38, 44-49	
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	49	
	GRI 201-3	Defined benefit plan obligations and other retirement plans	225	
	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	87	
	GRI 301-2	Recycled input materials used	-	The Company has not used any recycled materials during the financial year.

GRI Index Table

Section	GRI Standard No.	Disclosure	Page reference	Remarks
Energy	GRI 302-1	Energy consumption within the organization	86-87	
	GRI 302-2	Energy consumption outside of the organization	-	The company does not use energy outside the organization.
	GRI 302-3	Energy intensity	86-87	
	GRI 302-5	Reductions in energy requirements of products and services		"Energy reduction cannot be accurately calculated or measured in relation to specific products or services and company does not track this information at present."
	GRI 302-4	Reduction of energy consumption	86-87	
Water	GRI 303-1	Interactions with water as a shared resource	-	Our business does not interact with natural water bodies or related habitats. The company's use of water from shared resources is minimal, and water is only used for basic human needs. Further, we only use the supply of the national water board and drinking water is supplied by a mineral water supplier.
	GRI 303-2	Management of water discharge-related impacts	-	As a finance company, we do not discharge water effluents into the environment. Further, We are in the process of adhering to the IFC Exclusion List and have internally prepared a risk assessment fact sheet to help identify the nature of our customers' businesses. Based on the evaluation, we do not finance any business operation which creates an adverse impact on the environment, and our staff is well trained on eligible customer segments.
	GRI 303-3	Water withdrawal	87	

Section	GRI Standard No.	Disclosure	Page reference	Remarks
	GRI 303-4	Water discharge	-	Although our company primarily uses water for drinking and hygienic purposes, which discharge through proper channels, we are concerned that access to quality water is becoming rare. Therefore, we run routine maintenance inspections for water leakages and promptly rectify any issues. The company regularly conducts awareness programs on water conservation to encourage efficient use of water by employees.
	GRI 303-5	Water consumption	87	
Emissions	GRI 305-1	Direct (Scope 1) GHG emissions	87	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	87	Measured and reported for CO2 emissions only
	GRI 305-5	Reduction of GHG emissions	87	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	89	
	GRI 304-3	Habitats protected or restored	89	
	GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	89	

GRI Index Table

Section	GRI Standard No.	Disclosure	Page reference	Remarks
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.
Supplier Environmental Assessment	GRI 308-1	New suppliers that were screened using environmental criteria	-	"All new suppliers were screened using E&S declaration form 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	71-73	
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	72-76	
	GRI 401-3	Parental leave	76	
Training and Education	GRI 404-1	Average hours of training per year per employee	72	
	GRI 404-2	Programs for upgrading employee skills and transition assistance programs	72	
	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	75-76	
	GRI 405-2	Equal remuneration for men and women - Ratio of basic salary and remuneration of women to men	76	
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 form 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

Section	GRI Standard No.	Disclosure	Page reference	Remarks
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.
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	82-83	
	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-corruption	GRI 205	Operations assessed for risks related to corruption	-	
	GRI 205	Communication and training about anti-corruption policies and procedures	-	Not conducted during the year under review
	GRI 205	Confirmed incidents of corruption and actions taken	-	None reported during the year under review
Anti-competitive Behavior	GRI 206	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	None reported during the year under review
Tax	GRI 207-1	Approach to Tax	190-191	
	GRI 207-2	Tax governance, control, and risk management	190-191	
	GRI 207-3	Stakeholder engagement and management of concerns related to tax	38	

GRI Index Table

Section	GRI Standard No.	Disclosure	Page reference	Remarks
Customer Health and Safety	GRI 416-1	Assessment of the health and safety impacts of product and service categories	80	
	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, 51, 52, 54	
	GRI 417-3	Incidents of non-compliance concerning marketing communications	-	There were no incidents of non-compliance concerning marketing communications, Substantiated complaints concerning breaches of customer privacy and losses of customer data or non-compliance with laws and regulations in the social and economic area during the year under review.
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	-	

Disclosure on CA Sri Lanka Gender Parity Reoporting

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	23-26, 91	
	Senior Leadership	27-28	
	Middle Management	27-28	
	The Major Employment Categories	75-76	
	Composition of Male/Female under:		
	Recruitment	70	
	Promotions	69	
	Key departments	76	
	Major geographic locations	75	
	Exists	71	
Gender Gap Indicators	Gender Analysis in Each Pay Quartile	76	
	Raw Mean Gender Pay Gap	76	
	Raw Median Gender Pay Gap	76	
	Proportion of Women Who Received Training	71-72	
	Training Hours Analyzed by Gender	71-72	
	Retention of Women at Work 12 Months After Maternity Leave	71	
	Proportion of Females who Received a Performance Bonus	73	
	Proportion of Women in IT, Engineering and Production Related Activities	-	"We have two 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."

Independent Limited Assurance Report

To The Board of Directors of Alliance Finance Company PLC On The Global Reporting Initiative Index (GRI Index)



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Introduction

We were engaged by the board of directors of Alliance Finance Company PLC ("the Company") to provide assurance in respect of the Global Reporting Initiative Index Table presented on pages 265 to 272 ("GRI Index") and the connected information disclosed throughout the annual report for the year ended 31 March 2022 ("the Annual Report").

Board of Directors and Management's responsibility

Alliance Finance PLC's management is responsible for the preparation and presentation of the GRI Index on their impact on the economy, the environment, and/or society in accordance with the GRI Sustainability Reporting Standards GRI-101, GRI-102, GRI-103; and the selection of material topics relating to the Company's business operations in line with GRI Core Reporting Standards; 200 series – Economics, 300 series – Environmental, 400 series – Social, and disclosure of relevant, accurate and complete information relating to those selected topics.

The management is also responsible for the information and assertions contained in the GRI Index; for determining its objectives in respect of the selection and presentation of sustainable development performance; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements,

professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to carry out a limited assurance engagement in relation to the GRI Index and to express a conclusion based on the work performed.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka. In accordance with the Standard, we have:

Independent Limited Assurance Report To The Board of Directors of Alliance Finance Company PLC On The Global Reporting Initiative Index (GRI Index) (Continued....)

Our responsibility (Continued....)

- Used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material

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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misstatements in the Company's GRI Index, whether due to fraud or error;

- Considered relevant internal controls when designing our assurance procedures, however, we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Limited assurance on the GRI Index

Our limited assurance engagement on the GRI Index Table consisted of making enquiries, primarily of persons responsible for the preparation of the GRI Index Table, and applying analytical and other procedures, as appropriate. These procedures included:

- Enquiries of management to gain an understanding of the Company's process for determining material GRI issues for the Company's key stakeholder groups;
- Enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance GRI Index, including the aggregation of the reported information;
- Interviews with relevant staff responsible for developing the content (text and data) within the Company's GRI Index to understand the approach for management, monitoring, collation, and reporting of such information; and the reasonableness of reported text and data within the Company's GRI Index;
- Comparing the GRI Index to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Annual Report;
- Reading the Limited Assurance GRI Index presented in the Annual Report

to determine whether they are in line with our overall knowledge of, and experience with, the GRI Index performance of the Company;

- Reading the remainder of the Annual Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.
- Reviewing Board minutes to ensure consistency with the content of the GRI Index.
- Obtaining a letter of representation from management dated 8 June 2022 on the content of the Company's GRI Index.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the GRI Index.

Independent Limited Assurance Report To The Board of Directors of Alliance Finance Company PLC On The Global Reporting Initiative Index (GRI Index) (Continued...)

Our Conclusion

Based on the procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that GRI Index included in the Annual Report, as defined above, for the year ended 31 March 2022, is not presented, in all material respects, in accordance with the Global Reporting Initiative Sustainability Reporting Standards (GRI Sustainability Reporting Standards).

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Board of Directors of Alliance Finance Company PLC in determining whether the Company's annual report is prepared in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.



**Edirisinghe & Co.,
Chartered Accountants**

Colombo 02
08th June 2022

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

ACCRUAL 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

ALLIANCE FINANCE COMPANY PLC

Notice is hereby given that the Sixty Sixth Annual General Meeting of Alliance Finance Company PLC, will be held on Tuesday, 20th September 2022 at 9.30 a.m. as a hybrid meeting at Alliance Finance Company PLC office at 722, Kotte Road, Rajagiriya.

The business to be brought before the Meeting will be:-

1. To receive and consider the Annual Report and the Financial Statements for the Financial year ended 31st March 2022, with the Report of the Auditors thereon.
2. To declare a Dividend
3. To re-elect a Director
Mr. Lloyd John Hiran De Silva retires under Articles numbered 130 and 131.
4. To re-appoint Auditors to hold office until the next Annual General Meeting and to fix their remuneration.
5. To authorize the Directors to determine and make donations.

By Order of the Board of Directors

ALLIANCE FINANCE CO.PLC

Sgd.

Alliance Management Services (Private) Limited

Secretaries

29th August 2022

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) To be valid, the completed Form of Proxy must be lodged at Alliance Management Services (Pvt) Ltd No.84, Ward Place, Colombo 7, not less than 48 hours before the meeting.
- (iv) Physical participation following health guidelines, will be limited and those who register on a first come first served basis will be accommodate..
- (v) Shareholders/Proxy holders are requested when attending the Annual General Meeting to bring with them their National Identity Cards or any other form of valid identification.
- (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 holders 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

(in block letters)

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, Wickramasinghe Pathirana Kusal Jayawardana or failing him, Jalathge Mahinda Gunasekera 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 Sixth Annual General Meeting of the Company to be held on 20th September 2022 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"/>

Signed this day of2022

.....
Shareholder N.I.C. No./Co. Reg. No./P.P. No.

.....
Signature

Instructions as to completion of Form of Proxy given overleaf

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 the Address of the Proxy holder and of the Shareholder appointing the Proxy should be entered legibly in the Form of Proxy. Please perfect the Form of Proxy, by signing in the space provided and filling in the date.
3. To be valid, the completed Form of Proxy should be deposited at the Office of the Company Secretaries, No.84, Ward Place, Colombo 7, or emailed to alserve@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 which should be affixed and attested in the manner prescribed by its Articles of Association.
5. If the Proxy holder 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 - Deputy Managing Director

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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